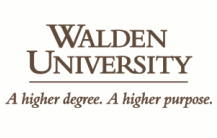

2017

Relationship Between Corporate Social Responsibility and Corporate Financial Performance

Christopher Lim
Walden University

Walden University

College of Management and Technology

This is to certify that the doctoral dissertation by

Christopher Lim

has been found to be complete and satisfactory in all respects,
and that any and all revisions required by
the review committee have been made.

Review Committee
Dr. Dean Frost, Committee Chairperson, Management Faculty
Dr. Thomas Spencer, Committee Member, Management Faculty
Dr. Branford McAllister, University Reviewer, Management Faculty

Chief Academic Officer
Eric Riedel, Ph.D.

Walden University
2017

Abstract

Relationship Between Corporate Social Responsibility and Corporate Financial Performance

by

Christopher Lim

MScIM, University of Strathclyde, 2005

Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Philosophy

Management

Walden University

November 2017

Abstract

Consumers are demanding that corporations become more socially responsible. Executives are challenged to maximize shareholders' returns with achieving a favorable corporate citizen status. The research problem was a gap in knowledge and understanding of the impact of corporate social responsibility on financial performance. This study used multiple linear regression to assess the relationship between key indicators of corporate social responsibility and financial performance from 372 corporations in the S&P500 in 2014. The theoretical foundation was Freeman's stakeholder theory. Environment, community, human rights, diversity, employee relations, product quality, and corporate governance were measures of social performance. Return on assets was used to measure financial performance. When corporate social responsibility was evaluated as an aggregate variable, a significant and negative relationship was found in the financial and material sectors. When corporate social responsibility variables were evaluated independently, employee relations and product quality in the healthcare sector, and community in the financial sector, were found to be positively significant. Environment, product quality, and corporate governance in the financial sector, and employee relations in the consumer and energy sectors, were found to be negatively significant. This study revealed that the relationship between some social variables and financial performance are significant, but not always in a positive direction. Practitioners, executives, and managers can use the findings to evaluate their firm's social position, develop strategies to address gaps, and undertake actions to enhance their firm's social performance, thereby creating positive social change in the community.

Relationship Between Corporate Social Responsibility and Corporate Financial Performance

by

Christopher Lim

MScIM, University of Strathclyde, 2005

Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Philosophy

Management

Walden University

November 2017

Dedication

Being born to this world is an amazing gift and opportunity, and I want to thank the Lord for his grace and the gifts of patience and perseverance to stay focused through completion of this doctoral journey. My mother, Nancy, is an inspirational and guiding force. Her wisdom, kindness, and empathy are qualities that I aspire to inherit. My wife, Laura, persisted with me in the ups and downs during this journey. She is a great sounding board whenever I need to read my research drafts to someone. My son, Tristan, though only a third grader, would check in with me and inquire about my work. I would print my drafts and the final abstract, to my delight, for his reading pleasure. Both Laura and Tristan inspire me to do what I do; they are the light that shines on me. I dedicate this paper and my academic achievements to God, my creator; Nancy, my mother; Laura, my wife; and Tristan, my son, who will always remain the strongest spiritual force and inspirational beings shaping my life and destiny here on earth.

Acknowledgments

My heartfelt thanks to my dissertation committee, Dr. Dean Frost, Dr. Thomas Spencer, and Dr. Branford McAllister, for their guidance, support, and mentorship throughout this doctoral journey. Though the dissertation project is the longest and most challenging academic project I have ever undertaken, your insightful feedback on my drafts ensured I was moving in the right direction. Your encouraging words and feedback kept me focused, unwavering, and attentive to the successful completion of this dissertation. Dr. Katherine White, University of British Columbia, and her research assistant, Sarah Lee, who were so generous and kind to lend a helping hand in this dissertation project, I am deeply grateful to you. Sun Tzu, the great Chinese philosopher, keeps me motivated daily with his quote of wisdom: “The journey of a thousand miles begins with a single step.” Finally, I would like to acknowledge Laura, my wife, and Tristan, my son, the two most important people who inspire me every day to achieve and live to my fullest potential in this life.

Table of Contents

List of Tables

Chapter 1: Introduction to the Study

The past decade has brought about wealth and progress in the economic sector; however, economic success has not necessarily contributed to a better world. Over the past decade, the largest corporations have grown faster than the economy as a whole (Griffin & Molloy, 2015). In 2002, the collapse of Worldcom and Enron (Fadul, 2004) demonstrated that ethical problems created by corporate greed could generate considerable social distress. Six years later, some of the largest financial institutions of the world that are headquartered in the United States (e.g., Countrywide Financial, Bear Stearns, Lehman Brothers, AIG) experienced severe financial losses. These firms were all pursuing their primary interests in maintaining high share prices and bigger profits with less regard to social responsibilities (Falk & Blaylock, 2012). The financing bubble finally burst in 2008 resulting in a catastrophic economic meltdown in the United States and eventually in the global economy. The financial crisis begun in 2008 has impacted people's lives, the environment, and communities. The corporate failures that occurred in the 2002 and 2008 financial crises were significant historical events cited in the study of leadership, ethics, and corporate social responsibility (CSR) (Falk & Blaylock, 2012).

In the time since the great recession of 2008, corporate power has not diminished. Apple Inc.'s revenues for 2015 were over 298 billion U.S. dollars. This revenue surpassed the national gross domestic product (GDP) of Chile, Finland, Egypt, and the Philippines (Griffin & Molloy, 2015) individually reported in the calendar year of 2014. Since the 2008 financial crisis, the U.S. government, economically minded legislators, nongovernmental organizations (NGOs), and the general public have become more

concerned about the nature of corporate ethics and responsibility (Falk & Blaylock, 2012). The discussion of profit maximization, financial performance, leadership, ethics, social issues, and environmental issues has become more prevalent. A critical argument that has been used for several decades in economics is the notion that corporations exist to maximize returns to shareholders (Friedman, 1970). This contrasts with the alternate argument that corporations should also consider the interests of other stakeholders (Freeman, 1984). This debate leads to several research questions. How can CSR be tracked and measured by firm executives? What correlation (if any) does CSR have with corporate financial performance (CFP)? To answer these questions, I evaluated the corporate social performance (CSP) of the largest firms in the United States and examined the association of CSP with CFP for calendar year 2014. I gathered relevant CSP and CFP data from all the firms listed in the Standard and Poor's (S&P) 500. Because the market index of the S&P500 corporations constitutes 80% coverage of market capitalization, such a population has the power to significantly impact the U.S. and global economy. The continued dominance and power exerted by large U.S. corporations on the global economy, environment, and society provided the impetus for this research.

The measure of CSP was derived from seven performance variables classified in the environmental social governance (ESG) framework: (a) corporate governance (CGOV), (b) community (COM), (c) diversity (DIV), (d) employee (EMP), (e) environment (ENV), (f) human rights (HUM), and (g) product quality (PRO).

There were 71 indices incorporated within these seven performance variables contributing to an aggregate measure of CSP. In this study, I initially computed an aggregate value for each of the seven variables individually, and then established a composite of all seven to yield CSP. A multiple regression analysis technique was used to determine the relationship between aggregated CSP and firm financial performance.

To achieve the objectives, I conducted a review of the CSR literature, followed by an examination of CSP's empirical impact on CFP with relevance to stakeholder theory (ST). ST asserts that in addition to the firm shareholders, there are other firm stakeholders who are important to a firm. According to Freeman (1984), when corporate executives manage and treat all their stakeholders fairly, trade is improved and value is created in the market. The purpose of this study was to evaluate the possible correlation between CSP and CFP. If ST holds true, corporate executives might be motivated to take a more socially responsible path as a fundamental consideration in the overall corporate strategy.

In the following sections of this chapter, I present the background of the study, problem statement, purpose of the study, research questions, and hypotheses. I also review the theoretical foundation, nature of the study, definitions, assumptions, scope and delimitations, limitations, and significance of the study. I will conclude with a summary and transition to Chapter 2.

Background of the Study

CSR is part of the theoretical foundation of ST. ST asserts that when organizations treat all their stakeholders well, not just their shareholders, then the organization enhances its overall competitiveness and financial performance. Despite the

increasing awareness, education, and research on ST and CSR within the field, there is still doubt regarding the benefits of adopting a CSR-driven strategy. There is reluctance to move away from the predominant shareholder-oriented strategy that has prevailed in many organizations. CSR has gained increased visibility within the business world, and global corporations have embarked on CSR-related projects and initiatives to improve their corporate reputation and financial position. Though other empirical research studies have been conducted to investigate CSR's relationship with firm's financial performance, the findings to date are inconclusive (Ekatah, Samy, Bampton, & Halabi, 2011; Jia & Zhang, 2014). An estimated 20% of the studies conducted during the period from 1972 to 2002 on the CSR-CFP relationship revealed inconclusive results (Margolis & Walsh, 2003). Although most of the studies confirmed a positive and significant relationship between CSR and CFP (Margolis & Walsh, 2003), the tangible benefits of CSR and the financial gain it would bring to the firm continue to be a subject of debate (Brower & Mahajan, 2013). Therefore, in this study I examined the recent developments of firm CSP and continued with the ongoing research on the CSP-CFP relationship.

Problem Statement

In the past decade, no research has addressed the relationship between CSP and CFP within the top public corporations in the United States. A number of researchers found that when corporations score high on CSP, they gain reputational capital that improves their ability to attract resources, thereby enhancing their financial performance (Ahamed, Almsafir, & Al-Smadi, 2014; Varenova, Samy, & Combs, 2013). Other researchers have asserted that a high CSP will enhance a firm's competitive advantage

(Vidaver-Cohen & Bronn, 2008). Fewer researchers found either no significant relationship (Aras, Aybars, & Kutlu, 2010) or a negative relationship (Liou & Sharma, 2012) between CSP and CFP. Prevailing gaps in this field of research warranted further investigation of this topic. The research problem was a gap in knowledge and a complete understanding of the impact of CSR on CFP.

Purpose of the Study

The purpose of this quantitative study was to examine the impact of CSP on CFP using multiple linear regression analysis. The study was conducted using data gathered on the environmental, social, corporate governance, and financial performance from the largest corporations in the United States from 2014. First, I used a composite of the seven performance categories (independent variables) to derive an aggregate CSP and conducted a regression analysis with CFP (dependent variable). Return on assets (ROA) was used as the measure for CFP. The ROA data were gathered from the 2014 corporate returns of the S&P500 firms. Subsequently, I conducted a multiple regression analysis on the seven performance variables (CGOV, COM, DIV, EMP, ENV, HUM, and PRO) with CFP.

Research Questions and Hypotheses

This study was guided by the following research questions (RQs) and hypotheses:

RQ1: What is the relationship between CSP and CFP in calendar year 2014 in the S&P500 firms?

$H_0$1: No relationship exists between CSP and CFP.

$$\beta_1 = 0$$

H_a1: A significant relationship exists between CSP and CFP.

$$\beta_1 \neq 0$$

To test the first hypothesis, I analyzed the data using the following regression model:

$$CFP = \beta_0 + \beta_1\ CSP$$

A level of significance $\alpha = 5\%$ was established to determine whether the null hypothesis would be rejected.

RQ2: What is the relationship between specific CSP variables and CFP in calendar year 2014 in the S&P500 firms?

$H_0 2$: No relationship exists between any of the CSP variables and CFP.

$$\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = \beta_7 = 0$$

$H_a 2$: A significant relationship exists between at least one of the CSP variables and CFP.

Not all the β_i (i = 1,2,3,4,5,6, and 7) are zero.

To test the second hypothesis, I analyzed the data using the following regression model:

$$CFP = \beta_0 + \beta_1\ ENV + \beta_2\ EMP + \beta_3\ CGOV + \beta_4 PRO + \beta_5\ COM + \beta_6\ DIV + \beta_7\ HUM$$

A level of significance $\alpha = 5\%$ was established to determine whether the null hypothesis would be rejected. Upon undertaking this analysis, I was able to determine whether any specific CSP variable was more predictive of CFP than the others when examining the CSP-CFP relationship.

Theoretical Foundation

ST was the underpinning theoretical framework for this study. According to Freeman (1984) who coined the term, when corporate executives manage and treat all their stakeholders fairly, not just the firm shareholders, value creation and trade are enhanced. These firm stakeholders are the employees, customers, suppliers, financiers, and people within the community that the firm does business in. When all the firm stakeholders are informed and convinced of the firm's purpose of business, they will be motivated to support the firm's objectives, thereby creating value for the firm and the society. CSR is part of the theoretical foundation of ST. CSR performance, in this study referred to as CSP, was evaluated using a set of variables identified under the ESG framework. CSP was measured using secondary data including seven categories classified under the ESG framework.

Nature of the Study

The nature of this study was quantitative using multiple regression analysis to investigate the relationship between CSP and CFP. To derive the aggregate CFP (the dependent variable), I collected ROA data from the S&P500 database over the calendar year of 2014. The independent variables were ESG ratings that were obtained from the STATS data set gathered by Morgan Stanley Capital International (MSCI) research, formerly known as Kinder, Lydenberg, Domini (KLD). Firms that did not have CSP and CFP data records were eliminated from the S&P500 data set. A total of 372 units was eventually used in the study. A significant representation of the U.S. economy was maintained because the S&P500 stock market index includes 500 leading companies and

captures approximately 80% of available market capitalization (Silverblatt, 2015). To determine the statistical power of the hypothesis tests, I used G*power software and derived the power to be >0.95 when the sample size exceeded 204, with effect size at 0.10 and alpha level at 0.05. Therefore, the use of all 372 companies for which valid data were available was adequate to detect any practically significant relationships described in the study hypotheses.

Definitions

Community (COM) index: A measure to assess a firm's contribution to the community based on the following criteria: (a) charitable giving, (b) innovative giving, (c) community engagement, and (d) community impact (MSCI, 2011).

Corporate financial performance (CFP): A measure of the firm's aggregate level of financial profitability over a given period of time (Bahhouth, Maysami, & Gonzalez, 2014).

Corporate governance (CGOV) index: A measure to assess a firm's performance in the area of governance based on the following criteria: (a) the quality of a firm's reporting on CSR efforts, (b) public policy efficacy, (c) governance structures controversies, and (d) other reported controversies (MSCI, 2011).

Corporate social performance (CSP): A measure of a firm's aggregate level of performance in the areas of corporate governance, social citizenship, and environmental responsibility (Callan & Thomas, 2009).

Diversity (DIV) index: A measure to assess a firm's openness to diversity based on the following criteria: (a) representation of women and minorities, (b) diversity of a

firm's board, (c) work/life benefits, (d) women and minority contracting, (e) gay and lesbian policies, and (f) employment of underrepresented groups (MSCI, 2011).

Employee relations (EMP) index: A measure to assess a firm's treatment of employees based on the following criteria: (a) union relations, (b) cash profit sharing, (c) employee involvement, (d) health and safety strength, (e) supply chain policies, programs and initiatives, and (f) other benefits and programs (MSCI, 2011).

Environment (ENV) index: A measure to assess a firm's impact on the environment based on the following criteria: (a) beneficial products and services, (b) pollution prevention, (c) recycling, (d) clean energy, (e) management systems, (f) regulatory problems, (g) substantial emissions, (h) climate change, (i) negative impact of products and services, (j) land use and biodiversity, and (k) non-carbon emissions (MSCI, 2011).

Environmental, social, governance (ESG) STATS: An annual data set of environmental, social, and governance ratings of publicly traded companies that is published at the end of each calendar year in spreadsheet form (MSCI, 2011).

Human rights (HUM) index: A measure to assess a firm's approach to human rights based on the following criteria: (a) indigenous people relation strengths, (b) human rights policies and initiatives, and (c) Burma and Sudan concerns (MSCI, 2011).

Product quality (PRO) index: A measure to assess a firm's efforts to improve product quality based on the following criteria: (a) safety and health effects, (b) benefits to economically disadvantaged, (c) access to capital, (d) product safety, (e) marketing/contracting concern, and (f) antitrust (MSCI, 2011).

Return on assets (ROA): A financial ratio that is commonly used to measure a firm's financial performance. ROA is used to evaluate how effectively and efficiently the firm management used the firm's assets to generate financial gains during the period of the calendar year (Tang, Hull, & Rothenburg, 2012).

Assumptions

The following assumptions were made in this study:

1. The applicability of ST to corporate strategy can be evaluated by linking a firm's social performance as the operational construct to ST.
2. The social performance of a firm can be evaluated using the ESG framework composed of seven categories: (a) corporate governance, (b) community, (c) diversity, (d) employee relations, (e) environment, (f) human rights, and (g) product quality.
3. The financial performance of a firm can be measured by using ROA as the key financial indicator of a firm's profitability.
4. The study conducted with a population of the largest 500 U.S. firms will be representative of the U.S. national business environment.
5. The source of data gathered for measuring CSP is objective and reported without any bias. CSP aggregate data truly reflects the firm's social, environmental, and ethical behavior in the study.

Scope and Delimitations

I conducted the study with a population of 372 firms from the S&P500 index headquartered in the United States. The population was composed of all industries: health

care, industrial, financial, information technology, telecommunication services, consumer sectors, utilities, and others. Firms that have a market capitalization of less than US5.3 billion for 2014 were not included in the study. Previous researchers found that the adoption of stakeholder management and CSR management theory is more relevant for large firms (Russo & Perrini, 2010) than for medium and small firms. Although the focus of the study was large businesses, the results of the study may be of interest to the entire business community.

Limitations

The data source for CSP was reported in a binary scale, and there was a chance that firm social performance calculated at an aggregate level may have reduced external validity. To mitigate this limitation, I used a large data set consisting of 372 firms to enable sufficient data points to be mined, compared, and analyzed to ensure an acceptable level of research validity. In addition, I conducted appropriate statistical tests to minimize data variance errors on the data set gathered from the source. Because this was not a longitudinal study, I selected the most recent year with available data at the time of the study.

Significance of the Study

This study was intended to contribute to the research literature on CSR by examining the relationship of CSP with CFP using ST as the theoretical framework. I also investigated the significance of ST and CSR for understanding strategic management of businesses. Friedman (1970) claimed that an organization's sole purpose is to maximize profits, and other activities that do not contribute to financial objectives are

secondary. Proponents of ST asserted that apart from the shareholders, there are other key stakeholders including customers, employees, suppliers, government, and the community that must be taken into consideration in corporate decision-making (Harrison & Wicks, 2013). Calling for corporate leaders to become more socially responsible has become more prevalent, yet many corporate leaders are not fully committed. Management executives are challenged with the competing interests of shareholders who are primarily concerned with short-term economic profits. The capitalistic model indicates that an organization's sole purpose is to maximize profits, and other activities that do not contribute to financial objectives are secondary.

Socially responsible tasks/actions are perceived as a cost and liability, as opposed to being viewed as an asset and investment toward long-term growth and sustainability. The study provided further insights into the seemingly paradoxical relationship between the pursuit of social responsibility and economic profits (Freeman, 1984; Friedman, 1970) and was intended to motivate corporate leaders and the business community with stronger aspirations to become better corporate citizens. The study was also undertaken to test the ESG constructs and the individual metrics validity and reliability as operational definitions. The multidimensionality of CSR was also evaluated. The use of S&P500 as an empirical data set substantiated and justified the external validity of the study, thereby providing scholars and practitioners with a reliable study as opposed to a case study of questionable generalizability.

Significance to Theory

I investigated the applicability and credibility of ST as a management model for businesses and society. The results could have demonstrated that firms that were aligned more closely with ST and achieve better CSP deliver better financial results. Findings could also have indicated that socially responsible firms experience poorer financial results. Another outcome could have been no significant relationship between CSP and CFP.

Significance to Practice

The results of the study may have indicated a significant relationship between CSR and CFP. Therefore, the message to corporate leaders and business managers would be to heed the call of CSR. The adaptation of a stakeholder approach and a strong focus on social responsibility could enhance a firm's competitive position and financial performance.

Significance to Social Change

By informing business leaders, government, lawmakers, and the general community of the positive and significant relationship between CSP and a firm's financial performance, positive social change should follow. Corporate leaders, government officials, and the general business community would likely increase their commitment and resources to the pursuit of CSR with less resistance from shareholders. When corporate leaders lead their organizations on the path of becoming better corporate citizens, the people in the community stand to benefit from the positive social actions, contributions, and change arising from these corporations. In addition, the social change

implications could include the possibility that evidence for a stronger CSR-CFP link might inspire management to improve organizational practices with regard to employees, community relations, and the environment.

Summary and Transition

In this chapter, I discussed the social impact of the recent 2008 financial crisis and suggested that the cause of these unfortunate events was primarily the irresponsible behavior of corporations. Prior to the recent financial crisis, ethical and integrity problems were evident at the executive level as seen in the downfall of large corporations like Enron and Worldcom (Fadul, 2004). Those unfortunate events underscore the importance of executive management's attention to CSR. Although financial profitability is an important measure of firm performance, social and environmental matters should not be neglected at the expense of profits.

The theoretical framework adopted for the study was ST. The purpose was to evaluate the extent of its adoption by firm management and to analyze the relationship between CSP and CFP. To this end, I adopted a set of key performance indicators defined by CSP as the operational construct in the measurement of ST. CSP was measured using secondary data including seven categories: (a) corporate governance, (b) community, (c) diversity, (d) employee relations, (e) environment, (f) human rights, and (g) product quality defined under the ESG framework of the data source. The dependent variable, CFP was measured by ROA.

The next chapter provides a review of the research literature and is composed of three sections. The first section delves into ST, the theoretical framework that guided the

study. The second section is a discussion of the nature of capitalism and corporations, the building blocks of the global economy. The third section provides a description of the constructs of CSR, CSP, and CFP, and includes a review of previous studies on the CSP-CFP link. I also analyze and evaluate the independent and dependent variables used to measure CSP and CFP.

Chapter 2: Literature Review

I examined CSP's impact on CFP within a population of the largest public corporations listed in the United States. I adopted ST as the theoretical framework for the study. Over the past 40 years, researchers have attempted to examine the contribution of CSR to a firm's financial performance. No consistent results have been established on the relationship between CSR and financial performance (Ekatah et al., 2011; Jia & Zhang, 2014), and there is no clear evidence of the benefits of CSR to organizational competitive advantage (Brower & Mahajan, 2013). Most researchers have claimed that when corporations score high on CSP, financial performance is enhanced due to improved ability to attract resources (Ahamed et al., 2014; Varenova et al., 2013) and building competitive advantage (Vidaver-Cohen & Bronn, 2008). Others have found either no significant relationship (Aras et al., 2010) or a negative relationship (Liou & Sharma, 2012) between CSP and CFP. In the past decade, there have been few studies conducted to examine the relationship between CSP and CFP in the leading public corporations in the United States.

Friedman (1970) asserted that the primary objective of managers is to deploy the resources allocated by shareholders for the sole purpose of deriving economic profits. Any diversion of a firm's resources toward social responsibility activities would result in a misuse of resources potentially resulting in an economically unprofitable outcome for the firm. According to Friedman, social problems are a matter for the state to address. Freeman (1984) countered that the firm is entitled to pursue profits as a corporate objective, but must also consider all stakeholders who interact with the firm. These

stakeholders should not be limited to the shareholders but should also include customers, employees, suppliers, lenders, and the community. In addition, corporations should be managed fairly for the firm to enhance its competitive advantage and achieve superior financial performance over the long term.

This chapter is a literature review and consists of three sections. The first is a review of ST, the theoretical framework guiding the study. The second is a discussion of the nature of capitalism and corporations. The third provides a description of the definition and constructs of CSR, CSP, and CFP. The fourth section is a synthesis of seminal papers and recent studies on the CSP-CFP link. A detailed analysis of the independent and dependent variables used to measure CSP and CFP is also included in this chapter.

Literature Search Strategy

When searching the literature, I retrieved 65 articles from the EBSCO, Thoreau, Academic Search Premier, and Business Source Premier databases. The following search terms were used individually and in either dual or triple combination: *corporate social responsibility*, *social responsibility*, *corporate financial performance*, *financial performance*, *stakeholder theory*, and *corporations*. To narrow the search parameters, I used Boolean operators and selected scholarly (peer reviewed) journals. The publications from 2011 to 2015 included 49 articles. To ensure continuity of the discussion of the research topic, I also used several seminal books and papers published between 1984 and 2010.

Stakeholder Theory

In 1963, Stanford Research Institute (now known as SRI) first included the word *stakeholder* in the management literature, which was defined as groups which management must remain responsive to and are deemed to be fundamental to an organization's existence (Freeman, Harrison, Wicks, Parmar, & Colle, 2010). The list of stakeholders included shareholders, employees, customers, suppliers, lenders, and society. Freeman, a young intellectual, was introduced to the stakeholder concept during the 1960s. Freeman expounded on the stakeholder idea and formulated the ST conceptual framework with a colleague, Emshoff (Freeman et al., 2010). Together, Freeman and Emshoff introduced ST to executives of AT&T, Bell Laboratories, and other large firms.

According to Freeman (1984), when corporate executives manage and treat all their stakeholders fairly, there is creation of value and improvement of trade in the society. Stakeholder management theory asserts that in addition to the shareholders, there are other players who are important to a firm. These players are termed stakeholders and should also be accorded the appropriate care and attention. These stakeholders are the employees, customers, suppliers, the financiers, and the people within the community whom the firm does business with. When all the stakeholders are treated fairly and become convinced of the firm's purpose of business, they will be motivated to support the firm's objectives and move in the same direction, thereby creating value for the firm and the society. Friedman (1970) countered that firms exist to serve only the shareholders' interest, and that the primary goal of business should be the maximization of profits. According to Friedman (1970), social, societal, and environmental problems

are matters for the state to address. When management uses a firm's resources for social or environmental purposes (i.e., activities not directed toward the primary objective of producing profits for the shareholders), the firm incurs auxiliary costs that may impact the financial performance negatively (Friedman, 1970). The collapse of large corporations including Enron, Worldcom, and Tyco in the early 2000s was largely a result of corporate greed (Fadul, 2004). The 2008 financial crisis confirmed that manic pursuit of corporate profits could lead to firm bankruptcies. The effects from the economic crisis were distributed to all the firm stakeholders and the community.

Profits are important to a firm. However, the earned value is seldom transferred to the community and society (Harrison & Wicks, 2013). ST asserts that the overall measure of firm performance should not be only economic results. A shareholder wealth maximization mind-set reduces the ability and/or desire of managers to think more broadly about what a firm might do to increase total value across the broader group of stakeholders. Harrison and Wicks (2013) proposed the stakeholder framework as a new approach that can be adopted to measure a firm's overall performance. Positive interaction and engagement with all the firm stakeholders are the keys to firm success as profit measures alone are incomplete (Freeman, 1984). Firm management is reminded to play a stronger and more involved role in ensuring fair play in the economic environment (Hiller, 2013). The firm's customer, a key stakeholder of the firm, can feel bad about identifying with a firm that has engaged in activities that are inconsistent with his or her values (Brower & Mahajan, 2013). In the automobile industry, customers who are concerned with the protection of the environment may be more inclined to purchase from

firms whose management philosophy explicitly professes their environmental strategy, goals, and objectives (Surroca, Tribo, & Zahra, 2013). Oremus (2013) reported on Tesla, a recent entry to the auto industry, credited as an innovator and pioneer of electric cars. Tesla's automobiles are not only free of carbon emission, they are also contemporary in style with state-of-the-art features. The Tesla design has appealed to a wide range of auto consumers, not just the early adopters of the product life cycle but also conventional auto customers (Oremus, 2013). In addition, Ducassy (2013) found that the CSR reputation of firms has implications on a firm's financial performance; when firm management is perceived by consumers to have neglected social responsibilities, the financial results correspondingly deteriorate.

To enjoy value creation and maintain strong financial performance over the long term, the firm should develop and maintain positive relationships with the firm's critical stakeholders (Freeman, 1984). When firms treat their employees, customers, and stakeholders with openness, trust, and respect, they increase the likelihood of positive financial returns. In a case study exploring the management approaches undertaken by two airline firms, Southwest and RyanAir, Bridoux and Stoelhorst (2014) found that Southwest, the firm that adopted a stakeholder approach, continuously delivered strong financial results, built a strong brand, and carved a niche as a reputable budget carrier in the airline industry. On the other hand, RyanAir adopted a profit-driven management style. RyanAir employees were hired with poor employment packages, customer satisfaction was low, and firm stakeholders were not accorded the appropriate attention. Although findings revealed that RyanAir's financial results improved in the short-term

due to the profit maximization initiatives, RyanAir suffered significant impact and detriment to the brand, reputation, and financial performance in the long term (Bridoux & Stoelhorst, 2014).

Other researchers found that poor stakeholder management might not directly impact CFP. Duhigg and Barboza (2012) reported that Foxconn, the largest contract manufacturer globally and one of Apple's largest manufacturing suppliers, suffered a factory explosion in Chengdu, China in May 2011. Two people were killed and several others were injured as a result of the explosion. Investigators found that the employees were subjected to harsh and unsafe working conditions. In light of these events, Apple suffered media criticism and bad publicity for several months; however, the impact on financial performance was insignificant.

Surroca et al. (2013) asserted that increasing stakeholder attention does not necessarily mean that a firm will improve CSR ratings. Surroca et al. found CSP perception to be dependent on the method of measurement and the location of the firm's operations. Multinational enterprises (MNEs) that develop and maintain the best possible CSR image in the home country might be tempted to compromise and tolerate lower standards of CSP in their foreign operations. For example, although Apple achieved high CSR ratings in Western regions, the CSR ratings paled in comparison to their management of the manufacturing contractors at the China operations (Surroca et al., 2013).

ST critics have argued that ST is too generic in nature, and too broad to address day-to-day management strategies and issues (Freeman et al., 2010). Questions have been

raised regarding what it means to create value for stakeholders and how such value can be measured (Harrison & Wicks, 2013). For a theoretical framework to be put into practice, it needs to be supported by specific variables and metrics that are measurable. CSR as a management philosophy was found to complement and address the shortcomings of ST in this context. When a firm's management adopts a CSR mind-set, the constructs of ST are espoused and operationalized in the environment. One notable institution that has recently embraced the philosophy of ST and CSR is the Clinton Foundation. Founded by former U.S. President Bill Clinton, the Clinton Foundation's primary objective is to bring corporate leaders, NGOs, governments, and the community together to tackle global problems. The adoption of a stakeholder mind-set by a firm's management was found to improve CSP (Brower & Mahajan, 2013) and deliver stronger financial results (Jia & Zhang, 2013) to firms. High CSP perception and ranking are found to positively influence and attract stock market investors, thereby leading to better market returns (Jia & Zhang, 2013). A leader's vision and consistent communication on CSR principles along with the organization's effective distribution of resources, decision-making, and production processes supported by the continued motivation and commitment of employees and stakeholders is the recipe for success (Quinn & Dalton, 2009).

Corporations and Capitalism

In this section, I provide a background on the history and development of corporations over time. To understand the motivation and actions of management in large corporations, a review of the corporate industry might provide further insight. "The

corporation's legally defined mandate is to pursue, relentlessly and without exception, its own self-interest, regardless of the harmful consequences it might cause to others" (Bakan, 2004, pp. 1-2). Garrett (2014) opined that corporations possess a constitutional right similar to human beings. With legal rights bestowed on the corporation equal to humans by the courts, it is no surprise that constitutional cases involving corporate litigants against the state have surfaced recently. Garrett (2014) highlighted three prominent cases. The first corporate litigant, American International Group (AIG), won a civil suit against the government when AIG asserted that the Federal Reserve overstepped its boundaries when it coerced AIG to accept a bailout during the height of the financial crisis. The second case, Southern Union Corporation (SUC), successfully won a Supreme Court victory asserting its Sixth Amendment right to have aggravating facts proven to a jury when prosecuted for environmental crimes. The third case held that the Goodyear Dunlop Corporation's subsidiaries in Turkey, France, and Luxembourg were not essentially at home in North Carolina, under its Due Process Clause test for general jurisdiction, and therefore could not be prosecuted in the home country. In each of these cases, corporations claimed rights usually ascribed to citizens.

For many decades, scholars, practitioners, government bodies, NGOs, and environmental institutions have debated the merits of capitalism. According to Henry, Deyoung, and Gordon (2009), capitalism can either act as a symbiotic (positive-enhancing) phenomenon in society or as a parasitic element in the environment. A healthy and economically stable life in society facilitates consumption and investment. An ailing society will not develop knowledge workers, produce cutting edge products and

services, raise capital, or spend on consumption to sustain the economic engine. There is a price tag for capitalism. The dominance of corporate power has somewhat contributed to increased unemployment, wage inequality, social problems, escalation of the arms race, and environmental problems (Henry et al., 2009).

In recent years, the continuing pressure to deliver higher financial returns to shareholders by management governing in large corporations has become increasingly stressful. According to Falk and Blaylock (2014), "The [2008 American financial crisis] was the result of human action and inaction . . . ignored warnings and fail(ure) to question, understand, and manage evolving risks within a system essential to the well-being of the American public" (p. 70). Contributing factors that led to the crisis were ineffective leadership, integrity problems, and social irresponsibility (Falk & Blaylock, 2014). In a study comparing CEO compensation before and after the 2008 financial crisis, Fang, Dolar, and Lun (2014) found that many CEOs continue to be remunerated with high salaries and bonuses in spite of the recent financial crisis in 2008 and despite significant declines in the stock market for their respective firms. The results suggested that the compensation policy for CEOs might be flawed as found in the context of executive remuneration (Fang et al., 2014).

Capitalism may be a necessary vehicle to stimulate an economy towards achieving the objectives of meeting human needs, improving efficiency, creating jobs, and building wealth. However, maximizing profits should not be the overriding objective, businesses must be redefined for the purpose of creating shared value (Porter & Kramer, 2011). Pressured to maximize profits and return dividends to shareholders quarter after

quarter, corporate management has resorted to waves of restructuring, personnel reductions, and relocation to lower-cost regions. During his tenure as CEO, Jack Welch of General Electric (GE) was revered as one of the most iconic CEOs in corporate history. Ironically, Welch was also reported as a ruthless corporate leader who undertook significant organizational restructuring that resulted in massive layoffs, and drastic cost-cutting measures to improve GE's bottom line.

Change in the business environment has been rampant. Researchers have claimed that the shareholder wealth maximization model is no longer effective to govern and mitigate the complexity in organizations (Harvey & Buckley, 2002). Driving the complexity and accelerated pace of change are factors such as, increasing rate of globalization, lack of protection for intellectual and physical property rights, virtual work groups and organizations, penetration of technology into decision-making, increased dependence on inter organizational relationships, and the impact to society and the environment. To address such dramatic changes in the environment, Porter and Kramer (2011) proposed a new management strategy called *the creation of shared value* that would take into consideration the firm's other stakeholders, and the impact of CSR to value creation.

A common misconception on corporate responsibility programs is the notion that such programs are undertaken in response to stakeholder pressure (external and internal) in order to improve firms' reputation, and thus are treated as necessary expenses (Harrison & Wicks, 2013). Adopting social responsible activities does not necessarily result in a cost-detriment to the bottom line. According to Porter and Kramer (2011),

there are benefits reported that are associated with costs-savings. Supply chain efficiency can be improved as an example. By reducing packaging and cutting one hundred million miles from the delivery routes of its trucks, Walmart lowered carbon emissions and saved $200M in costs (Porter & Kramer, 2011). Nespresso, a division of Nestle, radically shifted the procurement approach and took advantage of improving supplier quality and productivity while ensuring access to growing volumes (Porter & Kramer, 2011). Investing in wellness programs helped Johnson and Johnson saved $250M in health care costs (Porter & Kramer, 2011).

Stakeholder management was also found to be an effective internationalization management strategy (Wong & Ahmad, 2010). Wong and Ahmad (2010) found that MNEs that continuously develop strong stakeholder relations in the host country, maintain high social responsibility and ethical conduct while in the deployment of offshore manufacturing operations, achieved better corporate results. Firm executives and management are reported to be in a better position to do good for society. They are more effective in marketing their products and services to the end-customers than governments or non-governmental organizations (NGOs). Ablander and Curbach (2014) asserted that firm management should take the stance of becoming more socially responsible citizens as compared to merely pursuing private business' interests. Firm management should adopt a citoyen mindset. A corporate citoyen is one who engages in society, performing civil and political rights and duties.

In the next section, I provide the definitions and constructs of CSR, CSP, and CFP. I utilize seminal papers and recent research studies conducted on the CSP-CFP link

for the literature. Independent and dependent variables proposed to measure CSP and CFP are reviewed in this section.

Corporate Social Responsibility

The CSR philosophy and thinking originated more than six decades ago. Bowen (1953) first developed the viewpoint that businessmen must consider their obligations to the society at large while making decisions or formulating policies surrounding their business' objectives. Over the years, the CSR framework has undergone various stages of development and evolution. Lee (2008) described the evolution of the CSR milestones as follows: "social responsibilities in the 1950s-1960s, enlightened self-interest in the 1970s, corporate social performance model in the 1980s and strategic management in the 1990s." Specifically, Caroll (1991, p.40) defined CSR as,

> For CSR to be accepted by the conscientious business person, it should be framed in such a way that the entire range of business responsibilities is embraced. It is suggested that four kinds of social responsibilities constitute total CSR: economic, legal, ethical and philanthropic. Furthermore, these four categories of components of CSR might be depicted as a pyramid. To be sure, all these kinds of responsibilities have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place. (p. 40)

To date, Caroll's (1991) theory about CSR is one of the most widely accepted explanation in the business community. There is no question about the need for firms to adopt CSR behavior. The question that many practitioners commonly ask is what is the

impact of CSR with financial performance (Harrison & Wicks, 2013)? The association of CSR with CFP is complex. Firms that do well financially in principle would possess competitive advantages and unique value propositions in their business models. Although the idea of good corporate citizenship is not explicitly professed, it should be no doubt an inherent trait. A firm's original purpose during the initial stages of conception is to serve customer and the society needs through sales of the products and/or services. A profit is the result of that transaction. Shin (2013) reported that prior to the industrialization period, the shareholder value principle was not a dominant corporate strategy. The structure of a firm was not complex. Management and employee tasks were focused towards serving the needs of the customers and making sure the best products or services were delivered. A better livelihood is achieved among the firm stakeholders who benefited from the economic exchange (Shin, 2013). Capitalism in that sense was good for the people and the community. The quality of lives improved as a result of open trade and economic exchange driven by the free market principle (Harrison & Wicks, 2013).

Over time, as firms evolved, management's objective to maximize wealth and profits became the overriding priority (Shin, 2013). The shareholders were chasing bigger returns quarter after quarter. Climate and environmental issues began to surface in the past few decades as a result of increasing pollution caused by heavy manufacturing industries. Since the industrial and economic revolution, carbon emissions at an all-time high were detected in a firm's entire supply chain (Hashmi, Damanhouri, & Rana, 2015). The absence on recycling end-of-life products, dumping of scrap materials, unlawful mining of oil resources, and chopping of trees in the forest contributed to increasing

environmental damage. Environmental crises caused by corporate irresponsibility increased significantly over the last few decades. Examples might include the Bhopal chemical disaster in 1984, the Chernobyl nuclear accident, and the BP oilrig at Deep Water Horizon's explosion resulting in an oil spill in the Gulf of Mexico (Crossman, 2011).

In the 50 years since the creation of the stakeholder concept, capitalism became synonymous with an axis of evil, corporations were frequently labeled as irresponsible social entities, where the sole interest in firm management is the pursuit of economic profits, and all other objectives being secondary (Bishop, 2012; Kelly, 2013). Enron, Worldcom, Tyco bankruptcy in 2000 (Fadul, 2004), and the recent financial crisis in 2008, further tarnished the image and reputation of big corporations. Following the Tyco and Worldcom debacles, Chang, Kim, and Li (2014) reported that stricter financial regulations were instituted. The Sarbanes Oxley Act (SOX) was enacted as a safeguard and to function as a deterrent to mitigate further corporate fraud. According to Chang et al. (2014), firm management is espousing greater values for ethics, and to care more about their stakeholders' interests in the post-SOX period. Further, Chang et al. (2014) found firms that have improved their CSP deliver better financial results. Ironically, just a few years after the SOX was enacted, large financial institutions and other sub-prime mortgage lenders were blamed for the meltdown of the US and global economy that resulted in one of the most disastrous financial calamities ever. It was July 18, 2007 that two investment funds in the custody of Bear Sterns collapsed that propelled the financial crisis. The fall of Lehman Brothers followed at the start of 2008, with the remaining

financial demises occurring through the first half of 2008 (Ducassy, 2014). The world's most powerful corporate leaders overlooked one of the most important leadership traits: integrity. The question about ethics, integrity, and social responsibility became an even more controversial topic of discussion in the global business community.

The aftermath of the financial crisis may have diluted the efforts taken by corporate executives who may have diligently followed the socially responsible path. In a recent study, large US firms were found to be more favorable towards adopting environmental initiatives locally than in their overseas operations (Hashmi et al., 2015). These firms were found to "engage in eight activities related to sustainability: investing in energy-efficient methods, generating electricity from solar power, generating electricity from solar power, using biofuels, trading carbon credits, supporting environmental organizations, generating electricity from hydropower" (Hashmi et al., 2015, pp. 673). However, to date, no research has been done to determine if large firms in America have made any progress on their efforts to improve their corporate image and overall CSP following the aftermath of the financial crisis. In the following section, I review how past research has contributed to the understanding of the relationship between CSP and CFP.

Corporate Social Performance (CSP)

Starting in the 90s, many countries around the world have enacted legislation requiring firms to report on CSR metrics in their annual reports (Ducassy, 2013). Social and environmental activities are required to be documented and published for the purpose of awareness and educating their shareholders and other investors in regard to the firm's

CSR activities. Firm CSR performance has become an increasingly important criterion for Socially Responsible Investing (SRI) initiatives.

> According to the US SIF Foundation's 2014 Report on Sustainable and Responsible Investing Trends in the United States, as of year-end 2013, more than one out of every six dollars under professional management in the United States—$6.57 trillion or more—was invested according to SRI strategies. (US SIF Foundation, 2014, p.12)

Furthermore, Ducassy's (2013) findings established that a reasonable level of CSP could cushion the firm from potential negative effects resulting during the economic crisis mitigated by the stakeholder goodwill accrued during the past years. CSR is also suggested to enhance firm competitive advantage, with a good CSP, it was also found that investors would be reassured during crisis periods (Ducassy, 2013). Nevertheless, in order to measure a firm's CSR efforts, it is critical to understand the operational construct for firm CSR defined in this study as CSP. CSR efforts are generally categorized into six main areas: (a) internal organization, (b) customers, (c) supply chain, (d) society, (e) natural environment, and (f) corporate governance (Perrini, Russo, Tencati, & Vurro, 2011). CSP is defined as a measure that evaluates the performance of an organization in attending to the interests of the stakeholders (Gama Boaventura, Santos da Silva, & Bandeira-de-M, 2012). It may also be described as a snapshot of a firm's overall social performance at a particular point in time, a summary of the firm's aggregate social posture (Barnett, 2007). CSP has grown to become an important measure for overall corporate performance as seen in the increase on the public reporting of CSP in Fortune

500 firms, increased to 53% from close to zero in calendar year 2012 compared with calendar year 2000 (Chang et al., 2014).

The CSP construct is multi-dimensional, multi-faceted, and consisting of multiple variables. It is not simply an aggregate number. The validity and reliability of a CSP measure is a critical factor for CSR related studies (Margolis & Walsh, 2003). Perrini et al. (2011) challenged previous CSP-related studies as being too simplistic in the determination of a firm's CSP, and proposed that stakeholder-based management be adapted to help operationalize the CSP variables. Researchers have also posed differing views on the composition of CSP variables (Margolis & Walsh, 2003). Many past studies have simply taken CSP as an aggregate score, and thus the individual variables that influence overall CSP position might have been overlooked. For example, some studies have simply selected a single item as a proxy for generic CSP, which actually represented only one stakeholder (Surroca et al., 2010). In other cases, multiple variables were used but did not capture the CSP construct's multidimensionality. To elucidate on the latter, Jia and Zhang (2014) utilized two variables (corporate donation and employee benefits) to measure CSP. In the analysis of the results, the limitations posed on such a study were attributed to the absence on the understanding of how other variables such as, product quality and environmental performance might influence CSP scores.

More recently research firms like KLD have enabled CSP to be measured via multiple variables of stakeholders' interactions. The CSP data are collected annually based on a set of defined criteria. KLD data used to measure CSP were validated to be more objective and comprehensive as compared with other sources. Researchers attested

that the KLD rating scheme has been tested for construct validity as a credible measure for CSP whereby 80 indicators from the KLD source were used to measure CSP (Callan & Thomas, 2009). To overcome the gaps related to CSP measure, and to realize a credible study, there needs to be breadth and depth to mitigate internal and external validity concerns of the CSP construct. In this study, I will utilize KLD data, a multi-dimensional construct where previous studies have confirmed its validity and reliability (Brower & Mahajan, 2013; Lech, 2013; Perrini et al., 2011).

Corporate Financial Performance (CFP)

Financial performance is a measure of a firm's economic or profitability position at any given time. The word finance is commonly associated with economics and profits. To date, there is not a consensual definition of CFP (Bahhouth et al., 2014). In a research context, the measure and definition of CFP is subjected to the individual researcher's interpretation. Financial performance can be tracked and measured through various financial indicators or metrics in the accounting based framework. For example, the debt ratio is a measure of the percentage of a company's assets that are provided via debt. Bahhouth et al. (2014) found that higher debt ratios posed aggravated credit risk and led to a financially challenging situation for the firm. As debt increased, cash flow problems arise, investments in R&D, other business projects, and CSR related activities will likely decrease, because the firm management would be required to channel monetary resources to meet their debt obligations. If debt is not reduced consequentially, the probability to default by firm increases, a vicious cycle in the industry might become evident. The aftermath from a debt crisis might cause an economic crisis suffered by initially a few

firms, that could eventually escalate to infect the entire industry. Firm management and investors can thus evaluate a firm's business position using such financial indicators. The measures for CFP for firms are not based on a single metric but a variety of financial metrics. These metrics are divided into two main categories: (a) accounting (or fundamental) based, and (b) market based. Relative to the accounting based metrics, most researchers utilize the following metrics: (a) ROA (Berman, Wicks, Kotha, & Jones, 1999; Choi & Wang, 2009), (b) Return on Equity (ROE), or (c) Return on Sales (ROS) (Callan & Thomas, 2009; Graves & Waddock, 1999). Accounting based metrics are commonly associated with the current and short-term financial performance of the firm. Past researchers found that accounting based measures are better predictors of CFP than market-based measures (Wu, 2006). Accounting based measures are based on evaluation of a firm's unique characteristics, and provide firm management and investors a good source of data about the firm's past performance (Bahhouth et al., 2014). ROA was the most commonly used metric to measure financial performance (Berman et al., 1999; Gama Boaventura et al., 2012; Tang et al., 2012). Earnings Per Share (EPS), stock prices, Tobin Q's ratio are examples of market based financial metrics utilized in the CFP construct. Other CFP variables found in previous CSP-CFP studies were: operating margin (Hammann, Habisch & Pechlaner, 2009; Ogden & Watson, 1999), and Tobin's Q (Choi & Wang, 2009; Rose, 2007). Tobin's Q ratio is a common CFP variable adopted due to its ability to capture the value of long term investments that are intangible investments (Surroca et al., 2010). Researchers have also used stock price as a CFP and asserted that such a metric would capture the long-run impact of social performance on

stakeholder relationships (Baird, Geylani, & Roberts, 2012). ROA by nature is the most commonly used metric to measure financial performance as found in previous CSP-CFP studies (Barnett & Salomon, 2006, Berman et al., 1999; Gama Boaventura et al., 2012; Tang et al., 2012). The weakness of ROA is that it represents only short-term performance. Though past studies have utilized market-based financial metrics such as EPS and Tobin's Q to measure CFP, it has been cited to be a weakness as compared with accounting-based financial indicators, such as ROA (Barnett & Salomon, 2006).

Previous Studies of CSP-CFP Relationships

Over the past few decades, positive and significant relationships between the CSP and CFP constructs have been found in majority of studies conducted to evaluate CSP's relationship with CFP. A majority of these studies utilized the quantitative methodology (Arsoy et al., 2012; Ayuso, Rodriguez, Garcia-Castro, & Arino, 2014; Baird et al., 2012; Brower & Mahajan, 2013; Callan & Thomas, 2009; Gama Boaventura et al., 2012; Margolis & Walsh, 2003; Ntim, & Soobaroyen, 2013; Ni, Egri, Lo, & Lin, 2015; Santoso & Feliana, 2014; Waddock & Graves, 1997), with a few that adopted the mixed methods (Ameer & Othman, 2012). Descriptive statistics, and bivariate and multivariate regression analyses were most commonly the techniques applied. Researchers also found that in some cases, not only were CSR and CFP significantly and positively correlated, CFP in turn also influenced CSP thereby suggesting a bi-directional positive relationship (Arsoy, Arabaci, & Ciftcioglu, 2012; Ameer & Othman, 2012). In the latter studies, CSP was found to be both an antecedent of CFP, as well as a dependent predictor of CFP. Thus, the question whether CSP is the independent or dependent variable is also worthy

of further research, if CSP could also be an outcome of profits, and not only the antecedent for CFP (Callan & Thomas, 2009).

Mixed findings were also published in the research of the CSP-CFP link. Surroca et al. (2010) found no direct relationship between corporate responsibility performance (CRP) and CFP, only an indirect relationship that was mediated by a firm's intangible resources: innovation, human capital, reputation, and culture. Chetty, Naidoo, and Seetharam (2013) investigated whether CSR activities would lead to an improvement in firms' long-term financial performance but found no evidence of such. The study was conducted with South African firms for the period 2004 to 2013. Tuhin (2014) found no significant relationship between the CSP-CFP relationship on a study undertaken with Islamic banks in Bangladesh for the period 2007 to 2011. Lech (2013) also found no significance on the CSP-CFP research conducted with a sample of largest Polish companies from period of first quarter of calendar year 2010 to the third quarter of calendar year 2012.

Tyagi and Sharma (2013) investigated the relationship between CSP and CFP with a sample of 297 Indian firms and found negative correlation on the relationship when the study was conducted in the context of a developing economy. It was found that CSP might not be perceived as a critical performance metric when firm operations are located in a developing economy compared with more developed economies such as in Western Europe or the USA (Tyagi & Sharma, 2013).

Jia and Zhang (2014) studied ST and its influence towards how investors evaluate CSP. Corporate philanthropy was used as a measure of CSP. A U-shaped relationship

between pre-initial public offering (IPO) CSP and post-IPO short-term stock returns was found. Investing in CSP at the pre-IPO stages contributes to better stock market returns. If a corporation underinvests in post-IPO CSP, external stakeholders may deem the corporation socially irresponsible and negatively evaluate the CEOs (Jia & Zhang, 2014). Barnett and Salomon (2006) asserted that the CSP-CFP link is not a linear relationship. It is curvilinear or U shaped. As firm management invest in social responsibility over time, *stakeholder influence capacity* (SIC) is gradually enhanced, resulting in a stronger ability by the firm to transform the social asset developed to better financial returns (Barnett, 2007). As CSP investment initially occur and improve, the initial relationship with CFP is positive. A short CFP decline is then experienced, and as CSP develops positively further, CFP improves over the long term (Barnett & Salomon, 2012). CSP is an asset that is built through gradual and incremental efforts. CSP is considered a strategic capability similar to corporate reputation, corporate branding, or a set of technological asset. CSP is self-reinforcing, developed organically, and sustained over a long term. Development on CSP usually begins with small steps, it then picks up momentum, and when it achieved the tipping point, positive financial contribution is generated coupled with an improvement of the firm's competitive advantages. Yang, Lin, and Chang (2009) also claimed that long-run financial performance would be improved by sacrificing short-term CFP when firms are committed to invest on enhancement of CSP. In spite of recent interest on proving the curvilinear relationship on the CSP-CFP link (Barnett, 2006; Barnett, 2007; Barnett & Salomon, 2012), the findings remain inconclusive. The real impact of CSR efforts on CFP is still questionable. Several studies have proven the

mainstream assumptions that the more a firm invest on CSR programs, the better the economic and financial returns.

Despite extensive research done over the past decades on the CSP-CFP link, there is still no concrete determination that can be made on the relationship between these two variables. Thus, the continued uncertainty of the CSP-CFP relationship warrants further research and investigation in regard to the current state, and the evolving nature of the CSP-CFP relationship.

CSP-CFP Research Gap Addressed by Comprehensive Measures of CSP

Although a majority of studies in the past decades have established positive relationship between CSP-CFP, the overall results remain ambiguous due to shortcomings related to research design and possible bias accounted for in the respective studies (Margolis & Walsh, 2003). A key issue encountered by past researchers was the validity and reliability of CSP and CFP measures as mentioned in the earlier section. Relative to CSP measures, it is important to undertake a metric that captures a holistic and comprehensive dimension of CSR. I addressed this limitation as CSP was measured across seven dimensions covered in the ESG framework in my study.

The control of potential effects might also influence the results of the CSP-CFP link. Some of the control variables identified as significant to CFP are firm size, industry effects, and research and development (R&D). Existence of industry effects has been proven (Baird et al., 2012) to influence CSP and CFP measurements. In a previous study conducted during the period of calendar year 2001 to calendar year 2008, Baird et al. (2012) found that in the oil and gas industry, environmental responsibility is evaluated as

more significant compared with the other CSP variables. In several past studies on the CSP-CFP relationship, control variables that were mainly adopted were firm industry and size of firms (Gama Boaventura et al., 2012; Lech, 2013). Santoso and Feliana (2014) applied three control variables: firm size, debt level, and firm industry to their study. In light of the results found in past research, the influence of control variables should be considered when developing future CSP-CFP research studies. With regard to the issues of firm size and industry effect negating the validity of past studies, I addressed this limitation by using large size firms that represent all industrial sectors in the economy. Such an approach will ensure that the results are generalizable to the entire business economy.

Sample size and symmetry of the sample were also found to influence the validity of the results. A sample of 28 public listed companies reported in the Istanbul Stock Exchange Corporate Governance Index were extracted based on their high social responsibility scores (Arsoy et al., 2012). The weakness cited for the study was the few number of firms in the sample. In another study, the sample adapted in the research was a mix of large firms and SMEs potentially influencing the overall results of the study. The recommendation for future research is to conduct the study with a more symmetric sample (Ni et al., 2015) such as large public-traded companies only to be selected.

By taking a census approach that comprised 372 units (large sample), public and large corporations (sample symmetry), I addressed the limitation on sample size and symmetry found in previous studies. The data used for my study is collected from S&P500 firms during calendar year 2014. According to Chang et al. (2014), S&P500

firms are a representative group and provide high visibility, and thus using a census comprised of 372 companies from the S&P500 helped alleviate biases due to small samples.

Summary and Conclusions

Although several studies demonstrated there is a positive CSP-CFP link, no study has yet been done to determine if a significant relationship will be the result when conducted with a population of S&P500 firms during calendar year 2014. The uncertainty of the CSP-CFP relationship persists despite intensive research done in the past decades. Consequently, academic research on ST and CSR's influence on CFP up to this point does not provide sufficient grounds for practitioners in the field to pursue stronger CSR commitments. Thus, the question whether ST should be adopted by firms in order to develop better CSP position is still questionable. If large firms were found to embrace ST, CSP should consequently improve over time, wherein the business economy would develop into a more socially responsible industry. A global financial crisis would have been an unthinkable outcome. An updated data of CSP and CFP variables in calendar year 2014 were collected in my study. KLD data were used to determine the CSP construct through an aggregate measure to study the relationship of CSP with CFP. The study also provides information on the influence of specific CSP variable towards CFP. The positive social change I hope would result from the study is to inspire firms to embrace the ST management approach.

In the next chapter, I discuss the research design and methodology. I provide a review of the research design, and the research methodology in respect to sampling and

population, data collection process, the data analysis plan, and finally the threats to validity.

Chapter 3: Research Method

In this study, I assessed the predictions of ST by examining the relationship between CSR and CFP. The intent was to determine whether ST concepts can explain financial performance within certain industry sectors. During the 1950s, the shareholder wealth maximization mind-set proliferated in the business world (Friedman, 1970). Managers were forced to pursue profits with limited focus on CSR. Friedman (1970) claimed that managers should allocate and use firm resources with the sole objective to enhance profits. Any diversion of a firm's resources toward other activities such as socially or environmentally friendly activities may result in a depletion of firm resources and may impact profitability. According to Friedman (1970), social problems are a matter for the state to address.

On the other hand, ST proponents argued that a firm does not comprised only shareholders but also stakeholders including customers, employees, suppliers, shareholders, lenders, and society (Harrison & Wicks, 2013). Freeman (1984) asserted that all the stakeholders who interact with the firm must be managed equitably for the firm to enhance its sustainable competitive advantage and achieve superior financial performance. In this chapter, I discuss the research approach and methodology in the following sections: (a) research design and rationale; (b) research methodology including population, sampling, data collection, instrumentation, and data analysis plan; and (c) threats to validity of the study.

Research Design and Rationale

I examined the relationship between CSP and CFP for calendar year 2014. I collected data from 372 firms in the S&P500 database for calendar year 2014. A quantitative approach based on a postpositivist philosophical worldview was deemed to be the preferred methodology to address the research questions in this study. A multiple regression analysis was conducted to examine the data gathered on seven independent categories that made up the CSP score and one dependent variable that defined CFP. According to Mkansi and Acheampong (2012), quantitative research is the most appropriate method for analyzing empirical data of multiple constructs.

In this study, I measured firm CSP through an aggregated analysis of seven independent categories: (a) corporate governance, (b) community, (c) diversity, (d) employee relations, (e) environment, (f) human rights, and (g) product quality. Firm CFP was the dependent variable, measured using ROA. To eliminate (or control for) the influence of other possible variables in the CSP-CFP relationship, I included common control variables identified in previous studies: (a) firm size, (b) industry, and (c) debts. When the effects of all relevant variables were controlled for, internal validity of the study was reinforced and the true independent relationship between CSP and CFP was demonstrated. To mitigate potential spurious industry effects, I gathered, analyzed, and reported data according to industry sectors. This approach eliminated the need to use industry as a control variable. According to Chang, Kim, and Li (2014), S&P500 firms are a representative group that provides high visibility, and using a large data set in the study alleviated biases due to firm size effects. Therefore, firm size was not included as a

control variable. The use of ROA as a measure of the dependent variable, CFP, defused the potential of debts as a confounding variable because the assumption was that liquidity had been factored into the analysis (Bahhouth et al., 2014). The selection of ROA in this study meant it was unnecessary to include firm debts as a control variable. Following the path taken by previous researchers who used multiple regression to study the relationship between multiple constructs (Mkansi & Acheampong, 2012), I adopted multiple regression analysis to examine the relationship between CSP variables and CFP.

Methodology

I adopted a quantitative approach using multiple regression analysis. According to Mkansi and Acheampong (2012), the researcher can use multiple regression to assess the effects of each independent variable on one dependent variable and to study the overall effect of some or all of the variables acting together toward the outcome. The dependent variable, CFP, was measured using annual ROA data reported in the 1-year period. The independent variables were ESG ratings obtained from the STATS data set at MSCI research, formerly known as the KLD database. The KLD research has been updated annually since 1991 and is delivered to clients in Excel format or via WRDS. Company coverage includes the S&P500, and now encompasses the top 3,000 U.S.-based public companies. The selection of a quantitative, correlational design using a total of 372 units was determined to be appropriate for the study.

Population

No sampling was necessary because all S&P500 firms were used for the study. Firm management that has responsibility for 500+ employees within its jurisdiction is

found to exercise more influence and impact on the stakeholder environment compared to firm management that oversees only 50 employees. As the size and scale of the firm expands, its influence on the stakeholders and economic environment also increases. For example, when Apple, a firm with 92,000 employees, made the announcement to harness solar energy to fuel its facilities in Austin, Texas, the magnitude and impact of the initiative brought about massive media attention and enhanced the corporate relations with the local community, government, and environmentalists. If a firm of 50 employees decides to adopt CSR initiatives, the social media influence and impact is not as dramatic when compared with Apple's undertaking. Because the data were collected from 372 firms in the S&P500 index, the results were suitable for generalization with the population of U.S. firms that employ more than 1,000 employees. S&P500 firms constitute approximately 80% of the market capitalization of U.S. firms (Silverblatt, 2015), so the bandwidth of overall industry coverage was significant. To this end, no sampling was adopted because data were collected, organized, and analyzed from a census of the S&P500 firms.

Procedures for Recruitment, Participation, and Data Collection (Primary Data)

First, I compiled a template of all firm constituents in the S&P500 chronicled at the end of calendar year 2014. The template comprised approximately 500 units. The source was Standard and Poor's database. To gain access to the CSP data, I acquired the research support from a faculty member of the University of British Columbia (UBC) who had access to the MSCI KLD database. Working hand in hand with a research assistant from UBC, I obtained the relevant KLD STATS data required for the CSP

measure. With regard to the CFP dataset, I extracted the 2014 ROA performance data on each firm compiled in the template from CSIMarket. CSIMarket is an independent digital financial media company that provides integrated financial information and analytical applications to the global investment community. I began the process of data collection when approval was accorded by the Walden University's institutional review board (IRB). The IRB approval number to proceed with the study was 10-26-16-0317334.

Instrumentation and Operationalization of Constructs

To measure a firm's CSR efforts, it is critical to understand the operational construct for firm CSR defined in this study as CSP. ST emphasizes that firm management should consider the needs and concerns of the broader stakeholders in the corporate strategy. A positive interaction between the firm management and all stakeholders will usually yield a stronger financial performance (Freeman, 1984). Perrini et al. (2011) proposed that stakeholder-based management should be adapted to help operationalize the CSP variables. CSP is defined as a measure that evaluates the performance of an organization in attending to the interests of the stakeholders (Gama Boaventura et al., 2012). The CSP construct is multidimensional and multifaceted and consists of multiple variables. Many researchers used a varied approach to measure firm CSP. More recently, research firms like KLD have measured CSP via multiple variables of stakeholders' interactions. The CSP data are collected annually using consistent criteria. KLD data used to measure CSP were validated to be more objective and comprehensive as compared with other sources (Callan & Thomas, 2009). To overcome the gaps related to CSP measure and to conduct a credible study, I satisfied data breadth

and depth to mitigate internal and external validity concerns of the CSP construct. In light of the validation and support on KLD's data validity and reliability (Brower & Mahajan, 2013; Lech, 2013; Perrini et al., 2011), I used KLD data as the source for this study. In collaboration with UBC, I gathered data from MSCI, KLD STATS database, a leading research firm that specializes in the field of environmental, social, and governance research.

There were seven variables that constituted the CSP construct: CGOV, DIV, HUM, ENV, COM, PRO, and EMP. Within each CSP variable, there were multiple performance indicators. In total, there were 71 indicators scored. A combination of positive (or strengths) and negative (or concerns) performance indicators was built into each CSP variable. The ENV variable consisted of 16 positive indicators and seven negative indicators. An example of a positive indicator for ENV was Environmental Opportunities – Opportunities in Clean Tech, and a negative indicator was Toxic Emissions and Waste. The overall composition of the CSP variables and indicators was tabulated as follows: CGOV (two positive, four negative), DIV (two positive, two negative), HUM (two positive, three negative), ENV (16 positive, seven negative), COM (one positive, one negative), PRO (10 positive, six negative), and EMP (nine positive, six negative).

Based on MSCI's methodology (MSCI, 2016), I scored the individual performance indicators in the CSP variables using a binary scale. If a company met the assessment criteria established for an indicator, then this was signified with a 1. If a company did not meet the assessment criteria established for an indicator, then this was

signified with a 0. If a company had not been researched for a particular ESG indicator, then it was signified with NR (not researched). To address the first research question, I tabulated an aggregate CSP based on a composite of the seven CSP variables scored for each firm. To address the second question, I tabulated the composite score of the performance indicators classified in each CSP variable. This analysis yielded seven individual scores on each CSP variable for the sample firms.

Financial performance is a measure of a firm's economic or profitability position at any given time. To date, there is not a consensual definition of CFP (Bahhouth et al., 2014). The measures for CFP for firms are not based on a single metric but a variety of financial metrics. According to Gama Boaventura et al. (2012) and Tang et al. (2012), ROA is the most commonly used metric to measure financial performance. In light of the validation by previous researchers that ROA is a reliable metric to evaluate firm financial performance, I chose to adopt ROA as the measure of the dependent variable (CFP) for this study. To gather ROA data, I extracted the annual 2014 ROA from CSIMarket, a research firm that specializes in the field of financial reporting. ROA is reported as percentages and can be classified as a continuous variable.

Data Analysis Plan

I used the Statistical Package for the Social Sciences (SPSS) software program to analyze the data gathered from the source. SPSS is a software program that is commonly used by researchers in the analysis of quantitative data. SPSS enables the researcher to analyze multiple indices and large amounts of data, and it was well suited for a study that

included multiple data points. I implemented a robust data cleaning process and developed a checklist to manage any violations of assumptions to the data set.

First, I developed a data codebook that incorporated the following items: names of variables, variable labels, and a column to track any changes that might be affected on the data set. I then drafted a detailed analysis plan that depicted the steps of data cleaning, tracked modifications to variables, and hypothesis testing. I chose the types of graphs, tables, and figures to be used to display the data. The following areas were addressed: (a) outliers, (b) normality of variables, (c) missing data, (d) multicollinearity, and (f) homogeneity of variance. I further analyzed the data set using the following functions available in SPSS: descriptive tabs, bivariate correlation, and general linear model analysis. The research questions and hypotheses that were addressed are as follows:

RQ1: What is the relationship between CSP and CFP in calendar year 2014 in the S&P500 firms?

$H_0$1: No relationship exists between CSP and CFP.

$$\beta_1 = 0$$

H_a1: A significant relationship exists between CSP and CFP.

$$\beta_1 \neq 0$$

To test the first hypothesis, I analyzed the data using the following regression model:

$$CFP = \beta_0 + \beta_1\ CSP$$

A level of significance $\alpha = 5\%$ was established to determine whether the null hypothesis would be rejected.

RQ2: What is the relationship between specific CSP variables and CFP in calendar year 2014 in the S&P500 firms?

$H_0$2: No relationship exists between any of the CSP variables and CFP.

$$\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = \beta_7 = 0$$

H_a2: A significant relationship exists between at least one of the CSP variables and CFP.

Not all the β_i (i = 1,2,3,4,5,6, and 7) are zero.

To test the second hypothesis, I analyzed the data using the following regression model:

$$CFP = \beta_0 + \beta_1\ ENV + \beta_2\ EMP + \beta_3\ CGOV + \beta_4 PRO + \beta_5\ COM + \beta_6\ DIV + \beta_7\ HUM$$

A level of significance $\alpha = 5\%$ was established to evaluate if the null hypothesis is to be rejected. Upon undertaking this analysis, I was able to determine whether any specific CSP variable is more predictive of CFP than the others when examining the CSP-CFP relationship.

Threats to Validity

External Validity

I conducted the research using a large dataset where the data set accounted for more than 80% of the market capitalization in the U.S. economy. I assumed that the results from the study would be generalizable to the entire population of U.S. firms. It has been found that the adoption of ST and CSR management theory is relevant for large

firms (Russo & Perrini, 2010) endorsing the chosen data set (large corporations) for the study lending further credibility on the validity.

Internal Validity

MSCI KLD is a 40-year old reputable research firm with a strong commitment towards enforcing accuracy and reliability in the data collection and analysis process. In the data mining stages, MSCI KLD utilizes hundreds of sources to verify and validate the environmental, social, and corporate governance indicators in the dataset. Rigorous cleansing was performed before the final data were incorporated into the respective products. In light of the strong reputation and credibility of the data source, there were foreseeably limited threats to the internal validity of the study.

Construct Validity

A multi-dimensional, and multi-faceted approach would be adapted in the measure of CSP thereby reinforcing the theoretical framework of ST to be espoused in this research. The construct validity was enhanced through gathering and analyzing data collected on seven key independent variables: (a) environmental, (b) employee, (c) corporate governance, (d) product quality, (e) community, (f) diversity, and (g) human rights using the KLD data source. Past researchers have tested the KLD rating scheme for construct validity and attested that the KLD approach is a credible measure for CSP (Callan & Thomas, 2009). The financial metric, ROA, was used to measure the construct of CFP. ROA has been validated as a reliable metric to evaluate a firm's long-term profitability performance by measuring a firm's ability to generate an adequate return on their assets. ROA has also been determined as the most commonly used metric to

measure a firm's financial success (Berman et al., 1999; Gama Boaventura et al., 2012; Tang et al., 2012). The use of ROA was justified as a credible metric to measure the financial performance construct.

Ethical Procedures

No material ethical issues would result from the study as all the data is publicly available institutional data and no human subjects were utilized in the study. The data for CSP and CFP were collected from KLD and CSIMarket databases respectively. Both databases are maintained and managed by reputable research firms.

Summary

In this chapter, I reviewed the research approach and methodology. A quantitative approach and the rationale for the research method was proposed and evaluated. The purpose of the study was to examine the CSP-CFP relationship. I collected CSP and CFP data on all firms in the S&P500 database for calendar year 2014. To analyze and derive the mean aggregate CSP score of each firm, I utilized the SPSS software program. A multiple regression statistical analysis technique was adopted to examine the empirical data gathered on seven independent categories: (a) environmental, (b) employee, (c) corporate governance, (d) product quality, (e) community, (f) diversity, and (g) human rights that composed the CSP score. The dependent variable CFP was derived from ROA data. The hypotheses were tested applying the regression equation discussed in the data analysis section. Further insights to whether any specific CSP dimension is more significant than the others when examining the CSP-CFP relationship were also investigated using the gathered dataset.

Chapter 4: Results

In this chapter, I report the results of the analysis of the data gathered for the study. The purpose of the study was to investigate the relationship between CSP and CFP among the 500 firms that were reported in the S&P500 in calendar year 2014. To address the first research question, I examined the relationship between aggregate CSP and CFP as measured by ROA data. The alternative hypothesis was a significant relationship exists between aggregate CSP score and CFP in the overall dataset. To answer the second research question, I examined the relationship between specific CSP variables and CFP. The alternative hypothesis was a significant relationship exists between at least one of the CSP variables and CFP. First, I conducted a regression analysis of specific CSP variables and CFP at the aggregate level. Next, I conducted an analysis of specific CSP variables and CFP by industry sectors.

The chapter is organized in three sections. First, I provide an account of the data collection process. Then I present descriptive statistics to explain the data made available in the data set. Third, I analyze and interpret the findings to answer the research questions. Finally, I summarize and evaluate the results of the study.

Data Collection

The data collection took approximately 10 weeks from the time of IRB approval. First, I extracted a census of the S&P500 firms from the S&P database. The S&P500 includes 500 leading companies and captures approximately 80% of available market capitalization (Silverblatt, 2015). It is also regarded as the best single gauge of large-cap U.S. equities, and index assets are valued at approximately $2.2 trillion. The S&P500

database is updated continuously whenever there is a status change of a particular firm in the population. The status of a firm might change due to liquidation, mergers and/or acquisitions, or as a new entry to the S&P pool of firms due to a recent strong performance in its stock holdings. Because the study was intended to measure the correlation for calendar year 2014, the data were taken from the S&P500 census reported in the period of December 2014 (Silverblatt, 2015). A total of 454 firms were registered in the S&P500 on December 2014, not the entire 500 because 46 firms were eliminated due to liquidation, mergers, and acquisitions during calendar year 2014. The firm names were populated and entered onto an Excel template. The firms were classified into nine industry sectors based on the S&P500 industry classification: (a) consumer (CON), (b) energy (ERG), (c) financial (FIN), (d) health care (HC), (e) industrial (IND), (f) information technology (IT), (g) materials (MAT), (h) telecommunication (TELCO), and (i) utilities (UTI). Ticker symbols for each firm were then entered onto the master Excel template. I used ticker symbols because they facilitated the extraction of the firm's ROA data from the data source. The entire process for this data collection step took approximately 2 weeks. Table 1 provides the firm units and breakdown by industry sector as captured in the S&P500 list of firms.

Table 1

*Classification of S&P500 Firms by Industry Sector (*n = *454)*

Industry	CON	ERG	FIN	HC	IND	IT	MAT	TELCO	UTI
Firm units	110	38	80	47	60	61	26	4	28

Note. Data extracted from S&P Dow Jones Indices, 2014.

The next step involved the collection of the ROA data of each firm unit to be

retrieved and populated to the master Excel template. CSIMarket, an online financial database, offered a variety of financial indices on all publicly listed corporations. The ticker symbol recorded in the master Excel template was entered one firm at a time to the CSIMarket database to search each firm's calendar year 2014 ROA data. Every successful search on firm ROA was captured and entered into the Excel template. The search process was replicated for 454 units and took 2 weeks to complete. Out of the 454 firm units entered into the database to extract the ROA data, 24 firm units were missing from the CSIMarket database. The data set was therefore reduced to 430 units at this step of the data collection process.

The next step involved the retrieval of CSP data from the MSCI, KLD database. Through the support of and collaboration with UBC, UBC's nominated research assistant assisted in retrieving the data from the MSCI, KLD database. The ticker symbols for all 454 units were entered into the MSCI, KLD database to retrieve specific CSP variable values as planned. The CSP variables consisted of multiple indices reported under each of the seven CSP variables: ENV, COM, HUM, DIV, EMP, PRO, and CGOV. For each index that had been researched, a binary score of 0 or 1 was entered into the CSP template for each firm unit. An aggregate score for each CSP variable was then calculated and tabulated by adding up the scores of each index for each CSP variable. An aggregate CSP score for each unit was obtained by adding all seven individual CSP variables' aggregate scores. The process of mining, extracting, and tabulating the CSP template took approximately 3 weeks.

The next step was to transpose the data collected into the SPSS template. The firm

units, industry classification, and independent and dependent variables were entered into the SPSS template. First, the ROA data for all 430 units were transferred from the Excel template to the SPSS template. Then the aggregate scores for the individual CSP variables and the aggregate CSP scores for all firm units extracted were transferred to the SPSS template. Firms that did not have CSP data records were eliminated from the data set. In the process of cleaning and clearing the data set, I reduced the data set further to 372 firm units. The time taken to complete this activity was approximately 3 weeks. Descriptive statistics for the final data set are shown in Tables 2, 3, and 4. The CSP variable diversity (DIV) was eventually omitted from the study because there was a lack of data found in the KLD STATS. ENV was noted as the most common form of CSP scored in the final data set, and COM was the least common form as reflected by the means and standard deviations in Table 4.

Table 2

*Classification of Final Data Set by Industry Sector (*n = *372)*

Industry	CON	ERG	FIN	HC	IND	IT	MAT	TELCO	UTI
Firm units	84	31	65	39	49	52	22	4	26

Table 3

*Descriptive Statistics of Final Data Set (*n = *372)*

	Industry	ROA	Aggregate CSP
N Valid	372	372	372
N Missing	0	0	0
Mean	3.96	7.06	3.40
Median	4.00	6.00	3.00
Mode	1.00	0.85	2.00
Std. Dev.	2.39	5.07	2.14
Min	1.00	0.07	0.00
Max	9.00	34.79	11.00

Table 4

*Descriptive Statistics of CSP Variables (*n = *372)*

	ENV	COM	HUM	EMP	DIV	PRO	CGOV
N Valid	372	372	372	372	372	372	372
N Missing	0	0	0	0	0	0	0
Mean	1.01	0.12	0.18	0.82	0.00	0.38	0.89
Median	1.00	0.00	0.00	1.00	0.00	0.00	1.00
Mode	0.00	0.00	0.00	0.00	0.00	0.00	1.00
Std. Dev.	1.18	0.33	0.50	0.99	0.00	0.61	0.78
Min	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Max	5.00	1.00	2.00	5.00	0.00	3.00	3.00

Data Analysis

Once the SPSS template was updated with the data and checked for external validity, a linear regression analysis was conducted to address the research questions.

RQ1: What is the relationship between CSP and CFP in calendar year 2014 in the S&P500 firms?

$H_0$1: No relationship exists between CSP and CFP.

$$\beta_1 = 0$$

H_a1: A significant relationship exists between CSP and CFP.

$$\beta_1 \neq 0$$

To test the first hypothesis, I analyzed the data using the following regression model:

$$CFP = \beta_0 + \beta_1\ CSP$$

The results of the bivariate linear regression analysis revealed CSP not to be a significant predictor of CFP. The *p* value was .717, a value greater than .05, which failed to reject the null hypothesis for the model. Therefore, the results did not indicate a significant relationship between CSP and CFP. Tables 5 and 6 show the statistical findings.

Table 5

*ANOVA Table-Aggregate CSP Variable (*n = *372), y = CFP*

Source	SS	df	MS	F	*p* value	R^2	Adjusted R^2
Regression	3.397	1	3.397	.132	.717	.019	-.002

Table 6

*Coefficients Table-Aggregate CSP Variable (*n = *372), y = CFP*

Source	B	Beta	Sig.	Lower C.I.	Upper C.I.
Aggregate CSP	-.045	-.019	.132	-.287	.197

However, when a bivariate regression analysis was conducted to evaluate the prediction of CFP from CSP with the data segregated by industry sectors, the results obtained were significant, as shown in Tables 7 and 8. For the financial sector, *p* was 0.015; therefore, I rejected the null hypothesis and concluded that there was a significant relationship between CFP and CSP. The regression coefficient [B = -.967, 95% C.I. (-1.739, -.195) $p < .05$] associated with CSP suggested that with each additional unit of CSP, CFP declined by approximately 0.967 units. The R^2 value of .091 associated with this regression model suggested that CSP accounted for 9.1% of the variation in CFP, which meant that 91.9% of the variation in CFP could not be explained by CSP alone.

Table 7

*ANOVA Table-Aggregate CSP Variable Financial Sector (*n = *65), y = CFP*

Source	SS	df	MS	F	*p* value	R^2	Adjusted R^2
Regression	154.030	1	154.030	6.270	.015	.091	.076

Table 8

*Coefficients Table-Aggregate CSP Variable Financial Sector (*n = *65), y = CFP*

Source	B	Beta	Sig.	Lower C.I.	Upper C.I.
Aggregate CSP	-.967	-.301	.015	-1.739	-.195

For the materials sector, *p* was 0.034. Therefore, I rejected the null hypothesis and concluded that a significant relationship existed. The regression coefficient [B = -1.115, 95% C.I. (-2.139, -.092) $p < .05$] associated with CSP suggested that with each additional unit of CSP, CFP decreased by approximately 1.12 units. The R^2 value of .453 associated with this regression model suggested that CSP accounted for 45.3% of the variation in CFP, which meant that 54.7% of the variation in CFP could not be explained by CSP alone. Tables 9 and 10 show the statistical findings.

Table 9

*ANOVA Table-Aggregate CSP Variable Materials Sector (*n = *22), y = CFP*

Source	SS	df	MS	F	*p* value	R^2	Adjusted R^2
Regression	97.507	1	97.507	5.170	.034	.453	.205

Table 10

*Coefficients Table-Aggregate CSP Variable Materials Sector (*n = *22), y = CFP*

Source	B	Beta	Sig.	Lower C.I.	Upper C.I.
Aggregate CSP	-1.115	-.453	.034	-2.139	-.092

In summary, with regard to the first research question, the results suggested that when the regression analysis was undertaken at an aggregate level across the data set of 372 firm units, CSP did not have a significant relationship with CFP. However, when the data set was divided into specific industry sectors, CSP was shown to possess a significant relationship, albeit a negative relationship, with CFP, in the financial and material industry sectors. Relative to the other sectors, no significant relationship was

found between CSP with CFP. Table 11 shows the statistical results.

Table 11

Consolidated p Values and Confidence Interval Results Aggregate CSP Variable

Source	*p* value	Lower C.I.	Upper C.I.
Consumer	.100	-.835	.074
Energy	.880	-.625	.538
Healthcare	.127	-.207	1.602
Industrial	.467	-.730	.340
Information Technology	.550	-.379	.702
Telecommunications	.348	-.779	1.394
Utilities	.359	-.092	.244

RQ2: What is the relationship between specific CSP variables and CFP in calendar year 2014 in the S&P500 firms?

To approach the second research question, a multiple linear regression analysis was conducted to evaluate the prediction of ROA (a measure of CFP) from a model with all CSP variables: ENV, COM, HUM, EMP, PRO, and CGOV across the data set of 372 units. The variable, DIV was removed as there was no available scoring provided at that point of time. The data were analyzed using the regression model as described in this equation:

$$CFP = \beta_0 + \beta_1\ ENV + \beta_2\ EMP + \beta_3\ CGOV + \beta_4 PRO + \beta_5\ COM + \beta_6\ HUM$$

The existence of a linear relationship between CFP and the independent variables can be described as follows:

$H_0$2: No relationship exists between any of the CSP variables and CFP.

$\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = 0$

H_a2: A significant relationship exists between at least one of the CSP variables and CFP.

Not all the β_i (i = 1,2,3,4,5, and 6) are zero.

The results of the multiple linear regression analysis found that the *p* value for the entire model, all independent CSP variables, was > .05. Thus, the null hypothesis for this model was not rejected. See Table 12 and 13 for the statistical findings.

To further investigate if individual CSP independent variables were significant with CFP as the dependent variable (measured by ROA), I conducted a simple linear regression analysis for each individual CSP variable with CFP. The *p* values for all CSP variables were found to be > .05. The results are presented in Table 14.

Table 12

ANOVA Table-Specific CSP Variables (n = 372), y = CFP

Source	SS	df	MS	F	*p* value	R^2	Adjusted R^2
Regression	138.237	6	23.040	.896	.498	.015	-.002

Table 13

*Coefficients Table-Specific CSP Variables (*n = *372), y = CFP*

Source	B	Beta	Sig.	Lower C.I.	Upper C.I.
(Constant)	7.344		.000	6.341	8.346
ENV	.176	.041	.443	-.275	.626
COM	-.902	-.058	.359	-2.834	1.029
HUM	.126	.012	.848	-1.163	1.415
EMP	-.187	-.037	.491	-.721	.347
PRO	.473	.057	.290	-.405	1.351
CGOV	.455	-.070	.189	-1.136	.225

Table 14

*Bivariate Analysis on Individual CSP Variables (*n = *372), y = CFP*

Source	B	Beta	Sig.
ENV	.161	.038	.470
COM	-1.027	-.066	.203
HUM	-.441	-.043	.404
EMP	-.118	-.023	.658
PRO	.534	.064	.220
CGOV	-.484	-.074	.152

I then conducted a multiple regression analysis to evaluate the prediction of CFP from a model with all independent variables (ENV, COM, HUM, EMP, PRO, and CGOV), with the data set segregated by industry sectors.

For the consumer sector, the multiple regression analysis revealed that the overall regression model was not significant (p = .120). Examining the individual variables

revealed a significant relationship only between EMP and CFP (*p* value was found to be 0.031, which is < .05). See Table 15 and 16 for the statistical findings.

Table 15

*ANOVA Table-Specific CSP Variables by Industry Consumer Sector (*n = *84), y = CFP*

Source	SS	df	MS	F	*p* value	R^2	Adjusted R^2
Regression	211.053	6	35.176	1.752	.120	.120	.052

Table 16

*Coefficients Table- Specific CSP Variables by Industry Consumer Sector (*n = *84), y = CFP*

Source	B	Beta	Sig.	Lower C.I.	Upper C.I.
(Constant)	10.287		.000	8.409	12.165
ENV	.381	.118	.324	-.383	1.144
COM	-2.034	-.144	.199	-5.160	1.1092
HUM	1.253	.121	.321	-1.248	3.755
EMP	-1.446	-.240	.031	-2.754	-.138
PRO	-.634	-.091	.411	-2.162	.894
CGOV	-1.597	-.203	.090	-3.448	.254

For the energy sector, the multiple regression analysis revealed that the overall regression model was not significant (*p* = .095). Examining the individual variables revealed a significant relationship only between EMP and CFP. The *p* value was found to be 0.012, which is < .05, thus explaining a significant relationship. See Table 17 and 18 for the statistical findings.

Table 17

*ANOVA Table-Specific CSP Variables by Industry Energy Sector (*n = *31), y = CFP*

Source	SS	df	MS	F	*p* value	R^2	Adjusted R^2
Regression	91.060	6	15.177	2.068	.095	.341	.176

Table 18

*Coefficients Table- Specific CSP Variables by Industry Energy Sector (*n = *31), y = CFP*

Source	B	Beta	Sig.	Lower C.I.	Upper C.I.
(Constant)	6.120		.000	4.043	8.196
ENV	-.138	-.012	.955	-5.110	4.834
COM	.498	.084	.703	-2.164	3.159
HUM	-.412	-.113	.617	-2.092	1.268
EMP	-4.448	-.508	.012	-7.846	-1.050
PRO	.884	.074	.708	-3.934	5.702
CGOV	.770	.249	.169	-.352	1.892

For the financial sector, the multiple regression analysis revealed that the overall regression model was significant ($p = 0$). Examining the individual variables revealed a significant relationship between four CSP variables (ENV, PRO, CGOV, COM) and CFP. The *p* values for ENV, PRO, CGOV, and COM were found to be .035, .022, .000, and .012 respectively. See Table 19 and 20 for the statistical findings.

Table 19

*ANOVA Table-Specific CSP Variables By Industry Financial Sector (*n = *65), y = CFP*

Source	SS	df	MS	F	*p* value	R^2	Adjusted R^2
Regression	582.319	6	97.053	5.028	.000	.342	.274

Table 20

*Coefficients Table- Specific CSP Variables By Industry Financial Sector (*n = *65), y = CFP*

Source	B	Beta	Sig.	Lower C.I.	Upper C.I.
(Constant)	8.022		.000	5.396	10.647
ENV	-1.417	-.241	.035	-2.731	-.102
COM	7.060	.332	.012	1.631	12.489
HUM	-4.059	-.195	.135	-9.425	1.307
EMP	.166	.032	.770	-.962	1.294
PRO	-2.552	-.290	.022	-4.719	-.384
CGOV	-3.076	-.460	.000	-4.715	-1.437

To further investigate the contribution of the significant variables identified in the regression model, another regression analysis was undertaken only with the significant variables identified in the prior analysis. The *p* value on the second regression analysis was found to be .000 thus confirming a significant model. The *p* values for ENV, PRO, CGOV, and COM were .012, .028, .001, and .037 respectively. The coefficients for ENV, PRO, CGOV, and COM were -1.643, -2.443, -2.854, and 5.007 respectively.

ENV's regression coefficient [B = -1.643, 95% C.I. (-2.913, -.374) $p < .05$] associated with CSP suggested that with each additional unit of ENV, CFP declines by

approximately 1.64 units. PRO's regression coefficient [B = -2.443, 95% C.I. (-4.614, -.271) $p < .05$] associated with CSP suggested that with each additional unit of PRO, CFP declines by approximately 2.44 units. CGOV's regression coefficient [B = -2.854, 95% C.I. (-4.470, -1.238) $p < .05$] associated with CSP suggested that with each additional unit of CGOV, CFP declines by approximately 2.85 units. COM's regression coefficient [B = 5.007, 95% C.I. (.313, 9.701) $p < .05$] associated with CSP suggested that with each additional unit of COM, CFP improves by approximately 5.01 units. The results further confirmed the significance of the regression model predicting CFP with the four variables in the financial sector. See Table 21 for the statistical findings.

Table 21

*Coefficients Table- Significant CSP Variables By Industry Financial Sector (*n = *65), y = CFP*

Source	B	Beta	Sig.	Lower C.I	Upper C.I
(Constant)	8.158		.000	5.639	10.677
ENV	-1.643	.635	.012	-2.913	-.374
COM	5.007	.235	.037	.313	9.701
PRO	-2.443	-.277	.028	-4.614	-.271
CGOV	-2.854	-.427	.001	-4.470	-1.238

For the healthcare sector, the multiple regression analysis revealed that the overall regression model was significant ($p = .005$). Examining the individual variables revealed a significant relationship between CFP and two CSP variables: EMP and PRO. The *p* values for EMP and PRO were found to be .011 and .012 respectively. See Tables 22 and 23 for the statistical findings.

Table 22

*ANOVA Table-Specific CSP Variables by Industry Healthcare Sector (*n = *39), y = CFP*

Source	SS	df	MS	F	*p* value	R^2	Adjusted R^2
Regression	461.188	4	115.297	4.439	.005	.343	.266

Table 23

*Coefficients Table- Specific CSP Variables By Industry Healthcare Sector (*n = *39), y = CFP*

Source	B	Beta	Sig.	Lower C.I.	Upper C.I.
(Constant)	5.758		.001	2.613	8.904
ENV	.783	.158	.327	-.815	2.380
EMP	2.663	.381	.011	.642	4.684
PRO	4.525	.379	.012	1.083	7.967
CGOV	-1.435	-.217	.166	-3.496	.627

To further investigate the contribution of the significant variables identified in the regression model, another regression analysis was undertaken only with the significant variables identified in the prior analysis. The *p* value on the second regression analysis was found to be .002 thus confirming a significant model. The *p* values for EMP and PRO were .007 and .015 respectively. The coefficients for EMP and PRO were 2.771 and 4.230 respectively.

EMP's regression coefficient [B = 2.771, 95% C.I. (.794, .4.748) $p < .05$] associated with CSP suggests that with each additional unit of EMP, CFP improves by approximately 2.77 units. PRO's regression coefficient [B = 4.236, 95% C.I. (.856, 7.616) $p < .05$] associated with CSP suggests that with each additional unit of PRO, CFP

improves by approximately 4.24 units. The results further confirmed the positive relationship and significance of EMP and PRO on CFP in the healthcare sector. See Table 24 for the statistical findings.

Table 24

*Coefficients Table- Significant CSP Variables By Industry Healthcare Sector (*n = *39), y = CFP*

Source	B	Beta	Sig.	Lower C.I.	Upper C.I.
(Constant)	4.993		.002	2.599	7.388
EMP	2.771	.397	.007	.794	4.748
PRO	4.236	.355	.015	.856	7.616

In summary, with respect to the second research question, the results suggested that when multiple regression analysis of the specific CSP variables were undertaken at an aggregate level across the data set of 372 firm units, it was found that none of the CSP variables possessed a significant relationship with CFP. However, when the data set was segregated into individual industry sectors, the aggregate model was significant for only the financial and healthcare sectors. At the individual variable level, in the consumer and energy sectors, a significant relationship, albeit negative, was found between EMP and CFP. In the financial sector, three CSP variables (ENV, PRO, and CGOV) were found to have a negative relationship with CFP. On the other hand, COM was found to have a positive relationship with CFP. In the healthcare sector, a significant and positive relationship was found between two CSP variables, EMP and PRO, and CFP.

Summary of Results

The results of this study showed varied degrees and levels of the impact of CSP on CFP in the S&P500 firms for 2014. A summary of the results is discussed below with the statistical findings illustrated in Table 23.

1. No significant relationship was found between CSP and CFP, as measured by firm ROA, in the aggregate data set of 372 firm units.
2. Upon analysis undertaken by industry sector, CSP was shown to possess a significant relationship, albeit a negative relationship, with CFP in the financial and material sectors, as measured by firm ROA.
3. None of the individual CSP variables possess a significant relationship with CFP, as measured by firm ROA, in the aggregate sample of 372 firm units.
4. In analysis by industry sector, aggregate models were found to be significant for only the financial and healthcare sectors.
5. Upon analysis undertaken by industry sectors, a significant relationship, albeit a negative relationship, was found between EMP and CFP, in the consumer and energy sectors. Negative relationship between EMP and CFP were reported in these two sectors.
6. For the financial sector, a significant relationship was found between four CSP variables (ENV, PRO, CGOV, and COM) and CFP. Three CSP variables, ENV, PRO, and CGOV, were found to have a negative relationship with CFP. COM was found to have a positive relationship with CFP.

7. In the healthcare sector, a significant and positive relationship was found between two CSP variables, EMP and PRO, and CFP.

Table 25

Regression Results on p and Coefficient Values, y = CFP

Variable	Overall (n=372)	Financial (n=65)	Material (n=22)	Consumer (n=84)	Energy (n=31)	Healthcare (n=39)
Agg. CSP	0.717	0.015	0.034	0.100	0.880	0.127
	-0.045	-0.967	-1.115	-0.380	-0.043	0.698
ENV	0.443	0.035	0.325	0.324	0.955	0.327
	0.176	-1.417	-1.004	0.381	-0.138	0.783
COM	0.359	0.012	0.922	0.199	0.703	-
	-0.902	7.060	-1.291	-2.034	0.498	-
HUM	0.848	0.135	0.742	0.321	0.617	-
	0.126	-4.059	-3.325	1.253	-0.412	-
EMP	0.491	0.770	0.639	0.031	0.012	0.011
	-0.187	0.166	-0.956	-1.446	-4.448	2.663
PRO	0.290	0.022	0.351	0.411	0.708	0.012
	0.473	-2.552	-1.985	-0.634	0.884	4.525
CGOV	0.189	0.000	0.791	0.090	0.169	0.166
	-0.455	-3.076	0.863	-1.597	0.770	-1.435

Chapter 5: Discussion, Conclusions, and Recommendations

The purpose of this quantitative study was to examine the relationship between CSP and CFP using multiple linear regression analysis. The study was conducted using data gathered on the environmental, social, corporate governance, and financial performance from the largest 500 corporations in the United States from 2014. To derive the aggregate CFP, the dependent variable, I collected ROA data from the S&P500 database over the calendar year of 2014. The independent variables were ESG ratings obtained from the STATS data set gathered by MSCI research, formerly known as KLD. A complete census of the S&P500 was used for this study. Upon completion of a thorough data mining process, I derived the final data set of 372 firm units. To measure CSP, I used the KLD data including seven socially responsible variables. The specific variables used to measure CSP were environment (ENV), community (COM), human rights (HUM), employee relations (EMP), product quality (PRO), diversity (DIV), and corporate governance (CGOV). The CSP variable, diversity, was eventually omitted due to limited scoring data available. The research questions addressed the relationship between CSP and CFP. Financial performance was measured using the financial metric ROA of the firms in the data set. I evaluated whether there was any significant relationship between the aggregate CSP and individual CSP variables with firm financial performance as measured by ROA.

The results indicated that when aggregate measure of CSP was regressed against CFP based on the entire data set, no significant relationship was found with CFP. However, when regression analysis was conducted by industry classification, I found

significance relationships between aggregate CSP with CFP in the financial and material sectors. To address the second research question, I conducted a multiple regression analysis using specific CSP variables with CFP by industry sectors, and the findings in several sectors were found to be significant.

In the consumer and energy sectors, the multiple regression analysis revealed a significant relationship, albeit a negative one, between EMP and CFP. In the financial sector, the multiple regression analysis revealed a significant relationship between four CSP variables (ENV, PRO, CGOV, and COM) and CFP. In the health care sector, the multiple regression analysis revealed a significant relationship between two CSP variables (EMP and PRO) and CFP.

Interpretation of Findings

To investigate these relationships, I used the KLD and ROA data from MSCI and CSIMarket respectively and performed a multiple regression analysis on the data set collected from S&P500. All data collected were reported in the period of calendar year 2014. For Research Question 1, the results suggested that when the regression analysis was undertaken at an aggregate level across the data set of 372 firm units, aggregate CSP did not possess a significant relationship with CFP. When the analysis was conducted across sectors, CSP was shown to possess a significant, albeit negative, relationship with CFP in the financial and material industry sectors. Based on these findings, there are two lines of thought. First, it could be inferred that firms in the financial and material sectors might still be working toward economic recovery after the 2007-2008 financial crisis and therefore the investments on CSP might not yet yield the desired financial returns. The

alternative interpretation is that investments on CSP might actually be counterproductive in the relationship with financial performance. The analysis for the financial and the material sectors consisted of 65 and 22 firms respectively. With regard to firms operating in the financial sector, Weber, Diaz, and Schwegler (2014) reported that there was increased external pressure on firms to undertake socially responsible efforts during and after the financial crisis. The 2007-2008 financial crisis triggered firm executives to invest resources to improve CSP in the subsequent years. However, in that period of development, the efforts may not have yielded a financially positive relationship during the short term.

For Research Question 2, the results suggested that when multiple regression analysis of the specific CSP variables was undertaken at an aggregate level across the aggregate data set of 372 firm units, no significant relationship was found with CFP. When the regression was conducted across industry sectors, significant results were derived in some sectors. Nine industry sectors were included in this study: consumer, financial, energy, materials, utilities, health care, information technology, industrials, and telecommunications. Significant relationships between CSP variables and CFP were found in the consumer, energy, financial, and health care sectors.

In the consumer and energy sectors, a significant relationship, albeit negative, was found between EMP and CFP. The analysis for the consumer and energy sectors consisted of 84 and 31 firms respectively. The findings implied that positive contribution towards EMP might impact CFP negatively. The consumer sector is the largest subset in the study and consisted of the top global consumer and retail firms such as Starbucks,

McDonalds, Nike, and others. To uncover a negative relationship between employee relations with financial performance was alarming because a firm's competitive advantage in the consumer retail industry is critically dependent on the contribution of employees. For example, Howard Schultz, the CEO of Starbucks, is a strong believer in building strong employee relations. Starbucks employees are treated with utmost respect, dignity, and offered generous health benefits. The plausible interpretation in this scenario is that the costs and investments on employee relations outweighed the financial performance measured during this period of analysis. Such an interpretation would mean that firms have taken the steps in developing employee relations, but financial performance has yet to be accounted for. Bridoux and Stoelhorst (2014) suggested that investment in employee relations leads to better corporate performance; therefore, I am inclined to investigate the relationship between EMP and CFP at a deeper level in future studies.

In the financial sector, a significant relationship between four CSP variables (ENV, PRO, CGOV, and COM) and CFP was found. Three CSP variables ENV, PRO, and CGOV, were found to have a negative relationship with CFP. In this sector, the analysis consisted of the top 65 global financial firms such as American Express, Bank of America, Goldman Sachs, Wells Fargo, and others. Typically, the impact of environmental concerns such as toxic emissions and waste, packaging materials and disposal, and other environmental factors are minimal in a financial services industry. Therefore, the negative relationship between ENV with financial performance might not be a critical issue. However, the negative relationship between product quality and

corporate governance with financial performance was concerning. Weber et al. (2014) found that CSR performance related to corporate governance, business ethics, product responsibility, and labor issues was relatively lower in the financial sector compared with the other sectors. Deceptive tactics adopted in Wells Fargo's marketing and advertising of their financial products reported by the bank's customers in 2016 was another recent corporate scandal that plagued the financial industry. Corporate governance has been a prevalent issue within the financial industry after the 2007-2008 financial crisis. It could be inferred that firms might still be working toward economic recovery post 2007-2008 and that the investments in CSP might not yet have yielded the desired financial returns. However, the alternative argument could be that investments in CSP might be counterproductive in the relationship with financial performance, and consequently firm management might neglect the essence of product quality and business ethics in the pursuit of shareholder value. The CSP variable, COM, was found to have a positive relationship with CFP in the financial sector.

ST was affirmed as Freeman et al. (2010) asserted that the investment and contribution to community should lead to a positive financial performance. Weber et al. (2014) also reported that when firms donate to charities and provide support on community projects, firm reputation is enhanced, customers are gained and financial results are improved. It is enlightening to discover that especially in the financial sector, there is widespread negative relationship between CSP and CFP. More than 6 years have passed since the 2007-2008 financial crisis, and these results provided further insights, as well as questions, on the impact of each CSP variable on CFP. Nevertheless, the financial

sector requires further investigation. A longitudinal study might yield further insights as my study included only a cross-sectional approach.

In the health care sector, a significant relationship between two CSP variables (EMP and PRO) was found with CFP. Both CSP variables were found to possess a positive relationship with CFP. In this sector, the analysis consisted of the top 39 health care firms such as Johnson and Johnson, Baxter International, United Health Group, Pfizer, and others. As health care is a service-oriented industry, the development of talent is a key success factor. Product quality in the area of providing competitive health care products and services would also enhance a firm's competitive advantage. The positive relationship between EMP and PRO and financial performance, affirmed ST.

In summary, it can be inferred that the impact and significance of the CSP variables appear to vary based on the industry sector. A noteworthy finding in the consumer and energy sectors indicated that investment in employee relations might contribute to a negative financial outcome. To discover a negative relationship between employee relations and financial performance was alarming because a firm's competitive advantage in the consumer retail and energy industries is critically dependent on the contribution of employees. A likely interpretation is that the costs and investments in employee relations outweighed the financial performance measured during this period of analysis. There is a possibility that firms have taken concrete steps toward developing employee relations in their respective organizations; however financial performance has yet to be positively influenced. A deeper investigation of firm management's attitudes and approach toward employee policies operating in the consumer and energy sectors

would also provide further clarity on CSP's relationship with financial performance. In the financial sector, the results indicated widespread negative relationship except for the COM variable. More than 6 years have passed since the 2007-2008 financial crisis, and these results provided further insights, as well as questions, on the impact of each CSP variable on CFP. This is an industry that continues to be haunted by corporate scandals and controversies over the and therefore would warrant further study.

In the health care sector, I found that the influence of ST principles on employee relationships and product quality might contribute to positive financial performance. Because health care is a service-oriented industry, employee and talent development is a key success factor. Product quality in the area of providing competitive health care products and services would also enhance a firm's competitive advantage. The findings of a positive relationship between EMP and PRO and CFP confirmed that ST might influence a firm's financial performance in a positive direction.

Limitations of the Study

There were several limitations in this study that need to be addressed. The most obvious limitation was that the study was limited to big corporations. Despite this limitation, my study yielded enlightening findings regarding the relationship between social performance and financial performance for large firms. Although the focus of the study was large businesses, the results of the study may be of interest to the entire business community.

Second, this study was cross-sectional. I looked at the measurements of financial performance at a particular time only (December 31, 2014), and the measurements of

social performance over a 1-year period (2014). Further research is required to determine whether the relationships found in this study are confirmed in other periods. The research could include a longitudinal approach using cross-sectional data recorded over more periods of time (e.g., data from 2010 to 2015). A longitudinal approach would be more suited for the study of social performance, and it would be possible to incorporate a time trend in the analysis. A potential future study could also incorporate dependent variable analysis of the financial performance for 2015, 2016, and 2017 to accommodate the lagged study of the effects of CSP measured in 2014. In other words, the possibility that CSP in 2014 might not affect ROA until 2016 or 2017 could be addressed. In addition, a future study may also incorporate a 5-year repeated measures design.

Finally, my study included only data reported by KLD to evaluate firms' social performance. Using such data has some inherent weaknesses. There were instances in which data were not captured and scored on the performance indices, thereby impacting the internal validity. For instance, the CSP variable diversity was omitted due to the lack of information reported by KLD. Nevertheless, on the whole, CSP of the firms was properly measured in the study. A recommendation for further research in this area would be to incorporate qualitative research methodologies such as employee surveys and interviews with firm executives to complement the information gathered through the KLD source. However, researchers would need to take into consideration the challenges related to availability of time, financial resources, and openness of firm subjects to provide the data solicited.

Recommendations

Regarding the financial and material sector, the results indicated a conflicting relationship between stakeholders' relations and financial performance. This is concerning given the impact of the financial crisis on the people and the economy during and after 2007-2008. In the financial sector, a significant relationship was found between four CSP variables: ENV, PRO, CGOV, COM, with CFP. Three CSP variables, ENV, PRO, CGOV, were found to have a negative relationship with CFP. Since the 2007-2008 financial crisis, firms in the financial sector suffered a bad reputation and there has been increased public pressure to improve CSR image. Falk and Blaylock (2014) attributed weak corporate governance as a one of the contributing factors that resulted in the collapse of large financial corporations. To note the finding from this study that corporate governance has a negative relationship with financial performance is not surprising. Could it be that the costs to invest and implement CGOV directives, initiatives, and programs outweigh the financial returns? In the consumer and energy sector, the results suggest a negative relationship between employee relations with financial performance. Past research has found that investment towards employees yield better corporate performance (Bridoux and Stoelhorst, 2014), it is thus alarming to find that better employee relationships has an inverse relationship with financial performance. Once again, this is a concern that needs to be further investigated. In respect to the healthcare sector, it appears that the association between employee relations and product quality dimensions are positively related to financial performance. Such a finding is consistent with what has been observed in the healthcare market where notable pharmaceutical

firms generally produce better financial results when their products consistently meets the customers' expectations.

Further research and investigation should be conducted as an attempt to reconcile these findings. The recommendation is thus to undertake a longitudinal regression analysis on the CSR performance of firms with financial performance data to be collected over the same period. A five to eight years dataset and analysis will be ideal. Such a study would yield deeper insights in regard to the time trends and relationships of CSR and CFP as an extension to my study.

Implications

Although the study did not establish a significant relationship between CSR and financial performance at an aggregate scale, significant relationships between these two variables were established in specific sectors. In this study, the main theme and hypotheses expressed the belief that the adoption of ST as operationalized by the measure of CSP would result in a positive relationship with financial performance. The implications of the findings can be described by the following comments. First, at an aggregate level, when the analysis was done across the entire economic landscape, no significant relationship was found. Several past studies similarly found no direct relationship between corporate responsibility performance (CRP) and CFP (Chetty et al., 2013; Lech, 2013; Surroca et al., 2010; Tuhin, 2014). An obvious implication that can be drawn is that there are qualitative differences in the measure and the influential nature of CSP between industry sectors and thus it might not be feasible to evaluate performance using an aggregate number for the entire industry.

Second, the findings of a negative CSP-CFP relationship in the financial and material sectors confirmed the earlier inference that validity of the results are improved when the analysis is segregated by industry sectors. Tyagi and Sharma (2013) investigated the relationship between CSP and CFP with a sample of 297 Indian firms and found negative correlation on the relationship when the study was conducted in the context of a developing economy. A possible implication from this study could be that firms in those two sectors are focused on recovering from a lull global economy and potentially lack the focus towards CSP in the preceding years. Tyagi and Sharma suggested that CSP might not be perceived as a critical performance metric when firm operations are located in a developing economy such as India.

Third, the significant relationship found between CSP variables with CFP in the consumer, energy, financial, and healthcare sectors was most enlightening. In the consumer and energy sectors, a negative relationship was found between EMP and CFP. In a study of two airline firms, Southwest and RyanAir, Bridoux and Stoelhorst (2014) found that Southwest, the firm that adopted an employee-centered culture, continuously delivered strong financial results, built a strong brand, and carved a niche as a reputable budget carrier in the airline industry. While RyanAir, a profit driven firm whose management treated their employees poorly, delivered superior financial results in the short-term but suffered significant impact and detriment to the brand, reputation, and financial performance in the long run (Bridoux & Stoelhorst, 2014). To uncover a negative relationship between employee relations with financial performance was thus alarming in these sectors. The implications for such a scenario might be that the costs and

investments on employee relations outweigh the financial performance measured during the period of analysis. Firms in these sectors might have taken the steps in developing employee relations, however with financial performance yet to be accounted for. Therefore, I am inclined to investigate the relationship of EMP with CFP at a deeper level in future studies. In the financial sector, as discussed in the earlier section, three CSP variables, ENV, PRO, CGOV, were found to have a negative relationship with CFP. Negative relationship found between ENV with financial performance might not be a critical issue as the impact of environmental concerns such as toxic emissions and waste, packaging materials and disposal, and other environmental factors are minimal in a financial services industry. However, the implications with respect to product quality and corporate governance functions might well mean there are continued social challenges encountered in this industry. Weber et al. (2014) found that CSR performance related to corporate governance, business ethics, product responsibility, and labor issues were relatively lower in the financial sector compared with the other sectors. Deceptive tactics adopted in Wells Fargo's marketing and advertising of their financial products reported by the bank's customers in 2016 was another recent corporate scandal that plagued the financial industry. The positive relationship between COM and CFP in the financial sector was aligned with past research studies such as Weber et al. (2014), who also reported that when firms donate to charities and provide support on community projects, firm reputation is not only enhanced, more customers are gained, and financial results also improved. Finally, in the healthcare sector, the discovery of positive relationship of EMP and PRO with financial performance satisfied the hypothesis that ST and CSP

correlated positively with CFP.

The findings in the study were mixed and vary by industry sectors. A direct and causal relationship between CSP and CFP cannot be derived from these findings at this point. However, the implications derived in the discussion could provide managers and practitioners in the field a high-level insight of the CSP-CFP relationship with the potential to undertake further analysis or research. In addition, stakeholders responsible for the management of their respective sectors could use the knowledge and data found in this study to take positive social change and actions so as to address relevant social performance issues. The findings from this study might provide further impetus to academic scholars and practitioners to continue research and investigation on the measurement of ST and CSR, and further evaluate their practical implications with financial performance.

Conclusions

Corporations in the S&P500 possess high net worth and major influence across the global economy in many areas. In the area of CSR, it is even more important that large corporations lead the market in this respect. For instance, when Apple, a firm that has 92,000 employees, made the announcement to harness solar energy to fuel its facilities in Austin, Texas, the magnitude and impact of the initiative not only brought about massive media attention, it also enhanced the corporate relations with the local community, the government, and the environmentalists. Since the 2007-2008 financial crisis, it is still not possible to quantify and measure if firms have become more socially responsible or to determine the extent to which firms continue to pursue a profit-

maximization strategy. In recent years, the discussion on CSR has surged and firm management are seen to devote more efforts and resources towards improving their CSR image. Increasingly, consumers are also attracted to more sustainable and environmentally friendly products and services. As a result, the external market forces are imminent, and social and environmental responsibility has become an increasingly strategic imperative in many firms. The leadership and functional responsibility for CSR is also commonly placed at the executive level within the management team. Although significant progress has been made by firms in the past years on CSR with consumers' preferences leaning towards organic food products, sustainable manufacturing, reduced carbon emissions from automobiles, and environmentally friendly products, much work remains. Even under such intense public scrutiny, product recalls in the electronics, automotive, and healthcare sectors have not declined. Quality issues persist due to the severe competitive pressure to meet time to market' product launches. Carbon emissions and environment pollution generated by industrial manufacturing, waste disposal, and automotive vehicles also continue to be an issue impacting climate change.

The purpose of this study was to evaluate the relationship and impact of ST with financial performance with large corporations in the industry. Another objective was to promote the awareness of ST and advocate the practice of responsible social behavior and contribute to positive social change in the industry. Socially responsible corporations should produce environmentally friendly, outstanding quality products enforced by strong corporate governance policies. Executive management in these corporations should also develop and nurture strong working relations with the employees, support the community

through charitable donations or participation in community projects. The safeguard of human rights in business operations and promoting diversity in the workplace are issues that should not be neglected. The findings from the study has empowered me to make a significant contribution to society and I intend to communicate the results to corporate executives and managers across the globe. These key stakeholders can play a significant role not only in their firms' future financial performance but also in their social performance. Across the global landscape, corporate executives and managers in large corporations carry the clout, influence, and authority on social responsibility matters and thus have a very important moral obligation and responsibility to make this significant contribution to society.

References

Ablander, M., & Curbach, J. (2014). The corporation as citoyen? Towards a new understanding of corporate citizenship. *Journal of Business Ethics, 120*(4), 541-554. doi:10.1007/s10551-013-2004-8

Abro, M. M. Q., Khurshid, M. A., & Aamir, A. (2015). The use of mixed methods in management research. *Journal of Applied Finance and Banking*, 5(2), 103-108.

Ahamed, W. S. W., Almsafir, K. M., & Al-Smadi, W. A. (2014). Does corporate social responsibility lead to improve in firm financial performance? Evidence from Malaysia. *International Journal of Economics and Finance, 6*(3), 126. doi:10.5539/ijef.v6n3p126

Akella, D. (2008). A reflection on critical management studies. *Journal of Management and Organization, 14,* 100-110. doi:10.5172/jmo.2008.14.1.100

Ameer, R., & Othman, R. (2012). Sustainability practices and corporate financial performance: A study based on the top global corporations. *Journal of Business Ethics, 108*(1), 61-79. doi:10.1007/s10551-011-1063-y

Aras, G., Aybars, A., & Kutlu, O. (2010). Managing corporate performance: Investigating the relationship between corporate social responsibility and financial performance in emerging markets. *International Journal of Productivity, 59*(3), 229-254. doi:10.1108/17410401011023573

Arsoy, A. P., Arabaci, O., & Ciftcioglu, A. (2012). Corporate social responsibility and financial performance relationship: The case of Turkey. *Journal of Accounting and Finance, 53*, 159-176. Retrieved from http://www.na-

businesspress.com/jafopen.html

Ayuso, S., Rodriguez, A. M., Garcia-Castro, R., & Arino, A. M. (2014). Maximizing stakeholders' interests: An empirical analysis of the stakeholder approach to corporate governance. *Business Society, 53*(3), 414-439. doi:10.1177/0007650311433122

Bahhouth, V., Maysami, R., & Gonzalez, R. (2014). Are financial measures leading indicators to firm performance? *International Journal of Business, Accounting and Finance (IJBAF), 8*(2), 37-48. Retrieved from http://www.iabpad.com/journals/international-journal-of-business-accounting-finance/

Baird, P., Geylani, P., & Roberts, J. (2012). Corporate social and financial performance re-examined: Industry effects in a linear mixed model analysis. *Journal of Business Ethics, 109*(3), 367-388. doi:10.1007/s10551-011-1135-z

Bakan, J. (2004). *The corporation: The pathological pursuit of profit and power*. New York, NY: Free Press.

Barnett, M. L. (2007). Stakeholder influence capacity and the variability of financial returns to corporate social responsibility. *Academy of Management Review, 32*(3), 794-816. doi:10.5465/AMR.2007.25275520

Barnett, M. L., & Salomon, R. M. (2006). Beyond dichotomy: The curvilinear relationship between social responsibility and financial performance. *Strategic Management Journal, 27*(11), 1101-1122. doi:10.1002/smj.557

Barnett, M. L., & Salomon, R. M. (2012). Does it pay to be really good? Addressing the

shape of the relationship between social and financial performance. *Strategic Management Journal, 33*(11), 1304-1320. doi:10.1002/smj.1980

Berman, S. L., Wicks, A. C., Kotha, S., & Jones, T. M. (1999). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management Journal, 42*(5), 488-506. doi:10.2307/256972

Bishop, J. D. (2012). The limits of corporate human rights obligations and the rights of for-profit corporations. *Business Ethics Quarterly, 22*(1), 119-144. doi:10.5840/beq20122217

Bolle, F., & Vogel, C. (2011). Power comes with responsibility-or does it? *Springer Science & Business Media, 148,* 459-470. doi:10.1007/s11127-010-9665-y

Bowen, H. (1953). *Social responsibilities of the businessman*. New York, NY: Harper.

Bridoux, F., & Stoelhorst, J. W. (2014). Microfoundations for stakeholder theory: Managing stakeholders with heterogeneous motives. *Strategic Management Journal, 35*(1), 107-125. doi:10.1002/smj.2089

Brower, J., & Mahajan, V. (2013). Driven to be good: A stakeholder theory perspective on the drivers of corporate social performance. *Journal of Business Ethics, 117*(2), 313-331. doi:10.1007/s10551-012-1523-z

Butler, B. J., Hendersen, C. S., & Raiborn, C. (2011). Sustainability and the balanced scorecard: Integrating green measures into business reporting. *Management Accounting Quarterly,12*(2), 1-10. Retrieved from http://www.imanet.org

Callan, S.J., & Thomas, J.M. (2009). Corporate financial performance and corporate

social performance: an update and reinvestigation. *Corporate Social Responsibility and Environmental Management, 16*(2), 61-78. doi:10.1002/csr.182

Caroll, A. B. (1991). The pyramid of corporate social responsibility: Towards the moral management of organizational stakeholders. *Business Horizons, 34,* 39-48. Retrieved from http://www.sciencedirect.com

Chang, K., Kim, I., & Li, Y. (2014). The heterogeneous impact of corporate social responsibility activities that target different stakeholders. *Journal of Business Ethics, 125*(2), 211-234. doi:10.1007/s10551-013-1895-8

Chetty, S., Naidoo, R., & Seetharam, Y. (2015). The impact of corporate social responsibility on firms' financial performance in South Africa. *Contemporary Economics, 9*(2) 193-214. doi:10.5709/ce.1897-9254.167

Choi, J., & Wang, H. (2009). Stakeholder relations and the persistence of corporate financial performance. *Strategic Management Journal, 30*(4), 895-907. doi:10.1002/smj.759

Coffman, M., & Umemoto, K. (2010). The triple bottomline: Framing of trade-offs in sustainability planning practice. *Environment Development Sustainability, 12, 597-610.* doi:10.1007/s10668-009-9213-4

Crossman, J. (2011). Environmental and spiritual leadership: Tracing the synergies from an organizational perspective. *Journal of Business Ethics, 103,* 553-565. doi:10.1007/s10551-011-0880-3

Dey, A., & LaGuardia, P. (2011). Building sustainability in logistics operations: a

research agenda. *Management Research Review, 34*(11), 1237-1259. doi:10.1108/01409171111178774

Ducassy, I. (2013). Does corporate social responsibility pay off in times of crisis? An alternate perspective on the relationship between financial and corporate social performance. *Corporate Social Responsibility and Environmental Management, 20*(3), 157-167. doi:10.1002/csr.1282

Duhigg, C., & Barboza, D. (2012, January 26). In China, the human costs that are built into an iPad. *The New York Times*. Retrieved from http://www.nytimes.com

Ekatah, I., Samy, M., Bampton, R., & Halabi, A. (2011). The relationship between corporate social responsibility and profitability: The case of Royal Dutch Shell Plc. *Corporate Reputation Review, 14*(4), 249–261. doi:10.1057/crr.2011.22

Fadul, J. (2004). *Business ethics, corporate social responsibility, and firm value in the oil and gas industry* (Doctoral Dissertation). Retrieved from ProQuest Dissertations & Theses Full Text database. (UMI No. 3151491)

Falk, F. C., & Blaylock, K. B. (2012). The H Factor: A behavioral explanation of leadership failures in the 2007-2009 financial system meltdown. *Journal of Leadership, Accountability and Ethics, 9*(2), 68-82. Retrieved from http://www.na-businesspress.com/jlaeopen.html

Fang, Y., Dolar, B., & Lun, M. (2014). CEO compensation and firm performance: Did the 2007-2008 financial crisis matter? *Journal of Accounting and Finance*, 14(1), 137-146. Retrieved from http://www.na-businesspress.com/jafopen.html

Freeman, R. E. (1984). *Strategic management: A stakeholder theory approach*. Boston,

MA: Pitman.

Freeman, R. E., Harrison, J. S., Wicks, A. C., Parmar, B. L., & Colle, S. (2010). *Stakeholder theory: The state of the art*. Cambridge, NY: Cambridge University Press.

Friedman, M. (1970, September). A Friedman doctrine: The social responsibility of business is to increase its profits. *The New York Times Magazine*, Retrieved from http://query.nytimes.com

Fsroundtable (2011). Retrieved May 11, 2011 from http://www.fsround.org/.

Gama Boaventura, J. M., Santos da Silva, R., & Bandeira-de-M, R. (2012). Corporate financial performance and corporate social performance: Methodological development and the contribution of empirical studies. *Revista Contabilidade and Financas – USP, 23*(60), 232-245. Retrieved from http://connection.ebscohost.com

Garett, L. B. (2014). The constitutional standing of corporations. *University of Pennsylvania Law Review, 163*(1), 95-164. Retrieved from https://www.law.upenn.edu/journals/conlaw/

Ghaly, M. A. (2011). Teaching the qualities of leadership and management in the age of sustainability. *Leadership and Management in Engineering,* 113-120. doi:10.1061/(ASCE)LM.1943-5630.0000110

Griffin, A., & Molloy, A. (2015). How Apple became so successful that its total revenue is bigger than the GDP of some countries. *The Independent*. Retrieved from ww.independent.co.uk/news/business/analysis-and-features/how-apple-become-

so-successful-that-its-total-revenue-is-bigger-than-the-gdp-of-some-countries-10007454.html

Hashmi, M., Damanhouri, A., & Rana, D. (2015). Evaluation of sustainability practices in the United States and large corporations. *Journal of Business Ethics, 127*(3), 673-681. doi:10.1007/s10551-014-2056-4

Hamman, E. M., Habisch, A., & Pechlaner, H. (2009). Values that create value: Socially responsible business practices in SMEs – empirical evidence from German companies. *Business Ethics: A European Review, 18*(1), 37-51. doi:10.1111/j.1467-8608.2009.01547.x

Harrison, S. J., & Wicks, C. A. (2013). Stakeholder theory, value, and firm performance. *Business Ethics Quarterly, 23*(1), 97-124. doi:10.5840/beq20132314

Harvey, M., & Buckley, M. R. (2002). Assessing the "conventional wisdoms" of management for the 21st century organization. *Organizational Dynamics, 30*(4), 368-378. doi:10.1016/S0090-2616(02)00062-1

Henry, K., Deyoung, R., & Gordon, J. (2009). Is the relationship between capitalism and society parasitic or symbiotic? The role of finance leadership as strategic partner for sustained prosperity. *The Journal of American Academy of Business, 14*(2), 315-322. Retrieved from http://www.jaabc.com

Hiller, J. S. (2013). The benefit corporation and corporate social responsibility. *Journal of Business Ethics, 118*(2), 287-301. doi:10.1007/s10551-012-1580-3

Hinchey, P.H. (2008). *Action research primer*. New York, NY: Peter Lang Publishing.

Jia, M., & Zhang, Z. (2014). How does the stock market value corporate social

performance? When behavioral theories interact with stakeholder theory. *Journal of Business Ethics, 125*, 433-465. doi:10.1007/s10551-013-1924-7

Kelly, M. J. (2013). "Never again"? German chemical corporation complicity in the Kurdish genocide. *Berkeley Journal of International Law, 31*(2), 348-391. doi:10.15779/Z38594T

Lee, M-D. P. (2008). A review of the theories of corporate social responsibility: Its evolutionary path and the road ahead. *International Journal of Management Reviews, 10(1)*, 53-73. doi:10.1111/j.1468-2370.2007.00226.x

Lech, A. (2013). Corporate social responsibility and financial performance. Theoretical and empirical aspects. *Comparative Economic Research, 16(3),* 49-62. doi:10.2478/cer-2013-0018

Lioui, A., & Sharma, Z. (2012). Environmental corporate social responsibility and financial performance: Disentangling direct and indirect effects. *Ecological Economics, 78*(5), 100-111. doi:Org/10.1016/j.ecolecon.2012.04.004

Lueneburger, C., & Goleman, D. (2010). The change leadership sustainability demands. *MIT Sloan Management Review, 51*(4), 48-56. Retrieved from http://sloanreview.mit.edu

MSCI ESG Research. (2011, June). User guide and ESG ratings definition. Retrieved from http://msci.com

MSCI ESG Research. (2016, March). MSCI ESG KLD STATS: 1991-2015 data sets. Retrieved from http://msci.com

Macpherson, R. (2008). Critical management in knowledge organizations. *International*

Journal of Educational Management, 22(7), 676-695.doi:10.1108/09513540810908584

Margolis, J. D., & Walsh, J. P. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly, 48(*2), 268-305. Retrieved from http://www.jamespwalsh.com

Marques, J., Dhiman, S., & King, R. (2010). Exploring the link between spirituality and sustainability. *Business Renaissance Quarterly, 5*(1), 19-29. Retrieved from https://www.questia.com/library/p62592/business-renaissance-quarterly

Metcalf, L., & Benn, S. (2012). Leadership for sustainability: An evolution of leadership ability. *Journal of Business Ethics, 112,* 369-384. doi:10.1007/s10551-012-1278-6

Mkansi, M., & Acheampong, E. A. (2012). Research philosophy debates and classifications: Students' dilemma. *Electronic Journal of Business Research Methods, 10*(2), 132-140. Retrieved from http://www.ejbrm.com/volume10/issue2

Ni, N., Egri, C., Lo, C., & Lin, C. (2015). Patterns of corporate responsibility practices for high financial performance: Evidence from three Chinese societies. *Journal of Business Ethics, 126*(2), 169-183. doi:10.1007/s10551-013-1947-0

Ntim, C. G., & Soobaroyen, T. (2013). Corporate governance and performance in socially responsible corporations: New empirical insights from a Neo-Institutional framework. *Corporate Governance: An International Review, 21*(5), 468-494. doi:10.1111/corg.12026

Ogden, S., & Watson, R. (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. doi:10.2307/256974

Oremus, W. (2013). How green is a Tesla? Electric cars' environmental impact depends on where you live. *Slate Magazine*. Retrieved from http://www.slate.com/articles/technology/technology/2013/09/how_green_is_a_tesla_electric_cars_environmental_impact_depends_on_where.html

Peng, C. W., & Yang, M. L. (2014). The effect of corporate social performance on financial performance: The moderating effect of ownership concentration. *Journal of Business Ethics, 123*(1), 171-182. doi:10.1007/s10551-013-1809-9

Perrini, F., Russo, A., Tencati, A., & Vurro, C. (2011). Deconstructing the relationship between corporate social and financial performance. *Journal of Business Ethics, 102*, 59-76. doi:10.1007/s10551-011-1194-1

Porter, E. M., & Kramer, R. M. (2011). Creating shared value. *Harvard Business Review, 89*(1/2), 62-77. Retrieved from https://hbr.org/2011/01/the-big-idea-creating-shared-value

Quinn, L., & Dalton, M. (2009). Leading for sustainability: implementing the tasks of leadership. *Corporate Governance, 9*(1), 21-38. doi:10.1108/14720700910936038

Rose, C. (2007). Does female board representation influence firm performance? The Danish evidence. *Corporate Governance: an International Review, 15*(2), 404-419. doi:10.1111/j.1467-8683.2007.00570.x

Russo, A., & Perrini, F. (2010). Investigating Stakeholder Theory and social capital: CSR in large firms and SMEs. *Journal of Business Ethics, 2*, 207-221. doi:10.1007/s10551-009-0079-z

Santoso, A. H., & Feliana, Y. K. (2014). The association between corporate social responsibility and corporate financial performance. *Issues in Social & Environmental Accounting, 8*(2), 82-103. Retrieved from http://www.iiste.org/Journals/index.php/ISEA/index

Silverblatt, H. (2015). *S&P500 2014 Global Sales*. Retrieved from the S&P Dow Jones Indices website: http://us.spindices.com/documents/research/research-sp-500-2014-global-sales.pdf

Sim, K. L., & Koh, H. C. (2001). Balanced scorecard: A rising trend in strategic performance measurement. *Measuring business excellence, 5*(2), 18-26. doi:10.1108/13683040110397248

Smith, A. C. P., & Sharicz, C. (2011). The shift needed for sustainability. *The Learning Organization, 18*(1), 73-86. doi:10.1108/09696471111096019

Surroca, J., Tribo, J. A., & Waddock, S. (2010). Corporate responsibility and financial performance: the role of intangible resources. *Strategic Management Journal, 31*(5), 463-490. doi:10.1002/smj.820

Surroca, J., Tribo, J. A., & Zahra, A. S. (2013). Stakeholder pressure on MNEs and the transfer of socially irresponsible practices to subsidiaries. *Academy of Management Journal, 56*(2), 549-572. doi:10.5465/amj.2010.0962

Tang, Z., Hull, C. E., & Rothenburg, S. (2012). How corporate social responsibility engagement strategy moderates the CSR-financial performance relationship. *Journal of Management Studies, 49*(7), 1274-1303. doi:10.1111/j.1467-6486.2012.01068.x

Tuhin, M. H. (2014). Does corporate social responsibility expenditure affect financial performance of Islamic banks in Bangladesh? *Middle East Journal of Business, 9*(2), 44-50. doi:10.5742/mejb.2014.92385

Tyagi, R., & Sharma, A. K. (2013). Corporate social performance and corporate financial performance: A link for the Indian firms. *Issues in Social & Environmental Accounting, 7*(1), 4-29. Retrieved from http://connection.ebscohost.com

US SIF Foundation (2014). *Report on US sustainable, responsible and impact investing trends*. Retrieved from http://www.ussif.org

Varenova, D., Samy, M., & Combs, A. (2013). Corporate social responsibility and profitability: trade-off or synergy. Perceptions of executives of FTSE all-share companies. *Sustainability Accounting, Management and Policy Journal. 4*(2), 190-215. doi:10.1108/SAMPJ-May-2012-0020

Vidaver-Cohen, D., & Bronn, P. S. (2008). Corporate citizenship and managerial motivation: Implications for business legitimacy. *Business and Society Review, 113*(4), 441–475. doi:10.1111/j.1467-8594.2008.00328.x

Waddock, S. A., & Graves, S. B. (1997). The corporate social performance-financial performance link. *Strategic Management Journal, 18*(4), 303-319. Retrieved from http://onlinelibrary.wiley.com/journal/10.1002/(ISSN)1097-0266

Weber, O., Diaz, M., & Schwegler. (2014). Corporate social responsibility of the financial sector-strengths, weaknesses and the impact on sustainable development. *Sustainable Development, 22*, 321-335. doi:10.1002/sd.1543

Weidner, K. C., & Purohit, S. Y. (2009). When power has leaders: Some indicators of

power-addiction among organizational leaders. *Journal of Organizational Culture, Communications and Conflict, 13*(1), 83-99. Retrieved from https://www.questia.com

Wong, L. C., & Ahmad, J. (2010). Incorporating stakeholder approach in corporate social responsibility (CSR): A case study at multinational corporations (MNCs) in Penang. *Social Responsibility Journal, 6*(4), 593-610. doi:10.1108/17471111011083464

Wu, M. L. (2006). Corporate social performance, corporate financial performance, and firm size: A meta-analysis. *Journal of American Academy of Business, 8*(1), 163. Retrieved from http://www.jaabc.com/journal.htm

Yang, Fu-Ju., Lin, Ching-Wen, & Chang, Yung-Ning. (2009). The linkage between corporate social performance and corporate financial performance. *African Journal of Business Management, 4*(4), 406-413. Retrieved from http://www.academicjournals.org

Appendix A: List of Companies in the Data Set with ROA and CSP scores

List of S&P500 companies with ROA and CSP scores

Company Name (Ticker)	Industry Sector	ROA	CSP
Altria Group (MO)	Consumer	14.71	6
Archer-Daniels-Midland (ADM)	Consumer	9.09	5
Best Buy Co. Inc. (BBY)	Consumer	8.10	5
Campbell Soup Co. (CPB)	Consumer	8.54	7
Carnival Corp. (CCL)	Consumer	3.13	6
CBS Corp. (CBS)	Consumer	12.29	1
Clorox, Co. (CLX)	Consumer	13.62	8
Coach, Inc. (COH)	Consumer	8.62	1
Coca Cola, Co (KO)	Consumer	7.71	6
Coca-Cola Enterprises Inc. (CCE)	Consumer	7.76	7
Colgate Palmolive Co	Consumer	17.38	5
Comcast Corporation (CMCSA)	Consumer	5.26	2
Constellation Brands, Inc. (STZ)	Consumer	5.52	4
Costco Wholesale Corporation (COST)	Consumer	7.20	3
CVS Caremark Corp (CVS)	Consumer	6.25	5
Darden Restaurants, Inc.	Consumer	11.84	3
Delphi Automotive PLC (DLPH)	Consumer	12.57	1
Discovery Communications, Inc. (DISCA)	Consumer	7.09	1
Dollar General Corp (DG)	Consumer	7.91	5
Dr Pepper Snapple Group, Inc. (DPS)	Consumer	8.50	2
Estee Lauder Co (EL)	Consumer	13.22	5
Expedia Inc. (EXPE)	Consumer	4.41	1
Ford Motor (F)	Consumer	1.53	9
Gap, Inc. (GPS)	Consumer	16.41	2
Garmin Ltd (GRMN)	Consumer	7.76	1
General Mills (GIS)	Consumer	5.56	7
General Motors (GM)	Consumer	2.22	6
Goodyear Tire & Rubber Co (GT)	Consumer	13.54	1
Harley Davidson, Inc. (HOG)	Consumer	8.86	1
Harman International Industries, Inc. (HAR)	Consumer	5.78	6
Hasbro, Inc. (HAS)	Consumer	9.70	5
Home Depot (HD)	Consumer	15.88	3
Hormel Foods Corp (HRL)	Consumer	11.11	5
Interpublic Group (IPG)	Consumer	3.73	1
Johnson Controls, Inc. (JCI)	Consumer	5.26	7
Kellogg Co (K)	Consumer	4.17	6
Kimberly-Clark Corp (KMB)	Consumer	10.27	6
Kohl's Corp (KSS)	Consumer	5.95	3
Kraft Foods Inc. (KRFT)	Consumer	4.55	4

Kroger Co (KR)	Consumer	5.66	8
L Brands, Inc (LB)	Consumer	13.81	2
Lennar Corp (LEN)	Consumer	4.93	3
Lowe's Companies, Inc. (LOW)	Consumer	8.48	1
Marriott International, Inc. (MAR)	Consumer	10.97	3
Mattel Inc. (MAT)	Consumer	7.42	3
McCormick & Co, Inc. (MKC)	Consumer	9.92	3
McDonald's Corp (MCD)	Consumer	13.88	4
Mead Johnson Nutrition Co. (MJN)	Consumer	19.06	2
Molson Coors Brewing Co. (TAP)	Consumer	3.70	3
Mondelez International, Inc. (MDLZ)	Consumer	3.27	6
Newell Rubbermaid Inc. (NWL)	Consumer	5.64	1
Nike, Inc. (NKE)	Consumer	15.15	3
Omnicom Group, Inc. (OMC)	Consumer	5.55	2
PepsiCo Inc. (PEP)	Consumer	9.24	6
Philip Morris Int'l Inc. (PM)	Consumer	21.29	6
Priceline.Com (PCLN)	Consumer	16.21	1
Procter & Gamble Co. (PG)	Consumer	5.52	6
PulteGroup, Inc. (PHM)	Consumer	5.54	2
PVH Corp (PVH)	Consumer	4.02	1
Reynolds American Inc. (RAI)	Consumer	9.67	4
Sripps Networks Interactive Inc. (SNI)	Consumer	11.68	1
Signet Jewelers (SIG)	Consumer	9.13	1
Smucker (J.M.) SJM)	Consumer	6.23	6
Snap-On Inc. (SNA)	Consumer	10.03	1
Stanley Black & Decker (SWK)	Consumer	4.80	6
Staples Inc. (SPLS)	Consumer	1.20	4
Starbucks Corp (SBUX)	Consumer	19.23	3
Starwood Hotels & Resorts (HOT)	Consumer	7.31	2
Sysco Corp. (SYY)	Consumer	7.07	2
Target Corp. (TGT)	Consumer	4.42	3
The Hershey Company (HSY)	Consumer	15.04	5
Tiffany & Co. (TIF)	Consumer	3.82	3
Time Warner Inc. (TWX)	Consumer	6.05	2
TJX Companies Inc. (TJX)	Consumer	22.47	0
TripAdvisor (TRIP)	Consumer	11.54	1
Twenty-First Century Fox Class A (FOXA)	Consumer	8.48	2
Tyson Foods (TSN)	Consumer	3.57	1
Wal-Mart Stores (WMT)	Consumer	8.72	4
The Walt Disney Company DIS)	Consumer	9.51	2
Whirlpool Corp.	Consumer	3.46	5
Whole Foods Market	Consumer	10.08	6
Wyndham Worldwide (WYN)	Consumer	5.47	2
Wynn Resorts Ltd (WYNN)	Consumer	10.58	1

Yum! Brands Inc. (YUM)	Consumer	12.59	2
Baker Hughes (BHI)	Energy	5.96	6
Cabot Oil & Gas Corp (COG)	Energy	1.92	0
Cameron International Corp (CAM)	Energy	6.58	3
Chesapeake Energy Corp. (CHK)	Energy	4.70	4
Chevron Corp (CVX)	Energy	7.26	5
Conoco Phillips (COP)	Energy	5.95	6
Consol Energy Inc. (CNX)	Energy	1.44	4
Devon Energy Corp (DVN)	Energy	3.17	4
Diamond Offshore Drilling Inc. (DO)	Energy	4.82	3
EOG Resources, Inc. (EOG)	Energy	8.39	2
Exxon Mobil Corp (XOM)	Energy	9.48	5
FMC Technologies (FTI)	Energy	9.75	5
Halliburton Co. (HAL)	Energy	10.86	7
Helmerich & Payne, Inc (HP)	Energy	10.54	2
Hess Corp (HES)	Energy	6.01	5
Kinder Morgan (KMI)	Energy	1.23	1
Marathon Oil Corp (MRO)	Energy	8.46	3
Murphy Oil Corp (MUR)	Energy	5.41	3
National Oilwell Varco, Inc. (NOV)	Energy	7.47	3
Newfield Exploration Co. (NFX)	Energy	9.32	3
Noble Energy, Inc. (NBL)	Energy	5.38	4
Occidental Petroleum Corp (OXY)	Energy	1.09	5
Phillips 66 (PSX)	Energy	9.84	1
Pioneer Natural Resources Co. (PXD)	Energy	6.23	1
Range Resources Corp (RRC)	Energy	7.25	1
Schlumberger Ltd (SLB)	Energy	8.31	5
Southwestern Energy (SWN)	Energy	11.39	1
Spectra Energy Corp (SE)	Energy	1.40	6
Tesoro Petroleum Co. (TSO)	Energy	5.35	1
Valero Energy (VLO)	Energy	7.97	0
Williams Co. (WMB)	Energy	4.63	2
ACE (ACE)	Financials	2.90	4
Aflac (AFL)	Financials	2.46	3
Allstate (ALL)	Financials	2.63	4
American Express (AXP)	Financials	3.70	4
American International Group (AIG)	Financials	1.46	2
American Tower (AMT)	Financials	3.87	3
Ameriprise Financial (AMP)	Financials	1.09	3
AON Corp	Financials	4.69	2
Assurant (AIZ)	Financials	1.49	2
AvalonBay (AVB)	Financials	4.17	1
Bank of America Corp (BAC)	Financials	.18	5
Bank of New York Mellon Corp (BK)	Financials	.65	5

BB&T Corporation (BBT)	Financials	1.07	2
H&R Block Inc. (HRB)	Financials	10.49	1
Boston Properties, Inc. (BXP)	Financials	2.23	2
Capital One Financial Corp. (COF)	Financials	1.41	2
CBRE Group, Inc. (CBG)	Financials	6.71	3
Charles Schwab Corp. (SCHW)	Financials	.85	1
Chubb Corp. (CB)	Financials	4.09	2
Cincinnati Financial (CINF)	Financials	2.80	1
CME Group Inc. (CME)	Financials	1.56	3
Comerica Inc. (CMA)	Financials	.85	2
E*Trade (ETFC)	Financials	.64	3
Equifax Inc. (EFX)	Financials	7.86	2
Fifth Third Bank (FITB)	Financials	1.02	4
Franklin Resources (BEN)	Financials	14.74	1
Goldman Sachs Group, Inc. (GS)	Financials	.94	7
Hartford Financial Services Group (HIG)	Financials	.33	5
HCP, Inc. (HCP)	Financials	4.37	4
Host Hotels & Resorts (HST)	Financials	6.12	3
Intercontinental Exchange (ICE)	Financials	1.44	1
Invesco Ltd (IVZ)	Financials	4.83	2
J.P. Morgan Chase & Co (JPM)	Financials	.85	4
Kimco Realty (KIM)	Financials	2.74	2
Legg Mason (LM)	Financials	3.35	3
Lincoln National (LNC)	Financials	.60	3
Loews Corp (L)	Financials	.69	8
M&T Bank Corp (MTB)	Financials	1.01	3
Marsh & McLennan Cos, Inc. (MMC)	Financials	8.39	5
Mastercard Inc. (MA)	Financials	23.60	1
Metlife, Inc. (MET)	Financials	.75	4
Moody's Corp (MCO)	Financials	21.55	3
Morgan Stanley (MS)	Financials	.73	5
Northern Trust Corp (NTRS)	Financials	.74	6
Peoples United Financial, Inc. (PBCT)	Financials	.70	2
Plum Creek Timber Co, Inc. (PCL)	Financials	4.13	5
PNC Financial Services Group, Inc. (PNC)	Financials	1.14	5
Principal Financial Group, Inc. (PFG)	Financials	.52	4
Progressive Corp.	Financials	4.97	3
Prudential Financial Inc.	Financials	.18	6
Public Storage, Inc. (PSA)	Financials	11.71	1
Regions Financial Corp. (RF)	Financials	.92	2
Simon Property Group Inc. (SPG)	Financials	5.59	2
SL Green Realty (SLG)	Financials	3.19	3
State Street Corp. (STT)	Financials	.72	5
T. Rowe Price Group (TROW)	Financials	21.78	2

The Travelers Companies Inc. (TRV)	Financials	3.58	2
U.S. Bancorp (USB)	Financials	1.39	2
Unum Group (UNM)	Financials	.66	3
Ventas Inc. (VTR)	Financials	2.24	2
Vornado Realty Trust (VNO)	Financials	4.07	2
Wells Fargo (WFC)	Financials	1.29	6
Welltower Inc. (HCN)	Financials	1.54	1
Weyerhaeuser Corp. (WY)	Financials	13.57	4
XL Capital (XL)	Financials	.77	2
Abbott Lab (ABT)	Healthcare	5.53	6
Abbvie (ABBV)	Healthcare	6.44	4
Allergan (AGN)	Healthcare	13.32	6
Alexion Pharmaceuticals (ALXN)	Healthcare	15.63	1
AmerisourceBergen (ABC)	Healthcare	1.28	2
Amgen (AMGN)	Healthcare	7.47	6
Bard (C.R.) Inc. (BCR)	Healthcare	5.78	2
Baxter International Inc. (BAX)	Healthcare	9.63	7
Becton Dickinson (BDX)	Healthcare	6.40	5
Biogen Idec Inc. (BHB)	Healthcare	20.55	6
Bristol-Myers Squibb (BMY)	Healthcare	5.94	6
Cardinal Health Inc. (CAH)	Healthcare	4.03	1
Carmax, Inc. (KMX)	Healthcare	4.53	1
Celgene Corp. (CELG)	Healthcare	11.53	3
Cerner (CERN)	Healthcare	11.60	4
Davita Inc. (DVA)	Healthcare	4.03	1
Gilead Sciences (GILD)	Healthcare	34.79	2
Humana Inc. (HUM)	Healthcare	4.89	1
Intuitive Surgical Inc. (ISRG)	Healthcare	10.58	1
Johnson & Johnson (JNJ)	Healthcare	12.45	5
Laboratory Corp. of America (LH)	Healthcare	7.00	1
Lilly (Eli) & Co (LLY)	Healthcare	6.43	6
McKeeson Corp (MCK)	Healthcare	2.86	1
Medtronic, Inc. (MDT)	Healthcare	8.08	4
Merck & Co, Inc. (MRK)	Healthcare	12.14	8
Mylan Lab Inc. (MYL)	Healthcare	5.85	2
Patterson Cos, Inc. (PDCO)	Healthcare	7.57	1
PerkinElmer, Inc. (PKI)	Healthcare	3.82	0
Pfizer Inc. (PFE)	Healthcare	5.40	2
Quest Diagnostics	Healthcare	5.99	3
St Jude Medical (STJ)	Healthcare	9.36	3
Tenet Healthcare Corp. (THC)	Healthcare	.42	1
Thermo Fisher Scientific (TMO)	Healthcare	2.75	2
United Health Group Inc. (UNH)	Healthcare	6.50	2
Universal Health Services, Inc. (UNH)	Healthcare	6.74	1

Varian Medical Systems (VAR)	Healthcare	12.02	3
Waters Corporation (WAT)	Healthcare	11.13	2
Anthem Inc. (ANTM)	Healthcare	4.14	1
Zoetis (ZTS)	Healthcare	8.88	3
3M (MMM)	Industrials	15.85	6
Boeing Company (BA)	Industrials	5.49	11
C.H. Robinson Worldwide (CHRW)	Industrials	13.99	1
Caterpillar Inc. (CAT)	Industrials	4.38	4
Corning Inc. (GLW)	Industrials	8.22	4
CSX Corporation (CSX)	Industrials	5.83	4
Cummins Inc. (CMI)	Industrials	10.47	1
Deere & Company (DE)	Industrials	5.16	3
Delta Airlines, Inc. (DAL)	Industrials	1.22	3
Dover Corporation (DOV)	Industrials	8.53	2
Dun & Bradsheet Corp (DNB)	Industrials	15.00	4
Eaton Corp (ETN)	Industrials	5.38	3
Emerson Electric Co (EMR)	Industrials	10.86	2
Fedex Corp (FDX)	Industrials	2.83	2
Flir Systems Inc. (FLIR)	Industrials	8.49	1
Flowserve Corp (FLS)	Industrials	10.44	3
Fluor Corporation (FLR)	Industrials	7.78	4
General Dynamics Corp (GD)	Industrials	7.16	3
General Electric Co. (GE)	Industrials	2.47	4
Grainger (W.W.), Inc. (GWW)	Industrials	15.32	1
Honeywell Int'l Inc. (HON)	Industrials	9.33	2
Illinois Tool Works (ITW)	Industrials	16.66	2
Ingersoll-Rand PLC (IR)	Industrials	5.39	5
Jacobs Engineering Group (JEC)	Industrials	3.89	2
L-3 Communications Holdings. Inc. (LLL)	Industrials	8.45	1
Leggett & Platt (LEG)	Industrials	3.22	1
Lockheed Martin Corp (LMT)	Industrials	9.75	9
Masco Corp (MAS)	Industrials	11.94	2
Norfolk Southern Corp (NSC)	Industrials	6.02	4
Northrop Grumman Corp (NOC)	Industrials	7.79	3
Paccar Inc. (PCAR)	Industrials	6.59	1
Parker-Hannifin Corp (PH)	Industrials	8.23	4
Pentair Ltd (PNR)	Industrials	5.77	3
Pitney Bowes Inc. (PBI)	Industrials	5.43	2
Precision Castparts Corp (PCP)	Industrials	7.90	2
Quanta Services, Inc. (PWR)	Industrials	4.99	2
Raytheon Co. (RTN)	Industrials	8.04	5
Republic Services, Inc. (RSG)	Industrials	2.73	1
Robert Half Int'l Inc (RHI)	Industrials	18.57	0
Rockwell Automation (ROK)	Industrials	12.92	1

Rockwell Collins, Inc. (COL)	Industrials	9.30	6
Ryder System, Inc. (R)	Industrials	2.26	1
Southwest Airlines (LUV)	Industrials	5.66	6
Stericycle Inc. (SRCL)	Industrials	8.41	1
Union Pacific (UNP)	Industrials	9.83	1
United Continental Holdings (UAL)	Industrials	3.03	2
United Technologies (UTX)	Industrials	6.81	7
Waste Management Inc. (WM)	Industrials	6.06	2
Xylem Inc. (XYL)	Industrials	6.93	2
Accenture (ACN)	Info Technology	17.71	7
Activision Blizzard (ATVI)	Info Technology	5.66	2
Adobe (ADBE)	Info Technology	2.35	4
Agilent (A)	Info Technology	4.62	3
Akamai (AKAM)	Info Technology	8.35	4
Altera (ALTR)	Info Technology	8.33	2
Analog Devices (ADI)	Info Technology	9.17	3
Apple (AAPL)	Info Technology	17.04	8
Appled Materials (AMAT)	Info Technology	8.46	6
Autodesk (ADSK)	Info Technology	1.66	5
Automatic Data Processing (ADP)	Info Technology	4.39	7
Broadcom Corporation (BRCM)	Info Technology	5.23	3
CA Inc. (CA)	Info Technology	7.71	4
Cisco Systems (CSCO)	Info Technology	7.91	9
Citrix Systems, Inc. (CTXS)	Info Technology	4.57	3
Cognizant Technology Solutions Corp (CTSH)	Info Technology	12.28	4
Computer Sciences Corporation (CSC)	Info Technology	.07	5
Electronic Arts Inc. (EA)	Info Technology	14.23	4
EMC Corp (EMC)	Info Technology	6.31	2
Facebook, Inc. (FB)	Info Technology	7.32	3
First Solar, Inc. (FSLR)	Info Technology	5.90	2
Fiserv, Inc. (FISV)	Info Technology	8.08	1
Harris Corp (HRS)	Info Technology	6.78	1
Hewlett Packard Company (HPE)	Info Technology	4.86	8
Intel Corp (INTC)	Info Technology	12.73	11
International Business Machines Corp (IBM)	Info Technology	10.23	10
Intuit Inc. (INTU)	Info Technology	17.23	5
KLA-Tenor Corp (KLAC)	Info Technology	7.59	3
Lam Research (LRCX)	Info Technology	7.00	4
Linear Technology Corp (LLTC)	Info Technology	27.65	3
Micron Technology, Inc. (MU)	Info Technology	13.80	1
Microsoft Corp (MSFT)	Info Technology	6.92	9
Motorola Solutions, Inc. (MSI)	Info Technology	12.47	5

Network Appliance, Inc. (NTAP)	Info Technology	5.96	2
Nvidia Corp (NVDA)	Info Technology	8.76	5
Oracle Corp (ORCL)	Info Technology	8.96	9
Paychex Inc. (PAYX)	Info Technology	10.41	2
Qualcomm Inc. (QCOM)	Info Technology	10.37	6
Sandisk Corp (SNDK)	Info Technology	9.79	3
Seagate Technology (STX)	Info Technology	16.54	7
Skyworks Solutions (SWKS)	Info Technology	15.39	4
Symantec Corp. (SYMC)	Info Technology	6.63	5
TE Connectivity Ltd. (TEL)	Info Technology	8.84	4
Teradata Corp. (TDC)	Info Technology	11.72	6
Texas Instruments (TXN)	Info Technology	15.92	7
Total System Services (TSS)	Info Technology	8.65	2
Verisign Inc. (VRSN)	Info Technology	16.49	1
Western Digital (WDC)	Info Technology	10.43	1
Western Union Co. (WU)	Info Technology	8.62	2
Xerox Corp. (XRX)	Info Technology	3.98	6
Xilinx Inc. (XLNX)	Info Technology	12.51	2
Yahoo Inc. (YHOO)	Info Technology	12.16	5
Air Products & Chemicals (APD)	Materials	5.58	3
Alcoa (AA)	Materials	.49	9
Avery Dennison (AVY)	Materials	5.63	4
Ball Corp (BLL)	Materials	6.21	6
CF Industries Holdings, Inc. (CF)	Materials	12.26	1
Dow Chemical Company (DOW)	Materials	1.19	3
Du Pont (E.I.) (DD)	Materials	7.27	4
Eastman Chemical Co (EMN)	Materials	4.71	2
FMC Corporation (FMC)	Materials	5.61	3
International Paper (IP)	Materials	1.93	4
International Flavors & Fragrances (IFF)	Materials	11.86	4
Lyondell Basell Industries N.V. (LYB)	Materials	17.19	2
Monsanto Co. (MON)	Materials	10.56	1
Mosaic Co. (MOS)	Materials	5.63	3
Newmont Mining Corp (NEM)	Materials	2.04	6
Nucor Corp (NUE)	Materials	4.57	2
Owens Illinois Inc. (OI)	Materials	.95	5
PPG Industries, Inc. (PPG)	Materials	11.95	3
Praxair, Inc. (PX)	Materials	8.55	2
Sealed Air Corp (SEE)	Materials	3.21	2
Sherwin Williams (SHW)	Materials	15.17	2
Vulcan Materials (VMC)	Materials	2.54	1
AT&T (T)	Telecommunications	2.13	8
CenturyLink, Inc. (CTL)	Telecommunications	1.54	3
Frontier Communications, Corp (FTR)	Telecommunications	.70	1

Verizon Communications (VZ)	Telecommunications	4.14	6
AES (AES)	Utilities	2.94	2
AGL Resources (GAS)	Utilities	3.23	8
Ameren (AEE)	Utilities	2.59	3
American Electric Power (AEP)	Utilities	2.74	1
Centerpoint Energy, Inc. (CNP)	Utilities	1.88	3
CMS Energy (CMS)	Utilities	2.50	1
Consolidated Edison, Inc. (ED)	Utilities	2.46	4
Dominion Resources, Inc. (D)	Utilities	2.41	2
DTE Energy Co (DTE)	Utilities	3.26	6
Duke Energy Corp (DUK)	Utilities	1.56	4
Edison International (EIX)	Utilities	3.21	1
Entergy Corp (ETR)	Utilities	2.06	2
Exelon Corp (EXC)	Utilities	2.16	5
FirstEnergy Corp (FE)	Utilities	.57	2
NextEra Energy, Inc. (NEE)	Utilities	3.30	3
Nisource Inc. (NI)	Utilities	2.18	2
Pepco Holdings, Inc. (POM)	Utilities	1.54	2
PG&E Corp (PCG)	Utilities	2.41	8
Pinnacle West Capital Corp (PNW)	Utilities	2.78	4
PPL Corp (PPL)	Utilities	3.55	3
Public Service Enterprise Group (PEG)	Utilities	4.30	5
Scana Corp (SCG)	Utilities	3.19	2
Sempra Energy (SRE)	Utilities	3.18	5
Southern Co. (SO)	Utilities	2.86	2
TECO Energy (TE)	Utilities	2.37	2
Wisconsin Energy Corporation (WEC)	Utilities	3.88	2

Appendix B: MSCI KLD ESG Indicators

CSP Variables and Performance Indicators

CSP Variable	Performance Indicators
Environment - Strengths	Environmental Opportunities in Clean Tech
	Toxic Emissions and Waste
	Packaging Materials and Waste
	Carbon Emissions
	Environmental Management Systems
	Water Stress
	Biodiversity and Land Use
	Raw Material Sourcing
	Financing Environmental Impact
	Opportunities in Green Building
	Opportunities in Renewable Energy
	Electronic Waste
	Energy Efficiency
	Product Carbon Footprint
	Climate Change Vulnerability
	Other Strengths
Environment - Concerns	Toxic Emissions and Waste
	Energy and Climate Change
	Biodiversity and Land Use
	Operational Waste (non-hazardous)
	Supply Chain Management
	Water Stress
	Other Concerns
Community - Strengths	Community Engagement
Community - Concerns	Impact on Local Communities
Human Rights - Strengths	Indigenous Peoples Relations
	Human Rights Policies and Initiatives
Human Rights - Concerns	Civil Liberties
	Human Rights Concerns
	Other Concerns
Employee Relations - Strengths	Union Relations
	Cash Profit Sharing
	Involvement
	Health and Safety
	Supply Chain Labor Standards
	Human Capital Development
	Labor Management
	Stakeholder Opposition – Controversial Sourcing
	Human Capital – Other Strengths

Employee Relations - Concerns	Collective Bargaining and Unions
	Health and Safety
	Supply Chain Labor Standards
	Child Labor
	Labor Management Relations
	Labor Rights and Supply Chain – Other Concerns
Diversity - Strengths	Representation
	Board Diversity - Gender
Diversity - Concerns	Discrimination and Workforce Diversity
	Board Diversity - Gender
Product - Strengths	Product Safety and Quality
	Social Opportunities – Access to Healthcare
	Access to Finance
	Access to Communications
	Opportunities in Nutrition and Health
	Product Safety – Chemical Safety
	Product Safety – Financial Product Safety
	Product Safety – Privacy and Data Security
	Product Safety – Responsible Investment
	Product Safety – Insuring Health and Demographic Risk
Product - Concerns	Product Safety and Quality
	Marketing and Advertising
	Anti-competitive Practices
	Customer Relations
	Privacy and Data Security
	Customers – Other Concerns
Corporate Governance - Strengths	Corruption and Instability
	Financial System Risk
Corporate Governance - Concerns	Governance Structures
	Controversial Investments
	Bribery and Fraud
	Governance – Other Concerns