PUSHPIKA VISHWANATHAN

Governing for Stakeholders

How Organizations May Create or Destroy Value for Their Stakeholders

Governing for Stakeholders

GOVERNING FOR STAKEHOLDERS

HOW ORGANIZATIONS MAY CREATE OR DESTROY VALUE
FOR THEIR STAKEHOLDERS

Governance voor stakeholders:
Hoe organisaties waarde creëren en waarde vernietigen voor hun stakeholders

Thesis

to obtain the degree of Doctor from the
Erasmus University Rotterdam
by command of the
rector magnificus

Prof.dr. H.A.P. Pols

and in accordance with the decision of the Doctorate Board.

The public defense shall be held on

Thursday 23 June 2016 at 13:30 hrs
by

Pushpika Vishwanathan
Born in Colombo, Sri Lanka

Doctoral Committee

Promotors:
Prof.dr. J. van Oosterhout
Prof.dr. L.C.P.M. Meijs

Other members:
Prof.dr. H.W. Volberda
Prof.dr. J.P. Cornelissen
Dr. F.M. Bridoux

Erasmus Research Institute of Management – ERIM
The joint research institute of the Rotterdam School of Management (RSM)
and the Erasmus School of Economics (ESE) at the Erasmus University Rotterdam
Internet: http://www.erim.eur.nl

ERIM Electronic Series Portal: http://repub.eur.nl/pub

ERIM PhD Series in Research in Management, 377
ERIM reference number: EPS-2016-377-ORG
ISBN 978-90-5892-44-83

Design: B&T Ontwerp en advies www.b-en-t.nl
Cover art by: Pui Lun Tam

This publication (cover and interior) is printed by haveka.nl on recycled paper, Revive®.
The ink used is produced from renewable resources and alcohol free fountain solution.
Certifications for the paper and the printing production process: Recycle, EU Flower, FSC, ISO14001.
More info: http://www.haveka.nl/greening

To Ammi & Tatti

Acknowledgements

Here it is then, my PhD thesis. After meta-analyzing 524 academic papers, reading 761 pages of interview transcripts, giving 14 international conference presentations, performing five full rewrites of papers, and having had countless Skype and f2f meetings. Believe it or not, it wasn't so bad! And that is all because of the people that helped me make this journey.

First and foremost, I thank my supervisor Hans van Oosterhout. He contributed enormously to the development of this thesis, as well as its author. He introduced me to the topic of corporate governance, and inspired me with his views on organizations as well as his approach to research. He is incredibly knowledgeable, even more critical, and I admire him deeply as a scholar. I thank Hans for all our discussions about research, but also about life more generally, which we often had during our travels to New York, Philadelphia, and Japan, or just in Voorschoten (but always, with the best food and the finest wine!). I am also grateful to Lucas Meijs, my second supervisor. Throughout my PhD, he has supported me unconditionally. He gave me the space to pursue my own research interests, and determinedly removed any administrative or institutional obstacles that came my way. I am also indebted to him for providing access to his network of leaders in the philanthropic sector. Without this access, I would never have been able to develop Chapter 3 of this dissertation.

I further acknowledge ERIM and the Erasmus Center for Strategic Philanthropy (ECSP) for their support of this PhD thesis. ERIM offers an extremely fruitful environment for young academics, and I benefitted greatly from it. The ECSP is an outstanding platform to exchange ideas and disseminate academic knowledge. I thank my colleagues at ECSP for their input and support, and for always challenging me to consider the managerial relevance of my research.

While the conventional belief is that academia is a solitary profession, my own experience is that it is far from. Since the start of my PhD, I worked with my co-authors Pursey Heugens and

Marc van Essen. I thank them for taking me in their team and teaching me to conduct top quality research. My colleagues at the Business-Society Management department also deserve my gratitude. I specially thank Gail Whiteman, who I met for the first time as an undergraduate student at RSM. It was during her lecture that I first realized that business people could play a pivotal role in solving some of the world's biggest problems. I know that that moment was the inception of my obstinate desire to learn about stakeholder management. Gail's work continues to inspire me today, and I consider myself lucky to have had such a role model just 'next door'. I also warmly thank other colleagues at the department including Helen Gubby, Ben Wempe, Pamala Wiepking, Lonneke Roza, Niek Hoogervorst, and Samer Abdelnour. They truly contributed to my PhD journey with their conversations, advices, and of course, 'gezelligheid' in the department! Finally, I am very grateful to Yolanda Jahier and Janneke Suijker who not only provided excellent administrative support, but also created a very open and friendly office environment.

Completing this dissertation has been as much a professional challenge, as it has been a personal one. I have overcome certain insecurities, became aware of my own strengths and weaknesses, and learnt about the kind of scholar, teacher, and human being I want to be. The journey certainly wasn't easy, and I couldn't have done it without the precious friends I made along the way. Gijs van Houwelingen is one of those friends, and I owe him a great deal for all those mornings in the office he patiently listened to my 'drama'! I thank him for all our chats, laughs, gossips, and… existential conversations! Gijs is a true friend and I am proud to have him as my paranimf. Jorien Pruijssers is family in a way, because we share the same intellectual parents. I was lucky to have such a kind, helpful and honest friend close to me. I enjoyed our conferences in Finland and Greece, and look forward to many more such encounters! I also warmly thank Diana Perra, who has supported me tremendously during my job-market conference in Philly. I hope one day I can return the favor! Joost Leunissen was my office-mate for a good part of my PhD and I still remember the good times we had. Julija Mell, Maarten Wubben, Saeed & Saeedeh Ahmadi, and Evgenia Dolgova are also thankfully acknowledged. Wherever in the world our profession will take us, I hope it will not keep us from staying close. Finally, I want to thank my new colleagues at the Amsterdam Business School. After all, the final bits of this dissertation were written there. I am truly grateful to have such amazing colleagues around me, and I can't wait to kick off my post-PhD career with them!

I am also deeply indebted to the friends I made before I started my academic endeavor. I met Sepopo Attiogbe during my undergraduate studies. Even though we ended up choosing completely different career paths, she has inspired me in countless ways and empowered me to achieve my goals. It means a lot to me to have Sepopo next to me, as a paranimf, when I receive my Doctorate degree. I thank Pui Lun Tam for being such a loyal friend since… as long as I can remember! I specially thank her for making such a beautiful cover for my dissertation – I take pride in the fact that her work is covering mine! I am also grateful to Josien Pieters, Kelly Wensveen and Robert van Prehn. Each of them has contributed to this dissertation by their unconditional friendship.

The final words of acknowledgement are for those that are dearest to me. Andreas, no one has had such a big impact on me than you. You made me more critical, more knowledgeable, more capable, more carefree, more *play*ful, more… Greek! You did not only give me the courage and self-confidence needed to finish this dissertation, but you equipped me to face almost any challenge that life might bring. It is not that you make me whole, in fact, you make me more! No words can capture what you mean to me. I love you.

I finally acknowledge my deep indebtedness to my parents. Ammi and Tatti, you are my greatest inspiration and motivation. This PhD thesis would never have been here if it wasn't for the sacrifices you have made, the risks you have taken, and struggles you have overcome to give me a better life. You are the most admirable and courageous people I know, and my gratitude to you is beyond measure. Your strength and determination runs through my veins, and I can only promise to use it to be the best person I can be. There is no way I can ever repay what I owe to you, but I can use the education and opportunities you have given me, to somehow contribute to a world that is more fair and peaceful. This PhD Thesis, I hope, is a humble first step.

Pushpika Vishwanathan
March 2016, Amsterdam

Vishwanathan

TABLE OF CONTENT

CHAPTER 1: GENERAL INTRODUCTION 1

THE NEED TO RETHINK CORPORATE GOVERNANCE FOR THE 21ST CENTURY 2
STAKEHOLDER THEORY: THE MAIN CONTENDER OF AGENCY THEORY 5
TOWARDS A CLOSER INTEGRATION OF STAKEHOLDER THEORY IN CORPORATE GOVERNANCE 7
THE STRUCTURE OF THIS THESIS 9
CHAPTER 2 9
CHAPTER 3 11
CHAPTER 4 13
CONCLUDING REMARKS 16
REFERENCES 17

CHAPTER 2: ASSESSING THE 'MECHANISMS TURN' IN CORPORATE SOCIAL AND FINANCIAL PERFORMANCE STUDIES: A META-ANALYSIS 20

INTRODUCTION 21
THEORY & HYPOTHESES 24
THE PROBLEM OF SPECIFICATION 24
TOWARDS AN INTEGRATIVE MEDIATION-BASED FRAMEWORK 25
HYPOTHESES DEVELOPMENT 26
METHODS 34
SAMPLE AND CODING 34
HOMA PROCEDURE 36
MASEM PROCEDURE 38
MARA PROCEDURE 40
RESULTS 42
HOMA RESULTS 42
MASEM RESULTS AND HYPOTHESIS TESTS 44
MARA RESULTS 47
ALTERNATIVE SPECIFICATIONS OF THE CSP – CFP RELATIONSHIP 49
DISCUSSION AND CONCLUSION 51
SPECIFYING THE CSP – CFP RELATIONSHIP 51
IDENTIFYING MEDIATING MECHANISMS 52
CSP AND STRATEGIC MANAGEMENT: THEORETICAL IMPLICATIONS 53
NEW LINES OF INQUIRY 54
FUTURE RESEARCH: BEST PRACTICE RECOMMENDATIONS 56
CONCLUSION 57
REFERENCES 59
APPENDIX A 65

CHAPTER 3: IS 'IRRESPONSIBLE' 'UNSUSTAINABLE'? A META-ANALYSIS OF THE CORPORATE SOCIAL IRRESPONSIBILITY – PERFORMANCE RELATIONSHIP 73

INTRODUCTION 74
THEORY AND HYPOTHESES 77
PERFORMANCE CONSEQUENCES OF CSI 77
CSI AND STAKEHOLDER THEORY 78
CORPORATE GOVERNANCE AND CSI 80
CSI AND INSTITUTIONS 82
METHODS 84

Sample and Coding 84
HOMA Procedure 85
MARA Procedure 87
MASEM Procedure 90
Results 91
HOMA Results 91
MARA Results 92
Antecedents of CSI 96
Discussion and Conclusion 99
Managerial Implications: Good Advice for Bad Managers? 99
Policy Implications 100
Scholarly Implications 101
References 104
Appendix B 109

CHAPTER 4: GOVERNANCE WITHOUT OWNERSHIP: A QUALITATIVE STUDY OF THE CORPORATE GOVERNANCE OF PHILANTHROPIC ORGANIZATIONS 115

Introduction 116
Theoretical Background 119
What is a PO? 119
What Do We Know? The Existence and Governance of POs 120
Data and Methods 121
Case Selection 122
Data Sources 123
Qualitative Analyses 126
POs as Dual Objective Organizations 130
Mission Achievement 130
Acquiring Resources 133
The Economic Function of POs 135
The Core governance Challenge of POs 135
The Notion of Stakeholder Involvability 136
Managing Stakeholder Involvability 139
A Typology of POs 141
Caregivers 141
Gold Minders 145
Peacekeepers 146
Free Spirits 147
Conclusion and Discussion 148
Broadening the Scope of Corporate Governance Research 149
An Exemplar for the Use of Stakeholder Theory in Corporate Governance Research 150
Natural Extensions of our Theory: The Governance of Social Enterprises and Hybrids 152
References 154
Appendix C 158

THESIS SUMMARY 159

SAMENVATTING (DUTCH SUMMARY) 164

ABOUT THE AUTHOR 168

AUTHOR PORTFOLIO 169

ERIM PH.D. SERIES 171

CHAPTER 1:

General Introduction

This PhD thesis is about how organizations balance the interests of stakeholders in corporate governance. This is a highly relevant, but certainly not under-explored research question. In fact, since the very rise of modern corporations, it is a question that has always been part of the academic debate about the corporate governance of organizations. What changes however, is the answer to this question. As society changes, organizations change, and so do our theories. The aim of this PhD thesis therefore, is to contribute to broadening the scope of corporate governance research, by integrating it more closely with stakeholder theory.

The Need to Rethink Corporate Governance for the 21st Century

The classical economic analysis of the separation of ownership and control has set the stage for most contemporary research in corporate governance (Berle & Means, 1932). According to this analysis, the separation of ownership and control, a design feature that characterizes many modern organizations but is most pronounced in publicly listed firms, brings about significant efficiency advantages which explain its empirical prevalence (Fama, 1980). While decision-making power is allocated to a professional management that is able to economize on the transmission and handling of information (Arrow, 1974), the risk of ownership is borne by dispersed shareholders who are able to diversify their portfolio of shares and choose the extent of risk they wish to be exposed to (Fama & Jensen, 1983b). This specialization of decision-making on the one hand, and risk-bearing on the other, however, does not only explain the survival value of the separation of ownership and control as a design feature, it also brings about its main weakness. Exactly because those who make decisions are separate from those who bear the consequences of these decisions, information asymmetries exists and agency problems arise between decision-making agents and risk-bearing shareholders (Fama & Jensen, 1983a). How organizations can remedy these agency problems has been the dominant focus of existing research.

In its analysis of stakeholders, agency theory focuses primarily on ‘patrons’, i.e. stakeholders that transact with the firm (Hansmann, 1996), and makes a fundamental distinction between fixed claimants and residual claimants (Alchian & Demsetz, 1972). Fixed claimants transact with the firm through market contracting, and their claim on the firm is fixed in the contract. Employees, suppliers and customers of publicly listed firms are such examples. On the contrary, residual claimants transact with the firm through ownership and hence, they have a claim on the residual earnings of the firm. Because it is uncertain how much owners receive in return for their provision of resources, residual claimants bear much more risk than fixed claimants (Easterbrook & Fischel, 1983). In addition, due to information asymmetries between residual claimants and mangers, residual claimants are also prone to opportunistic behaviors by managers (Fama & Jensen, 1983a). Hence, of all of the firm's patrons, agency theory views owners as the most important and vulnerable.

The primacy of owner interests is also reflected in empirical research in corporate governance, as the focus has primarily been on mechanisms that protect shareholders against opportunistic managers (Dalton et al., 2007). The two proposed mechanisms are monitoring of managerial decision-making, for example through independent boards (Dalton et al., 1999; Deutsch, 2005) and blockholding (Dalton et al., 2003), and bonding of managerial interests with shareholder interests, through financial incentives such as for example CEO ownership of shares (Tosi et al., 2000). Over the last 80 years, a massive amount of empirical research has been conducted on these various practices. However, very little consistent evidence as to their effectiveness has been accumulated (Dalton et al., 2007).

Since the last decade there has been an increasing call for alternative approaches to the currently dominating agency-theoretic analysis of organizations (Tihanyi, Graffin & George, 2014; Starbuck, 2014). This is partly due to the lacking empirical support for the theory's predictions, but also, and perhaps more importantly, due to the changing nature of contemporary firms and their environment. The kind of firms that existed in the time of Berle and Means' (1932) publication were stable organizations with clearly delineated legal and economic boundaries (Rajan & Zingales, 2000). This has changed in two important ways. First, whereas in large, vertically integrated industrial firms, financial capital was the critical resource, in contemporary organization the balance has shifted toward human capital (Rajan & Zingales, 2000). As a result of technological changes and improved access to funding, economies of scale and scope through the possession of physical assets are no longer the primary source of competitive advantage (Davis, 2014). Instead, innovativeness, industry- and product knowledge which stem from human capital, are much more important. A key consequence of this development is that power, rather than being concentrated in the hands of shareholders, is now diffused throughout the firm (Rajan & Zingales, 2000; Davis, 2014). This diffusion of power among non-shareholding stakeholders has blurred the legal and economic boundaries of the firm, which were initially drawn around the ownership of physical assets (Rajan & Zingales, 2000). These changes significantly undermine the primacy of residual claimants advocated by agency theory, and reduce the theory's applicability to modern corporations.

Another factor that has contributed to the blurring of the traditional boundaries of firms is that, as a result of globalization and changing societal demands, the scope of relevant stakeholders to firms has broadened beyond patrons. The "vertical dis-integration" that took place across industries in the 1990s and 2000s often involved outsourcing corporate activities and functions to other countries (Davis, 2014). The pressure to create shareholder value, together with the decreased control over overseas business units (Davis, 2014), resulted in a number of scandals by high-profile multinationals such as Nike and Shell, which severely damaged local communities (Gjølberg, 2009). Moreover, as organizations globalize, their ecological footprint expands while the ability of national governments to regulate this, actually diminishes (Scherer, Palazzo & Matten, 2009). These developments illustrate that stakeholders other than fixed and residual claimants also bear significant risk as a result of the firm's activities. Economists refer to such effects as negative externalities, and although negative externalities as such are not new to the discussion of corporate governance, what is new is the importance society attributes to them. Globalization has intensified the extent of negative externalities that firms produce, while simultaneously, mass communication technology such as the Internet has helped civil society to both accumulate and disseminate more information about corporate activities (Freeman, 1984). This has contributed to a much more informed society that imposes stricter legitimacy demands on firms than in the era of Berle and Means.

These two societal developments have rendered the agency theoretic analysis of the corporate governance of organizations less powerful. Building on the conceptual distinction between fixed and residual claimants, the latter is argued to be the stakeholder group that 1) provides the most critical resource, 2) bears most risk due to their claim on residual earnings, and 3) is most vulnerable to expropriation (Hansmann, 1996). However, contemporary firms rely increasingly on human capital, rather than financial capital for achieving organizational success. This requires employees to make firm-specific investments (Rajan & Zingales, 2000), which makes them vulnerable to opportunistic behavior by managers as well (Blair & Stout, 1999). In addition, one of the consequences of globalization has been that firms increase their potential negative effect on stakeholders that are neither fixed nor residual claimants (Clement, 2005). Having no transactional relationship with the firm, and thus, no economic power to influence the firm, these third-party stakeholders are perhaps the most vulnerable stakeholders of all.

In present-day corporations, residual claimants (i.e. the owners) are no longer the sole risk-bearers of the firm. Many more stakeholder groups, including fixed claimants and even non-transacting stakeholders bear risk. The difference between fixed and residual claimants, hence, is a matter of degree rather than kind. To better understand the nature of firms of the 21st century, and to be able to contribute to improving their corporate governance, a more inclusive understanding of firms and their stakeholders is needed.

Stakeholder Theory: The Main Contender of Agency Theory

One of the main contenders to the classical economic approach to corporate governance is stakeholder theory. This theory was first introduced by Edward Freeman (1984) and proposes that firms are best understood as a set of relationships among groups that have a stake in the activities of the firm. Accordingly, the objective of organizations is to create as much value as possible for these stakeholders (Freeman, 1984; Freeman, Wicks & Parmar, 2004). One of the underlying questions of stakeholder theory is whether capitalism and ethics are connected (Parmar et al., 2010). Stakeholder theorists would argue that it is possible to effectively manage stakeholder relationships and thrive in capitalist systems (Freeman, 1994; Wicks, 1996), and that moreover, it is a moral obligation of managers to pursue this connection (Donaldson & Preston, 1995; Phillips, 2003). Undoubtedly, stakeholder theory has a normative core (Donaldson & Preston, 1995). Early discussions about stakeholder theory also revolved around normative questions including the purpose of organizations and their responsibility to society (e.g. Evan & Freeman, 1988; Freeman, 1994; Donaldson & Dunfee, 1999; Jones & Wicks, 1999). Given the empirical, positivist research tradition in management scholarship, however, for stakeholder theory to be endorsed, researchers had to show that stakeholder management would not damage the competitive survival and economic sustainability of firms (Jones & Wicks, 1999).

Not surprisingly, the last few decades have seen an exponential increase in research on the financial consequences of stakeholder management (cf. Margolish & Walsh, 2003; Orlitzky, Schmidt & Rynes, 2003). Most research on this topic has been conducted under the banner of Corporate Social Responsibility (CSR). In the last four decades an impressive amount of research has been accumulated on the so-called corporate social and financial performance relationship, reflecting its popularity in management research, and strategic management more specifically (Crane & Gond, 2008). In this stream of research, stakeholder management is increasingly understood as a strategic asset much like technological investments, innovative capacity, or firm reputation. With the help of numerous databases such as for example the KLD database, scholars have been able to measure stakeholder management by means of a single composite score similar to how variables such as reputation and innovativeness are typically measured. The advantages of this approach are obvious. It allows for "clean" empirical, quantitative analysis of stakeholder management, and enables scholars to circumvent the more challenging questions such as; how do firms balance conflicting demands of stakeholders? Arguably though, such questions lay at the heart of stakeholder theory.

Stakeholder theory has contributed to corporate governance research by providing a broader conceptualization of the relevant stakeholders of firms. Its contribution however, is limited to the extent that it does not offer clear theoretical arguments or empirical evidence as to how and when firms manage and balance the interests of multiple stakeholders. This lack of theorizing was most articulately criticized by Jensen (2002) who claimed that stakeholder theory's proposal to take into account multiple stakeholder interests, makes purposeful decision-making for managers impossible, or in other words, that "multiple objectives, is no objective" (p, 238). For stakeholder theory to establish a firmer position in corporate governance research, this major gap in our understanding must be addressed. The purpose of this thesis is to contribute to this end.

Towards a Closer Integration of Stakeholder Theory in Corporate Governance

The leading question of this PhD thesis is: *How do organizations balance the interests of multiple stakeholders in corporate governance?* This thesis consists of three empirical chapters and each chapter tackles this research question from a slightly different angle. Chapter 1 zooms in on the dichotomy between shareholders and non-shareholding stakeholders. At the core of the agency theory vs. stakeholder theory debate lays the question of whether firms should maximize value for shareholders or whether they should create value for other stakeholders as well. Rather than questioning the validity of the normative assumptions upon which these theories rely, as many other scholars have already done (cf. Jensen, 2002; Sundaram & Inkpen, 2004; Freeman, et al., 2004), in this Chapter I study whether empirically, a trade-off between shareholders and stakeholders actually exists. The main research question of this Chapter is therefore: *To what extent does the focus on non-*

shareholding stakeholders conflict with the shareholder value maximization proposition? The results of this Chapter illustrate that trade-offs are not always necessary. If firms manage their stakeholders strategically, they can create value for both shareholders and other stakeholders.

Firms do not always create value but in some cases also destroy value. Chapter 2 therefore deals with corporate misconduct. If a win-win situation between shareholders and non-shareholding stakeholders can in emerge in the context of value creation, may there also be a 'loose-loose' situation in the context of value-destruction? According to economic theory, markets are efficient institutions able to fully reflect all available information. So upon revelation of corporate misconduct, financial markets will discount firm value accordingly (Karpoff & Lott, 1993). Chapter 2 empirically tests this proposition by studying the following question: *What are the consequences for shareholders when the interests of non-shareholding stakeholders are harmed?* I found that corporate misconduct against stakeholders that transact with the firm result in more negative financial performance than misconduct against stakeholders that do not transact with the firm. This finding implies that markets do not perfectly reflect the cost of misconduct. That is, the extent to which shareholders bear the negative consequences of corporate misconduct, depends on which stakeholder group is targed by the misconduct. In certain instances some of the costs of corporate misconduct are in fact shifted to non-shareholding stakeholders.

In the third empirical Chapter, I study stakeholder management in Philanthropic Organizations (POs). POs are organizations that are legally barred from distributing profits to any of the organization's stakeholders. Because ownership entails the formal right to control an organization, and the right to appropriate its profits, POs are in fact organizations without owners (Hansmann, 1980). This specific feature renders fundamental propositions of agency theory, such as the primacy of the principal, inappropriate for the analysis of the governance challenges of these organizations. This makes POs a truly fruitful context for theory-building in stakeholder management. The main research question of Chapter 3 is therefore: *What can we learn about stakeholder management from* *organizations that do not even have formal owners?* Through a comparative case study analysis I attempt to identify patterns in stakeholder balancing in POs. Based on the differential degree of involvability of key stakeholders, Chapter 3 develops a typology of four types of POs, each subject to a different stakeholder balancing challenge. To remedy this challenge, POs in each type may adopt different stakeholder management practices. This qualitative study offers fine-grained, empirical insights into stakeholder management as a process of managing the involvement of multiple stakeholders.

The findings of these empirical chapters informs how organizations balance stakeholder interests in corporate governance. While Chapter 1 shows that it is possible to pursue a stakeholder strategy without compromising shareholder profits, Chapter 2 reveals that it is unlikely that firms that pursue shareholder profits are able to do so without compromising stakeholders' interests. This interesting asymmetry is a novel insight to the stakeholder management literature. Chapter 3 is based on POs and sheds light into the specific dynamics that predict which stakeholder interests are prioritized in corporate governance when there are no owners.

The Structure of This Thesis

This thesis is structured based on the three empirical studies mentioned above. In the following section I will summarize the main findings and contributions of each study.

Chapter 2

Assessing the 'Mechanisms Turn' in Corporate Social and Financial Performance Studies: A Meta-Analysis[1]

This study is a meta-analysis on the relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP). CSP represents a common way in which firms attempt to create and distribute value to its various stakeholders. Even though a tremendous amount of research has been conducted on this relationship, our existing knowledge of it remains fragmented given the variety of theoretical lenses that inspire the field (Aguinis & Glavas, 2012), and the diverse empirical approaches that have been used. Through a meta-analysis, hence, I sought to synthesize the accumulated evidence. The question that drove my analysis was first, to what extent is it possible for firms to simultaneously create value for non-shareholding stakeholders as well as for shareholders, and second, under which conditions are firms best able to do so? The meta-analysis was based on 280 primary studies that have been published in the last four decades. This is the most comprehensive dataset of CSP-CFP studies meta-analyzed to date. I derived partial and bivariate correlations on the focal relationship from these studies, and used state of the art meta-analytical techniques to analyze the data (i.e. HOMA by Hedges & Olkin, 1985; MARA by Lipsey & Wilson, 2001; and MASEM by Carney et al., 2011).

Taken together, this study finds a modest but significant positive relationship between social and financial performance of firms. Simultaneously creating value for multiple stakeholders, therefore, appears to be possible. In addition, the data shows that there are four causal mechanisms that enable firms to implement CSP in a joint-value enhancing way. First, CSP investments positively affect firm reputation, which in turn enhances CFP. The theoretical mechanism that underlies this effect is a *signaling* mechanism (Certo, 2003; Fombrun, 1996). By means of a favorable reputation firms signal the quality of their products and internal processes to a broad range of stakeholders who lack in-depth knowledge about the firm. Second, CSP activities lead to stakeholder endorsement, which helps to improve CFP. This is a *cooptation* mechanism (Hillman, Cannella & Paetzold, 2000; Hillman, Withers & Collins, 2009). In this approach firms offer stakeholders direct CSP contributions or influence over CSP policy, which allows firms to gain their support for strategic initiatives. Third, investing in CSP was found to lower firm risk, while firm risk is negatively related to CFP. Through this *risk mitigation* mechanism (Godfrey, Merrill, & Hansen, 2009; Orlitzky & Benjamin, 2001),

---

[1] Chapter 2 is co-authored by Pursey P.M.A.R. Heugens, Hans (J.) van Oosterhout, and Marc van Essen.

firms use their CSP activities to prevent future loss of CFP by reducing their firm-specific risks. Finally, CSP investments increase firms' innovative capacity, which has a subsequent positive effect on CFP. This is an *opportunity identification* mechanism (King & Lenox, 2002; Thompson & Heron, 2006). Through internal experimentation with CSP, or by using CSP as a vehicle to structure interactions with external stakeholders, firms are able to identify opportunities for innovation. All four causal mechanisms were backed by robust empirical support from the meta-analysis.

These findings support the notion that joint-value creation *is* possible; the act of creating value for one stakeholder group does not necessarily imply that it destroys value creation for another. If firms are able to use their CSP activities strategically, that is to 1) improve their reputation, 2) enhance stakeholder endorsement, 3) mitigate risk, or 4) increase innovative capacity, they can simultaneously create value for both shareholders as well as other stakeholders. Hence, stakeholders' demands are not always conflicting, and therefore do not always require managers to make trade-offs. So based on four decades of empirical research on CSP and CFP, this meta-analysis concludes in favor of stakeholder theory and supports the claim that ethics and capitalism *can* go together.

Chapter 3

Is 'Irresponsible' 'Unsustainable'? A Meta-Analysis of the Corporate Social Irresponsibility – Performance Relationship[2]

In Chapter 3 I study corporate misconduct, which, for the sake of comparison, I refer to as 'Corporate Social Irresponsibility' (CSI) (cf. Lange & Washburn, 2012). Economists would argue that markets are self-cleansing institutions. The negative financial consequences that wrongdoers bear when misconduct is brought to light is argued to be sufficient to deter future CSI from happening (Becker, 1968). In this study I question this assumption. I take stock of the existing research on the financial effects of CSI and perform another meta-analysis to draw conclusions regarding the self-cleansing

[2] Chapter 3 is co-authored by Pursey P.M.A.R. Heugens, Hans (J.) van Oosterhout, and Marc van Essen.

capacity of markets. While the typical goal of meta-analysis is to synthesize empirical findings and test theoretical predictions, more innovative applications of meta-analysis also allow for theory extension (MASEM: Carney et al., 2011). Using such applications, I furthermore examine whether corporate governance practices, which are typically designed to avoid value destruction for shareholders, also play a role in avoiding value destruction for other stakeholders.

This meta-analysis includes 244 primary studies on the relationship between CSI and CFP. Based on the partial correlations collected from these primary studies, the overall meta-analytic mean between CSI and CFP was found to be -0,12. This effect is significant in statistical terms, but only modest in practice. It suggests that markets do perform a policing role with respect to CSI, but it also shows that they cannot entirely be regarded as self-cleansing institutions. The results also reveal that the relationship between CSI and CFP tends to be more negative when corporate misconduct affects a related party stakeholder, i.e. a stakeholder with whom the firm transacts, rather than a third party stakeholder, i.e. a stakeholder with whom the firm does not transact, such as the natural environment or local communities. An obvious explanation for this differential effect is that related party stakeholders, on whom the firm depends for key resources, are able to jeopardize the firm's future stream of income. Third party stakeholders on the other hand, lack such reciprocal relationship and therefore are only limitedly able to financially penalize the firm (Karpoff & Lott, 1993; Murphy, Shrieves & Tibbs, 2009).

To investigate the role of corporate governance in preventing CSI, I studied the relationship between CSI and six specific corporate governance practices: blockholding, board size, institutional ownership, CEO duality, board independence and inside ownership. According to the findings, both the presence of blockholding owners and large boards reduce the occurrence of CSI. These specific corporate governance practices enhance the ability of owners and boards to monitor managerial behavior (Shleifer & Vishny, 1986; Dalton et al., 1999). Even though these practices are implemented to reduce agency problems, the results show that they also reduce corporate misconduct more broadly.

Conversely, inside ownership, which entails stock ownership by executives, was found to increase the prevalence of CSI. Inside ownership is a corporate governance practice aimed at tying executive compensation more closely to firm performance as expressed by share price. A downside of such bonding practices is that it may incentivize excessive risk-taking by managers because it imposes expectations on performance but limited constraints on behavior (Eisenhardt, 1989). Increased CSI, hence, might be a behavioral consequence of bonding corporate governance practices. The other corporate governance practices; institutional ownership, CEO duality and board independence, were not found to have significant relationship with CSI.

Although there is comfort in the thought that better governed firms are also less prone to CSI, most corporate governance practices are designed to remedy the agency problem between managers and shareholders (Shleifer and Vishny, 1997), and not necessarily to remedy conflicts of interests between the firm and its non-shareholding stakeholders (Kraakman, 2004). This meta-analysis showed that monitoring practices reduce the prevalence of CSI, while bonding practices such as inside ownership in fact, increases CSI. Hence, practices that protect one stakeholder group from value destruction might in fact enhance value destruction for another stakeholder. In addition, as the findings demonstrate, markets cannot entirely be relied upon to weed out corporate transgressors. CSI has a modest negative effect on firm performance suggesting that at least some of the costs of corporate misconduct are borne by non-shareholding stakeholders. Since the interests of third party stakeholders in particular, are weakly protected by markets, they are the most vulnerable to CSI.

Chapter 4

Governance without Ownership: A Qualitative study of the Corporate Governance of Philanthropic Organizations[3]

In the and final chapter of this thesis I performed an empirical study on stakeholder management in

[3] Chapter 4 is co-authored by Hans (J.) van Oosterhout. Lucas C.P.M. Meijs provided invaluable access to data.

POs. POs are formal organizations without owners that produce goods or services for one stakeholder group (i.e. the beneficiaries), that are predominantly paid for by another stakeholder group (i.e. the donors). While POs may not be the most obvious research object for most management scholars, they are in fact an ideal type organization to study stakeholder management. As nonprofit organizations, POs have a so-called non-distribution constraint, which prohibits them from distributing their earnings to organizational stakeholders (Hansmann, 1980). As a result, POs have no formal owners and thus have no dominant stakeholder group, such as shareholders, whose interests are leading in corporate governance. In addition, POs have two main stakeholder groups; beneficiaries and donors, who differ significantly with respect to their economic bargaining power over the PO. This asymmetry offers a unique setting to study how organizations balance the interests of different stakeholders.

Despite these unique organizational features of POs, the agency theoretic analysis of the separation of ownership and control in publicly listed firms has also been the dominant framework for analyzing the corporate governance challenges of POs, and nonprofit organizations more broadly (Ostrower & Stone, 2006; Miller, 2002). Drawing parallels between owners of public firms and donors of nonprofit organizations, the literature has primarily focused on the question of how POs can be held accountable to their donors (Steinberg, 2010; Ostrower & Stone, 2006). This resulted in so much board research, that scholars have come to implicitly equate nonprofit governance with board functioning (Cornforth, 2012). Other governance functions such as decision-making have been overshadowed by accountability practices (Cornforth, 2012; Coule, 2013), and also other stakeholders such as beneficiaries and volunteers have been largely ignored (Jegers, 2009; Wellens & Jegers, 2011). To break away from this path-dependency on agency theory, this research adopts an inductive, qualitative research approach to develop a theory about the *specific* corporate governance challenges of POs.

This study is based on a qualitative comparative case study analysis of 34 Dutch POs, which were selected through a most different systems sampling design (Przeworski & Teune, 1970). I used interview data, archival data and focus groups and found that stakeholder management in corporate governance is essentially about managing *the involvement* of stakeholders, and specifically, the involvement of donors and beneficiaries. An important predictor of stakeholder management in POs that emerged from the data is "stakeholder involvability", defined as the extent to which it is possible to involve a stakeholder group in the organization. Stakeholder involvability is high when stakeholders are individually identifiable and physically approachable to the PO, and able to meaningfully and effectively communicate with the PO. Under such circumstances, it is more likely that stakeholders are involved in corporate governance. The core prediction of the emerging theory is that due to the differential degree in which donors and beneficiaries are involvable, different POs will have a different dispositional tendency to incorporate donor interests over beneficiary interests in organizational governance, and vice versa. After developing a typology showing how different types of POs face subtly different governance challenges, the findings illustrate how involvement enhancing or restricting governance practices may functionally contribute to meeting this challenge.

This research offers novel, fine-grained insights into stakeholder management as a corporate governance practice. It proposes that stakeholder management is essentially about managing involvement, and that the extent of involvement is strongly influenced by stakeholder involvability. In addition, by looking at two specific stakeholders, this study also illustrates when priority is given to one stakeholder group over the other, and how stakeholder involvement practices can influence this balancing act. Even though these conclusions were drawn from the context of nonprofit organizations, also for profit organizations stand to benefit from these findings. The beneficiaries of POs resemble third party stakeholders of for profit organizations in that they also have no a transactional relationship to the PO. While for profit firms are increasingly pressured to minimize their negative externalities on third parties (Margolis & Walsh, 2003), the core business of POs is in fact to maximize positive externalities. By looking at how POs structure their corporate governance to achieve this, for profit firms may gain insights into how to manage their own third party stakeholders, and perhaps, more successfully live up to sustainability demands.

Concluding Remarks

At the center of the intersection between corporate governance and stakeholder management lies the question of how organizations balance stakeholder interests. The three studies of this PhD thesis address this question. Chapter 1 showed that CSR practices, which typically enhance value creation for non-shareholding stakeholders, may create value for shareholders as well. This implies that balancing stakeholder interests does not always require making trade-offs. Chapter 2, on the other hand, showed that corporate governance practices, which are designed to avoid value destruction for shareholders, in some instances actually enhance value destruction for non-shareholding stakeholders. With respect to preventing corporate misconduct, hence, trade-offs between stakeholders have to be made. Finally, Chapter 3 showed that stakeholder balancing is to an important degree determined by stakeholder involvability. In order to optimally balance stakeholder interests in corporate governance, organizations must adopt practices that enhance or restrict the involvement of stakeholders in corporate governance.

With these findings, this PhD thesis contributes to more closely integrate stakeholder theory in corporate governance research. By providing empirical evidence on *when* and *how* joint value creation for stakeholders is possible, I hope my research enables managers to engage in more purposeful decision-making, and inspires scholars to further study the complex process of balancing conflicting stakeholder interests.

References

Aguinis H, Glavas A. 2012. What we know and don't know about corporate social responsibility: A review and research agenda. ***Journal of Management***, 38(4): 932-968.

Alchian, A.A. & Demsetz, H. 1972. Production, information costs, and economic organization. ***American Economic Review***, 62(5): 777-795.

Arrow, K.J. 1974. ***The Limits of Organization***. John Brockman Associates, New York.

Becker, G. S. 1968. Crime and punishment: An economic approach. ***Journal of Political Economy***, 76(2): 169-217.

Berle, A.A. & Means, G.C. 1932. ***The Modern Corporation and Private Property***. New Brunswick, NJ: Transaction.

Blair, M.M. & Stout, L.A. 1999. A Team Production Theory of Corporate Law. ***Virginia Law Review***, 85(2): 247-328.

Carney, M., Gedajlovic, E. R., Heugens, P. P. M. A. R., van Essen, M., and van Oosterhout, J. 2010. Business Group affiliation, performance, context, and strategy: A meta-analysis. ***Academy of Management Journal***, 54(3): 437-460.

Certo S.T. 2003. Influencing initial public offering investors with prestige: Signaling with board structures. ***Academy of Management Review*****,** 28(3): 432-446.

Clement, R.W. 2005. The lessons from stakeholder theory for US business leaders. ***Business Horizons***, 48(3): 255-264.

Cornforth, C. 2012. Nonprofit governance research: Limitations of the focus on boards and suggestions for new directions. ***Nonprofit and Voluntary Sector Quarterly***, 41(6): 1116-1135.

Coule, T.M. 2013. Nonprofit governance and accountability: Broadening the theoretical perspective. ***Nonprofit and Voluntary Sector Quarterly***. In press.

Dalton, D.R., Daily, C.M., Johnson, J.L. & Ellstrand, A.E. 1999. Number of directors and financial performance: A meta-analysis. ***Academy of Management Journal***, 42(6): 674-686.

Dalton, D.R., Daily, C.M., Certo, S.T. & Roengpitya, R. 2003. Meta-analyses of corporate financial performance and the equity of CEOs, officers, boards of directors, institutions, and blockholders: Fusion or confusion? ***Academy of Management Journal***, 46(1): 13-26,

Dalton, D.R., Hitt, M.A., Certo, S.T. & Dalton, C.M. 2007. The fundamental agency problem and its mitigation: independence, equity, and the market for corporate control. ***Academy of Management Annals***, 1(1): 1-64.

Davis, G.F. 2014. Corporate power in the 21st century. ***Univeristy of Michigan Working Paper.***

Deutsch, Y. 2005. The impact of board composition on firms' critical decisions: A meta-analytic review. ***Journal of Management***, 31(3): 424-444,

Donaldson, T. & Dunfee, T. 1999. ***Ties that Bind: A Social Contracts Approach to Business Ethics***, Boston: Harvard Business School Press.

Donaldson, T. & Preston, L.E. 1995. The stakeholder theory of the corporation: Concepts, evidence and implications. ***Academy of Management Review***, 20(1): 65-91.

Easterbrook, F.H. & Fischel, D.R. 1991. ***The Economic Structure of Corporate Law***. Camrbidge, Massachusetts: Harvard University Press.

Eisenhardt, K.M. 1989. Agency theory: An assessment and review. ***Academy of Management Review***, 14(1): 57-74.

Evan, W. & Freeman, R.E. 1988. A stakeholder theory of the modern corporation: Kantian capitalism. In T. Beauchamp & N. Bowie (Eds.), ***Ethical Theory and Business***: 75-93. Englewood Cliffs, NJ: Prentice Hall.

Fama, E.F. 1980. Agency problems and the theory of the firm. ***Journal of Political Economy***. 88(2):

288-307.
Fama, E.F. & Jensen, M.C. 1983a. Agency problems and residual claims. ***Journal of Law & Economics***, 26: 327-349.
Fama, E.F. & Jensen, M.C. 1983b. Separation of ownership and control. ***Journal of Law & Economics***, 26: 301-325.
Fombrun C.J. 1996. ***Reputation: Realizing Value from the Corporate Image***. Harvard Business School Press: Cambridge, MA.
Freeman, R.E. 1984. ***Strategic Management: A Stakeholder Approach***. Boston: Pitman.
Freeman, R.E. 1994. The politics of stakeholder theory: Some future directions. ***Business Ethics Quarterly***, 4(1): 409-421,
Freeman, R.E., Wicks, A.C. & Parmar, B. 2004. Stakeholder theory and "the corporate objective revisited". ***Organization Science***, 15(3): 364-369.
Gjølberg, M. (2009). The origin of corporate social responsibility: global forces or national legacies. ***Socio-Economic Review***, 7(4), 605-637.
Godfrey P.C., Merrill C.B., Hansen J.M. 2009. The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis. ***Strategic Management Journal***, 30(4): 425-445.
Gond, J.P. & Crane, A. 2010. Corporate social performance disoriented: Savingn the lost paradigm. ***Business &* Society**, 49(4): 677-703.
Hillman A.J., Cannella A.A., Paetzold R.L. 2000. The resource dependence role of corporate directors: Strategic adaptation of board composition in response to environmental change. ***Journal of Management Studies,*** 37(2): 235-256.
Hillman A.J., Withers M.C., Collins B.J. 2009. Resource dependence theory: A review. ***Journal of Management* 35*,*** (6): 1404-1427.
Hansmann, H. 1980. The Role of Nonprofit Enterprise. ***Yale Law Journal****,* 89(5): 835-902.
Hansmann, H. 1996. ***The Ownership of Enterprise***, New York: Belknap Harvard.
Hedges L.V., Olkin I. 1985. ***Statistical Methods for Meta-Analysis***. Academic Press: Orlando, FL.
Jegers, M. 2009. "Corporate" governance in nonprofit organizations: A nontechnical review of the economic literature. ***Nonprofit Management & Leadership***, 20(2): 143-164.
Jensen, M.C. Value Maximization, stakeholder theory, and the corporate objective function. ***Business Ethics Quarterly***, 12(2): 235-256,
Jones, T.M. & Wicks, A.C. 1999. Convergent stakeholder theory. ***Academy of Management Review***, 24(2): 206-221.
Karpoff, J.M., Lott, J.R. and Wehrly, E.W. 2005. The Reputational Penalties for Environmental Violations: Empirical Evidence. ***Journal of Law and Economics***, 48(2): 653-675.
King A., Lenox M. 2002. Exploring the locus of profitable pollution reduction. ***Management Science***, 48(2): 289-299.
Kraakman, R.H. 2004. ***The Anatomy of Corporate Law: A Comparative and Functional Approach***. New York: Oxford University Press.
Lange, D. & Washburn, N.T. 2012. Understanding attributions of corporate social irresponsibility. ***Academy of Management Review***. 37(2): 300-326.
Lipsey M.W., Wilson D.B. 2001. ***Practical Meta-Analysis***. Sage: Thousand Oaks, CA.
Margolis JD, Walsh JP. 2003. Misery loves companies: Rethinking social initiatives by business. ***Administrative Science Quarterly***, 48(2): 268-305.
Miller, J.L. 2002. The board as a monitoring organizational activity: The applicability of agency theory to nonprofit boards. ***Nonprofit Management & Leadership***, 12(4): 429-450.
Murphy, D.L., Shrieves, R.E. and Tibbs, S.L. 2009. Understanding the penalties associated with corporate misconduct: an empirical examination of earnings and risk. ***Journal of Financial and Quantitative Analysis***, 44(1): 55-83.
Orlitzky, M., Schmidt, F.L., Rynes, S.L. 2003. Corporate Social and Financial Performance: A Meta-Analysis. ***Organization Studies***, 24(3): 403-441.

Ostrower, F. & Stone, M.M. 2006. Governance: Research trends, gaps, and future prospects. In W.W. Powell & R. Steinberg (Eds.), ***The Non-Profit Sector: A Research Handbook***: 612-624. New Haven & London: Yale University Press.

Parmar, B.L., Freeman, R.E., Harrison, J.S., Wicks A.C., Purnell L. 2010. Stakeholder theory: The state of the art. ***Academy of Management Annals***, 4(1): 403-445.

Przeworski, A. & Teune, H. 1970. ***The Logic of Comparative Social Inquiry***. New York: John Wiley.

Phillips, R. 2003. ***Stakeholder Theory and Organizational Ethics.*** San Francisco: Berrett-Koehler.

Rajan, R.G. & Zingales, L. 2000. The governance of the new enterprise. In X Vives (Ed), ***Corporate Governance***: 201-226. Cambridge: Cambridge University Press.

Scherer, A.G., Palazzo, G. and Matten, D. (2009). Introduction to the special issue: globalization as a challenge for business responsibilities. ***Business Ethics Quarterly***, 19(3), 327-347.

Shleifer, A. and Vishny, R.W. 1986. Large shareholders and corporate control. ***Journal of Political Economy***, 94(3): 461-488.

Shleifer, A. and Vishny, R.W. 1997. A survey of corporate governance. ***Journal of Finance***, 52(2): 737-783.

Starbuck, W. H. 2014. Why Corporate Governance Deserves Serious and Creative Thought. ***The Academy of Management Perspectives***, 28(1): 15-21.

Steinberg, R. 2010. Principal-agent theory and nonprofit accountability. In K.J. Hopt & T. von Hippel (Eds.), ***Comparative Corporate Governance of Non-Profit Organizations****: 73-125*. Cambridge: Cambridge University Press.

Sundaram, A.K. & Inkpen, A.C. 2004. The corporate objective revisited. ***Organization Science***, 15(3): 350-363.

Tihanyi, L., Graffin, S., & George, G. 2014. Rethinking Governance in Management Research. ***Academy of Management Journal***, 57(6): 1535-1543.

Toshi, H.L., Werner, S., Katz, J.P. & Gomez-Mejia, L.R. 2000. How much does performance matter? A meta-analysis of CEO pay studies. ***Journal of Management***, 26(2): 301-339.

Wellens, L. & Jegers, M. 2011. Beneficiaries' participation in nonprofit organizations: a theory-based approach. ***Public Money & Management***, 31(3): 175-182.

Wicks, A.C. 1996. Overcoming the separation thesis. ***Business & Society***, 1(1): 89-118.

CHAPTER 2:

Assessing the 'Mechanisms Turn' in Corporate Social and Financial Performance Studies: A Meta-Analysis

Abstract

Prior research has found a positive relationship between corporate social performance (CSP) and corporate financial performance (CFP). Amongst CSP researchers, however, there neither is consensus about the appropriate specification of the relationship, nor about the mechanisms through which both variables are connected. Because recent research has mostly focused on the mechanisms that mediate the CSP – CFP relationship, we meta-analyze 280 primary studies to develop and test a theoretical framework specifying four paths involving mediating mechanisms. We find that firms benefit financially when using CSP to improve their reputations, co-opt critical stakeholders, mitigate firm risk, and jump-start innovation. We also find that these results are robust over three alternative specifications of the CSP – CFP relationship: endogeneity, omitted joint causation variables, and virtuous circle theory.

Introduction

Firms' investments in corporate social performance (CSP), commonly defined as their voluntary and extralegal participation in social and environmental issues (Mackey, Mackey, & Barney, 2007; McWilliams & Siegel, 2001), have long puzzled management scholars. Even in competitive industries corporations routinely use their discretion to reduce pollution (King & Lenox, 2002) and "voluntarily over-comply with environmental regulations" (Konar & Cohen, 2001: 289). Furthermore, managers frequently create separately endowed corporate charitable foundations supporting philanthropic activities that serve no direct business interest (Brammer & Pavelin, 2006; Fombrun & Shanley, 1990). Additionally, employers go to great lengths to stimulate workplace diversity and work-life balance programs, even when not coerced to do so by law or labor unions (Aguilera et al., 2007; Turban & Greening, 1997). In short, a firm that engages in CSP "allocates more resources to satisfy the needs and demands of its legitimate stakeholders than would be necessary to simply retain their willful participation in the firm's productive activities" (Harrison, Bosse, & Phillips, 2010: 58).

To solve this 'puzzle' of corporations' discretionary participation in social and environmental issues, researchers have devoted much attention to the relationship between CSP and corporate financial performance (CFP) ever since the late 1970s (Alexander & Buchholz, 1978; Chen & Metcalf, 1980; Kedia & Kuntz, 1981). Most of the authors involved with these earlier studies focused on *justifying* managers' decisions to engage in CSP (van Oosterhout & Heugens, 2008) by arguing that CSP activities generate CFP (cf. Godfrey, Merrill, & Hansen, 2009). By showing the possible existence of a positive and significant association between CSP and CFP, these scholars tried to build the 'business case' for CSP (Barnett, 2007). Orlitzky, Schmidt, and Rynes (2003) synthesized this stream of research in an influential meta-analysis, which corroborated the existence of a positive and significant association between CSP and CFP. The upshot of their analysis was that there is a business case for CSP, as CSP investments frequently strengthen the financial results of the focal firm.

Orlitzky and his associates did not intend their meta-analysis to be conclusive, but rather used it to “identify areas in which there have been relatively few studies conducted” (2003: 425) and they found “that interesting questions remain” (2003: 426). Numerous scholars have concurred that we still know too little about the precise mechanisms through which CSP translates into CFP. For example, Margolis and Walsh concluded that the relationship between CSP and CFP is likely to be more complex than direct causality, and that there is thus “a need for a causal theory” (2003: 278) linking the two together. Observing the frequently positive association between CSP and CFP, Konar and Cohen similarly concluded that “[w]hat we have yet to understand, however, is whether this relationship is truly causal” (2001: 289). In response to these calls to arms, scholars have increasingly begun to conduct studies aimed at *explaining* the CSP – CFP link by stipulating concrete causal mechanisms (van Oosterhout & Heugens, 2008). Indeed, the number of studies proposing and testing a variety of causal mechanisms has skyrocketed in the past decade (e.g., Barnett, 2007; Godfrey, Merrill, & Hansen, 2009; Husted, 2005; Luo & Bhattacharya, 2006; Luo et al., 2013; Uotila et al., 2009).

While we see this ‘mechanisms turn’ in CSP – CFP studies as an important step forward, our understanding of how CSP is causally related to CFP is currently limited in two ways. First, there is presently no consensus concerning the appropriate specification of the CSP – CFP relationship. While most contemporary researchers opt for a mediating variables specification, in which CSP affects CFP only indirectly through its influence on an intervening factor, others opt for specifications involving endogeneity (Ghoul et al., 2011; Goss & Roberts, 2011), omitted joint causation variables (Bansal, 2005; Barnett, 2007), or ‘virtuous circles’ (Surroca et al., 2010; Waddock & Graves, 1997). Second, our existing knowledge of the CSP – CFP relationship remains fragmented. Due to the multidisciplinary and multitheoretical nature of the CSP concept (Aguinis & Glavas, 2012), the mechanisms turn in CSP – CFP studies has generated a wide variety of theoretical mechanisms linking both constructs together, as well as a substantial but diverse body of empirical evidence. Further advancement in the CSP field thus hinges on a critical assessment of the alternative specifications of the CSP – CFP relationship, and on a theoretical and empirical integration of prior studies.

In the present study, we seek this advancement by making three contributions. First, we construct a comprehensive theoretical framework detailing the mechanisms through which firms' CSP activities affect their CFP. This framework identifies four mediating mechanisms that are activated by CSP: signaling the firm's attractiveness through its reputation (Brammer & Pavelin, 2006; Surroca et al., 2010), co-opting external stakeholders (Buysse & Verbeke, 2003; Sharma & Henriques, 2005), mitigating firm risk (Bansal & Clelland, 2004; Godfrey, 2005), and stimulating innovation (Hull & Rothenberg, 2008; King & Lenox, 2002). As these four mechanisms are found to fully mediate the CSP – CFP relationship, our theoretical framework synthesizes and structures the extant body of evidence. Second, we clarify the debate concerning the most appropriate specification of the CSP – CFP relationship by concurrently testing the mediating mechanisms, endogeneity, omitted joint causation variables, and virtuous circle specifications. While we find that several of these theoretical specifications have some empirical merit, the mediating mechanisms specification surfaces as the one offering the most robust explanation of how CSP is causally linked to CFP. Third, to address the need for a more consistent empirical approach in CSP – CFP research (Peloza, 2009), we critically evaluate the currently prevailing measurement strategies, research designs, and model specifications in CSP research, and develop a set of best-practice recommendations to guide future research studies.

Our meta-analysis is based on the most complete database of the CSP – CFP relationship to date, spanning 280 primary studies and covering more than 40 years of research. We use correlation-based and partial correlation-based Hedges and Olkin-type meta-analysis (HOMA; Hedges & Olkin, 1985) to establish the associational strength of the focal relationship. Furthermore, we use meta-analytic structural equations modeling (MASEM), to test our mediating mechanisms hypotheses (Aguinis, Bergh, & Joo, 2011; Carney et al., 2011) and to compare the explanatory power of mediation models against specifications involving omitted joint causation variables or virtuous circles.

Finally, we employ meta-analytic regression analysis (MARA; Lipsey & Wilson, 2001) to diagnose whether CSP is endogenous upon CFP and to establish the robustness of our results. We also use MARA to map the influence of different methodological and theoretical moderator variables on the CSP-CFP relationship and to arrive at recommendations for future research.

Theory & Hypotheses

The Problem of Specification

The field of management has accumulated over four decades of research and evidence on the questions of whether and how CSP is related to CFP (Aguinis & Glavas, 2012; Margolis & Walsh, 2001; Orlitzky et al., 2003). In spite of these efforts, however, what is the most appropriate specification of the relationship between both constructs remains disputed to this day. Whereas many earlier studies explored the correlation between CSP and CFP (Alexander & Buchholz, 1978; Chen & Metcalf, 1980; Cochran & Wood, 1984; Kedia & Kuntz, 1981), the idea that there is a direct causal link between 'doing good' and 'doing well' has fallen out of favor with the CSP community. Instead, CSP researchers currently hold at least four alternative views concerning the most appropriate specification of the CSP – CFP relationship.

The first of these views is that CSP is wholly or partially *endogenous* upon CFP, such that CSP is not an antecedent to CFP but rather a consequence of it (Garcia-Castro, Ariño, & Canela, 2010; Ghoul et al., 2011). When stronger prior financial performance provides companies with the necessary means to engage in CSP, the relationship between CSP and CFP could be one of bidirectional or reverse causality. A failure to correct for endogeneity can then lead to inflated estimates of the focal relationship (Goss & Roberts, 2011). The second view is that the relationship between CSP and CFP is spurious due to *omitted joint causation variables* (cf. Bansal, 2005; Barnett, 2007). In this interpretation, the direct relationship between CSP and CFP is either weak or nonexistent, as both phenomena are in fact related to a third variable, which tends to be omitted from the equation.

Candidate variables that could be related to both CSP and CFP include environmental munificence (Goll & Rasheed, 2004) and organizational slack (Bansal, 2005). Accounting for these variables in a joint causation model is thus likely to either make the focal relationship weaker or disappear altogether. The third view is that the relationship between CSP and CFP is only part of a wider system of interlocking equations (Surroca et al., 2010; Waddock & Graves, 1997). Concretely, "social performance seems to be both a predictor and a consequence of financial results, forming […] a virtuous circle" (Surroca et al., 2010: 463). According to this *virtuous circle* theory, the relationship between CSP and CFP is more complex than simple bi-directionality or reverse causality, and involves iterative processes that link the two variables together in a time-ordered recursive sequence. The fourth and final view, which has by far gained the strongest traction amongst CSP researchers, is that CSP and CFP stand in a *mediated relationship* to one another (Godfrey, 2005; Husted, 2005; Luo & Bhattacharya, 2006; Luo et al., 2013; Uotila et al., 2009). The mediation view entails that CSP is not a direct driver of firm performance, but rather a firm attribute that can influence other organizational variables, which are directly linked to CFP.

Towards an Integrative Mediation-Based Framework

In the present study, we follow the current trend in the mechanisms-based CSP literature by focusing on meta-analyzing mediation models, although we will also account for other specifications of the CSP – CFP relationship in a series of additional analyses[4]. A focus on mediating mechanisms is also warranted for three substantive reasons. First, the possibility to distinguish between several concurrent mediation paths is congruent with the theoretical idea that CSP is a complex construct that involves firm actions in different domains targeted towards different stakeholder groups (Aguinis & Glavas, 2012; Brammer & Millington, 2008; Jayachandran, Kalaignanam, & Eilert, 2013). Second, the theoretical structure of mediation models is widely accepted, such that mediation hypotheses can be

[4] We thank SMJ editor Will Mitchell and both of our anonymous reviewers for encouraging us to consider alternative

stated with great clarity and conceptual precision (Baron & Kenny, 1986). Third, formal statistical tests like the Sobel, Aroian, and Goodman tests have been developed for assessing mediation models (MacKinnon & Dwyer, 1993). This makes mediation hypotheses more refutable than hypotheses based on alternative specifications, for which such tests are frequently still forthcoming.

Concretely, we construe an integrative theoretical framework stipulating four mediating mechanisms. The first is a *signaling* mechanism (Certo, 2003; Fombrun, 1995), which is activated when firms use their reputation to convey the quality of their products or internal processes to stakeholders who find it difficult to assess the true quality of the firm due to information or knowledge asymmetries. The second is a *cooptation* mechanism (Hillman, Cannella, & Paetzold, 2000; Hillman, Withers, & Collins, 2009). Firms can gain stakeholders' endorsement of future strategic initiatives either by offering them direct CSP-related contributions or indirect influence over CSP policy. The third mechanism is rooted in *risk mitigation* (Godfrey et al., 2009; Orlitzky & Benjamin, 2001). CSP expenditures may function as a quasi-insurance against future losses in CFP by avoiding firm-specific risks or by cushioning their impact. The fourth and final mechanism is CSP-related *opportunity identification* (King & Lenox, 2002; Thompson & Heron, 2006). A firm's discretionary participation in social and environmental issues exposes it to previously unencountered internal implementation challenges and external stakeholder relationships, both of which provide new innovation opportunities. Figure 1 offers a visual representation of our integrative theoretical framework. We proceed to argue in greater depth how these four paths link CSP to better CFP, formulating a specific hypothesis for each path.

Hypotheses Development

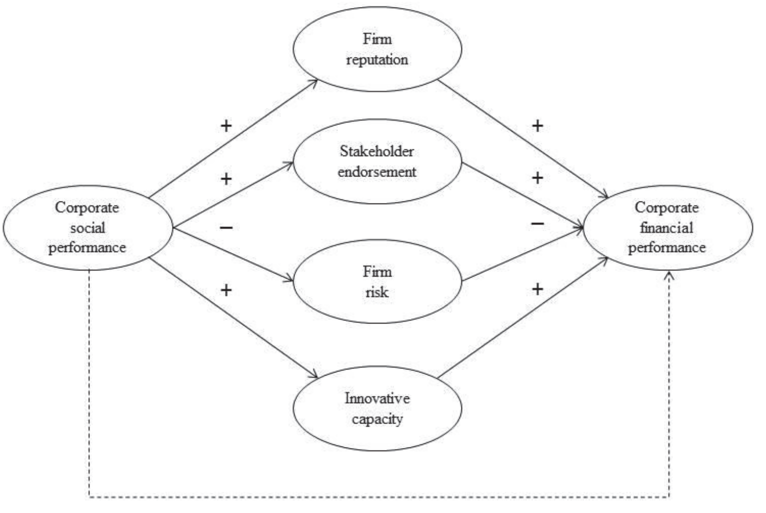
Firm reputation: A firm's reputation is "a perceptual representation of a company's past actions and future prospects that describe the firm's overall appeal to all its key constituents when

---

specifications of the CSR – CSP relationship, in addition to the mediating mechanisms specification.

compared to other leading rivals" (Fombrun, 1996: 72). Reputations act as an information signal, from which the firm's audiences can infer its standing vis-à-vis its competitors in product, labor, and

FIGURE 1
Mediation models



financial markets (Brammer & Pavelin, 2006; Fombrun & Shanley, 1990). An important question in the CSP literature is: do firms that have better CSP have better reputations than those with poorer CSP (Konar & Cohen, 2001)? Two complementary mechanisms have been argued to produce a positive link. First, CSP can be seen as a direct and pro-active contribution to the welfare of key constituents, which sends an information signal to outsiders that the firm aspires to achieve a "mutualistic relationship with potentially powerful groups in their environments" (Fombrun & Shanley, 1990: 239). For example, Turban and Greening (1997) found that when firms invest in social programs, their reputation as an employer improves. Second, CSP can function as a restitution device: after it has committed illegal acts, a firm can use strategic philanthropy and other forms of CSP to restore its reputation in the eyes of societal stakeholders. In the words of Williams and Barrett (2000: 348): "charitable giving appears to be a means by which firms may partially restore their good name following the commission of illegal acts". In short, several theoretical mechanisms suggest a positive association between CSP and firm reputation, and earlier studies have shown that these mechanisms indeed operate in practice (Brammer & Millington, 2005; Brammer & Pavelin, 2006; Konar & Cohen, 2001; Rowley & Berman, 2000).

A second important question is: do firms with better reputations have stronger financial performance? Prior research has found that "firms that have better (…) reputations have higher intangible assets" (Konar & Cohen, 2001: 289) and report stronger scores on accounting measures of profitability (Roberts & Dowling, 2002). Several mechanisms have been argued to effectuate a stronger link between firm reputation and CFP. First, good reputations allow firms to charge premium prices for their products, both because consumers prefer to associate themselves with prestigious companies and because they take reputation as an indicator of the companies' superior product quality (Klein & Leffler, 1981; Milgrom & Roberts, 1986). Second, firms with good reputations are also better positioned in labor markets, allowing them to attract talented and exceptionally productive employees (Bhattacharya, Sen, & Korschun, 2008; Stigler, 1962). Third, more reputable firms also have better access to external financing, which lowers their cost of capital and allows them to finance attractive business opportunities (Beatty & Ritter, 1986; Engelen & Van Essen, 2011). In other words: "corporate reputation is an important strategic asset that contributes to firm-level persistent profitability" (Roberts & Dowling, 2002: 1091). See Hypothesis 1:

Hypothesis 1: The CSP – CFP relationship is mediated by firm reputation: CSP is positively related to firm reputation, whereas firm reputation is positively related to CFP.

Stakeholder endorsement: Whereas some firms may be intrinsically committed to stakeholder welfare, most firms seek involvement with stakeholders on instrumental grounds in a deliberate attempt to secure endorsement of their policies and strategies (Berman et al., 1999; Wood & Jones, 1995). CSP is then often the primary vehicle through which firms seek to co-opt stakeholder groups. In the words of Berman and his associates: “stakeholder relationships and resource allocation decisions [towards CSP] are inseparable, because how managers distribute resources inevitably has implications for the strength of stakeholder relationships” (1999: 503). Such focused resource allocation decisions have been shown to affect the firm’s endorsement by various stakeholder groups (Harrison et al., 2010; Sharma & Henriques, 2005). First, institutional investors like pension funds and mutual funds – which currently own 73% of the outstanding stock of the largest 1000 U.S. firms (Conference Board, 2010) – frequently use social and environmental ‘screens’ when selecting investment targets. Firms that have adequate CSP ‘qualify’ for institutional investments, whereas firms with lackluster CSP generally do not (Graves & Waddock, 1994; Johnson & Greening, 1999). Second, consumers may respond positively to a firm’s efforts to engage in CSP, identify more strongly with firms acting in responsible ways, and derive more satisfaction from products or services stemming from high CSP firms (Luo & Bhattacharya, 2006). Third, regulators who have the direct power to enact laws and enforce CSP may be positively inclined towards firms’ voluntary participation in social problems, and allow these firms to pursue self-regulation (Sharma & Henriques, 2005). CSP can thus enact a mode of voluntary cooperation between firms and government and prevent antagonism in this essential stakeholder relationship (Buysse & Verbeke, 2003). Fourth, companies that engage in employee-oriented CSP tend to enact greater job satisfaction and lower turnover amongst their workers (Turban & Greening, 1997). In short, CSP can secure the endorsement of vital stakeholder groups.

Prior research has shown that crafting mutually productive relationships with stakeholders can have a direct positive effect on firms’ financial performance (Berman et al., 1999; Wood & Jones, 1995). This happens either because the endorsing stakeholders are willing to make resources available to the firm on more favorable terms or because they impose fewer costs and demands upon it. When a firm is eligible for institutional investments because its CSP meets the criteria of socially engaged investors, it increases the potential influx of financial capital and subsequently lowers its financing costs (Graves & Waddock, 1994; Johnson & Greening, 1999). This effect is increased further when firms engage in voluntary social and environmental disclosures, which reduces information asymmetries between firms and their financiers and lowers the cost of capital (cf. Richardson & Welker, 2001). Furthermore, firms with more satisfied customers tend to enjoy greater customer loyalty, are able to charge consumers premium prices, and therefore achieve higher levels of cash flows and market valuation (Luo & Bhattacharya, 2006). Also, firms that manage to convince regulators to let them regulate themselves can avoid expensive compliance costs and penalties, and can seek CSP strategies that are most closely aligned with their market strategies (Sharma & Henriques, 2005). Finally, firms that inspire greater loyalty and emotional involvement amongst their workers are frequently able to get ahead of competitors in industries in which the quality of human capital is a decisive factor (Bhattacharya et al., 2012; Turban & Greening, 1997). In short, gaining the support of primary stakeholder groups has positive financial consequences for firms. See Hypothesis 2:

> *Hypothesis 2: The CSP – CFP relationship is mediated by stakeholder endorsement: CSP is positively related to stakeholder endorsement, whereas stakeholder endorsement is positively related to CFP.*

Firm risk: All firms occasionally commit acts that hurt the interests of their stakeholders, ranging from oil spills through plant closures to workplace safety incidents. In response, stakeholders may impose sanctions upon transgressing firms, which can take a variety of forms, including environmental protection agency penalties (Konar & Cohen, 2001), superfund liability (Barth & McNichols, 1994), boycotts or lawsuits initiated by customers (Godfrey et al., 2009), and heightened scrutiny by legislative bodies (Bansal & Clelland, 2004). When shareholders observe such sanctions, and adjust their expectations concerning future profitability accordingly, transgressing firms incur so-called unsystematic risk, or “variability in a firm’s stock price associated with events that primarily affect only that firm” (Bansal & Clelland, 2004: 93). By improving their CSP, firms can lower their risk in two ways. First, by making focused investments in health, safety, and environmental programs, firms can avoid the type of transgressions that could lead to stock price variability. Specifically, by anticipating foreseeable risks and by redesigning their operations to prevent these risks from materializing, “companies will be more proactive and effective in mitigating the wide array of social problems” (Porter & Kramer, 2006: 10) associated with their core business. Second, by making credible CSP commitments *a priori*, firms can ‘insure’ themselves against *a posteriori* societal blowback in case transgressions do happen. Concretely, CSP creates a ‘reservoir of goodwill’ (Bhattacharya & Sen, 2004) or a stock of ‘positive moral capital’ (Godfrey, 2005) protecting the firm from incurring sanctions after accidents or occasional misdeeds (Gardberg & Fombrun, 2006; Godfrey, 2005; Peloza, 2006). Thus, “being trusted by stakeholders and pursuing socially responsible policies, reduces risks arising from safety issues, potential boycotts and loss of corporate reputation” (Knox & Maklan, 2004: 26). In short, CSP investments reduce firm risk by preventing certain corporate transgressions from materializing and by cushioning the impact of others (Bansal & Clelland, 2004; Orlitzky & Benjamin, 2001; Peloza, 2006).

Subsequently, a reduction in firm risk is likely to be positively associated with CFP, not because lower risk generates CFP, but because it helps to preserve it (Godfrey et al., 2009). Preventing transgressions through CSP protects shareholder value, because it helps firms avoid nonproductive costs like fines and legal expenses, turnover of key personnel, refinancing costs, and the diversion of managerial attention (Smith & Stulz, 1985; Stultz, 2002). Good CSP also makes it less likely that stakeholders will call for retribution in case a transgression inadvertently does happen (Fombrun, Gardberg, & Barnett, 2000; Godfrey, 2005). When firms have a well-stocked reservoir of goodwill or positive moral capital, stakeholders are much more likely to “attribute the negative event to managerial maladroitness rather than malevolence, and temper their reactions accordingly" (Godfrey et al., 2009: 428). Managers can thus prevent stakeholder sanctions and subsequent losses of shareholder value by taking out an 'insurance premium' paid for in CSP, which reduces the firm's exposure to risks that would otherwise materialize in the form of irrecoverable costs (Godfrey et al., 2009). Both the avoidance and the cushioning of transgressions that lead to firm risk are thus positively associated with CFP. See Hypothesis 3:

Hypothesis 3: The CSP – CFP relationship is mediated by firm risk: CSP is negatively related to firm risk, whereas firm risk is negatively related to CFP.

Innovative capacity: One widely held insight amongst CSP scholars is that investments in CSP can deliberately or serendipitously lead to innovation (Barnett, 2007; King & Lenox, 2007). Prior studies have distinguished between two innovation paths: an internal path that leads to the development of new capabilities through experimentation with new CSP initiatives (Christmann, 2000; Klassen & Whybark, 1999) and an external path through which such new capabilities accumulate from interactions with outside stakeholders (Hart, 1995; Sharma & Vredenburg, 1998). Internally, a firm's adoption of CSP initiatives frequently generates process innovations, as organizational systems need to be adapted to accommodate the new CSP activities (Christmann, 2000). For example, pollution abatement requires the redesign of a firm's production processes to increase material savings and reduce energy consumption (King & Lenox, 2002; Klassen & Whybark, 1999), thereby increasing the efficiency of the production cycle and reducing production costs (Christmann, 2000). Externally, a firm's implementation of CSP activities can be a vehicle for the development of closer relationships with outside stakeholders, which can in turn lead to externally driven innovation. A proactive social and environmental strategy thus enhances a firm's relational capital (Sharma & Vredenburg, 1998), allowing it to involve stakeholders in innovative activities leading to new products, processes, and technologies (Thomson & Heron, 2006). In sum, CSP investments can increase focal firms' innovative capacity through internal and external capability development.

Prior studies have shown that innovation in general is positively related to organizational performance (Brown & Eisenhardt, 1995; Capon et al., 1992; Zahra & Covin, 1995). Yet there is also evidence suggesting that innovation induced by CSP in particular is conducive to firms' financial advantages. A number of scholars have argued that CSP innovations are profitable simply because they help to improve the efficiency of business processes. By learning how to improve their social performance, firms can capture 'low-hanging fruit' like preventing fines and eliminating waste (Darnall, Henriques, & Sadorsky, 2008; Hart & Ahuja, 1996; Judge & Douglas, 1998). Others, however, see innovation that stems from CSP as a systemic form of competitive advantage that has the power to transform the way firms organize their business activities (Hart, 1995; Vogel, 2006). Especially resource-based scholars have argued that innovation activities conducted under the banner of CSP can be conducive to creating firm-specific capabilities that have the potential to generate new technologies, products, and process improvements that are difficult and costly to imitate by competitors (Christmann, 2000; Russo & Fouts, 1997; Sharma & Vredenburg, 1998). Such innovations allow firms to differentiate themselves meaningfully and durably from competitors by crafting new products and services that have unique and attractive qualities in the eyes of clients (Hart, 1995; McWilliams & Siegel, 2000, 2001). CSP-driven innovation thus allows firms to improve financial performance by enhancing productive efficiency and by enabling competitive differentiation (Hart & Ahuja, 1996). See Hypothesis 4:

Hypothesis 4: The CSP – CFP relationship is mediated by innovative capacity: CSP is positively related to innovative capacity, whereas innovative capacity is positively related to CFP.

Methods

Sample and Coding

To identify the population of studies on CSP, we used five complementary search strategies. First, we read review articles (Aguinis & Glavas, 2012; McWilliams et al., 2006) and prior meta-analytical studies (Margolis et al., 2007; Orlitzky et al., 2003). Second, we examined six electronic databases: (1) ABI/INFORM Global, (2) Business Source Premier, (3) JSTOR, (4) Google Scholar, (5) ECONLIT, and (6) SSRN, using the following search terms: 'corporate citizenship', 'corporate social responsibility', 'corporate social performance', 'environmental performance', 'ethical investment', 'FTSE4GOOD', 'green investment fund', 'ISO14001', 'KLD data', 'philanthropic giving', 'philanthropy', 'social issues', 'social responsible investing', and 'stakeholder'. Third, we manually searched 15 journals in the fields of management and finance, including: *Academy of Management Journal*, *Journal of Corporate Finance, and Strategic Management Journal*. Fourth, we corresponded via email with 121 researchers who had written empirical papers on CSP with missing effect-size information, asking them for a correlation table and any studies we could not retrieve by other means. This strategy yielded an additional 13 studies. Finally, using a two-way 'snowballing' technique, we backward-traced all references reported in the identified articles and forward-traced all articles that cited the original articles via Google Scholar. These five search strategies yielded a final sample of 280 primary studies (see Appendix A). Of these, 235 were published journal articles and 45 were working papers at the time of our analysis.

After reading the articles, we developed a coding protocol (Lipsey & Wilson, 2001) for extracting data on relevant variables. For testing the hypotheses, we collected effect size and sample size information for all the variables predicted to influence CSP and CFP and the interrelationships among all dependent, independent, and control variables used in our analyses. Table 1 provides a description of the key variables harvested from these studies that are included in our meta-analysis. One author coded all effect sizes. To assess inter-rater agreement, a second rater coded a subsample of 200

TABLE 1
Description of Variables

Variables	Definition	Common Operationalizations
CSP	A firm's voluntary and extralegal participation in social and environmental issues.	(1) Third-party evaluations of the firm's CSP, including assessments by parties like KLD, Fortune Magazine, and stock markets like Nikkei and FTSE (Bird et al., 2007; Brammer, Brooks, & Pavelin, 2009); (2) archival measures of actual CSP, such as toxic release reports and philanthropic donations (Zhang, Rezaee, & Zhu, 2010); (3) self-reported assessments of CSP in surveys (Chen & Wang, 2011).
CFP	A general measure of a firm's overall financial health over a given period of time.	(1) Accounting-based measures of profitability like ROE, ROA, and ROI (Strike, Gao, & Bansal, 2006); (2) Market-based measures of stock returns like Tobin's Q or market-to-book ratio (Makni, Francoeur, & Bellavance, 2009).
Prior CFP	CFP realized in a previous time period.	(1) Accounting-based measures like ROE in t-1, ROA in t-1, or ROI in t-1 (Galaskiewicz, 1997); (2) market-based measures like Tobin's Q in t-1 or market-to-book ratio in t-1 (Brammer, Brooks, & Pavelin, 2009).
Firm reputation	A perceptual representation of a company's past actions and future prospects that describe the firm's overall appeal to all its key constituents when compared to other leading rivals.	(1) External assessments of firm reputation like the propensity of favorable press articles, expert ratings of firm reputation, and rankings like that of Fortune Magazine (Brammer & Pavelin, 2008); (2) expenditures on reputation-building efforts like advertising expenditures/sales, number of public affairs staff, and number of corporate PR communications of CSR activities (Nikolaeva & Bicho, 2011).
Stakeholder endorsement	A measure of active support by any of the firm's primary stakeholder groups for its chosen course of strategic action.	(1) Employees: employee commitment or attractiveness of the firm as an employer (Turban & Greening, 1997); (2) government: government ownership or regulatory supportiveness (Said, Zainuddin & Haron, 2009); (3) management: inside ownership (Said, Zainuddin & Haron, 2009); (4) customers: customer satisfaction or customer loyalty (Luo & Bhattacharya, 2006), (5) long-term oriented shareholders: institutional ownership (Mahoney & Roberts, 2007).
Firm risk	Variability in the firm's stock price associated with events that primarily affect only that firm.	(1) Jensen's beta, standard deviation of stock returns, standard deviation of ROE over the past years (Jo & Na, 2012).
Innovative capacity	The ability of the firm to produce better solutions to novel or existing market problems.	(1) General measures of innovative capacity like R&D expenses/sales, age of assets, and innovativeness relative to competitors (Christmann, 2000); (2) CSP-specific measures of innovative capacity like environmental innovativeness, and implementation of novel health & safety systems (Gallego-Álvarez, Prado-Lorenzo, & García-Sánchez, 2011).
Firm size	A measure of the absolute size of the firm.	(1) Absolute measures like total assets, total sales, total employees, or market capitalization (Al-Tuwaijri, Christensen, Hughes, 2004).
Firm leverage	The capital structure of the firm expressed as the balance of debt and equity.	(1) Ratios like debt/assets, debt/equity, and short term debt/long term debt (Dowell, Hart, & Yeung, 2000).
Capital intensity	The balance between capital and labor amongst the firm's total means of production	(1) Ratios like capital expenditure/sales, total assets/sales, number of employees/assets, and sales/assets (King & Lenox, 2002).

randomly selected effect sizes, after which we computed a chance agreement-corrected measure of inter-rater reliability (Cohen's kappa coefficient; Cohen, 1960). With a value of 0.90, kappa signified high inter-rater agreement.

HOMA Procedure

We used Hedges and Olkin-type meta-analysis (HOMA; Hedges & Olkin, 1985) to compute the meta-analytic mean association between CSP and CFP. We also performed a variety of sub-group analyses to assess whether the associational strength of the focal relationship was sensitive to: (a) the source of the CSP data (survey measure, archival measures, or third-party evaluations); (b) the stakeholder group targeted with the CSP activities (employees, customers, suppliers, shareholders, community, natural environment, or mixed stakeholders); (c) the CFP measures used (accounting or market-based); and (d) the industry context in which measurement took place (manufacturing, financial services, non-financial services, or mixed industries). As effect size information, we used both Pearson product-moment correlations (r) and partial correlations ($r_{xy.z}$) to compute the meta-analytic mean effect size and the corresponding confidence interval. A partial correlation is a standardized measure of the degree of association between two variables (x and y), controlling for the influence of a vector of other factors (z). We decided to replicate our r-based HOMAs on partial correlations because the direction of causality between CSP and CFP remains contested (Shipley, 2002). $r_{xy.z}$-based HOMAs generate useful additional information because they measure the direct impact of CSP on CFP, holding other factors constant (Doucouliagos & Ulubaşoğlu, 2008). By using $r_{xy.z}$, we can also assess the effect of using endogeneity corrections like instrumental variables on the strength of the meta-analytic mean effect size. We obtained these partial correlations by converting reported t-statistics using the relevant formulas[5].

[5] The partial correlation coefficients were calculated by using the t-statistic reported in the primary studies. If the t-statistic was not reported, we approximated it using the regression coefficient and the standard errors. The formula used to

HOMA procedures assume that effect sizes are normally distributed. However, when the underlying (or true) population value of r differs substantially from zero, the effect size distribution tends to become skewed (Lipsey & Wilson, 2001), which complicates the process of comparing and combining the results. To remedy this problem, we apply the Fisher's *Zr* transformation to the data, bringing the correlations closer to the normal distribution (Hedges & Olkin, 1985)[6]. In HOMA there are two methods for combining study estimates. The first method utilizes a fixed effects model, which assumes the absence of heterogeneity between study results. In fixed effects HOMA, the collected effect sizes are solely corrected for sampling error, under the assumption that differences in sample size are the sole driver of variability between effect sizes. The second method employs random effects models, and is currently favored by the meta-analytic community (Kisamore & Brannick, 2008; Raudenbush & Bryk, 2002). Random effects HOMA is more conservative than fixed effects HOMA when effect size distributions are heterogeneous, but both methods yield materially similar results when the distribution is homogeneous (Lipsey & Wilson, 2001). For these reasons, we use random effects HOMA.

To arrive at an appropriate estimate of the meta-analytic mean effect size, we had to account for differences in precision across effect sizes plus variability in the population of effect sizes (Lipsey & Wilson, 2001). These differences derive from the unequal sample sizes of the underlying primary studies on which the effect sizes are based, plus a constant that represents the variability across the population of effects. Hedges and Olkin (1985) demonstrate that the optimal measure of precision for a given effect size is the inverse variance weight w: the inverse of the squared standard error value of

---

calculate partial correlation is: $\sqrt{\frac{t^2}{(t^2 + df)}}$, where t is the t-statistic and df is degrees of freedom. Note that this will always produce a positive number, so it is necessary to convert it to a negative number if the regression coefficient is negative (Greene, 2008: Chapter 3).

[6] Fisher's Zr transformed correlations are calculated as follows: $z_r = \frac{1}{2}\ln\left(\frac{1+r}{1-r}\right)$, where r is the untransformed correlation coefficient.

the effect size[7]. With these weights, we can subsequently calculate the meta-analytic mean effect size, its standard error and the corresponding confidence interval[8]. When multiple measurements of a focal effect are reported, we include all of them in our analyses, as Monte Carlo simulations show that procedures using the complete set of measurements outperform those representing each study by a single value in areas like parameter significance testing and parameter estimation accuracy (Bijmolt & Pieters, 2001).

MASEM Procedure

We used meta-analytical structural equation modeling (MASEM; Aguinis et al., 2011; Carney et al., 2011) to test our hypotheses. The MASEM procedure combines the techniques of structural equation modeling with those of meta-analysis (Cheung & Chan, 2005). The technique is ideally suited to test our hypotheses, because it allows us to analyze: (a) the direct effect of CSP on CFP; (b) the effect of CSP on firm reputation, stakeholder endorsement, firm risk, and innovative capacity, and (c) the consequences of these mediating variables on CFP (cf. Baron & Kenny, 1986). MASEM has three advantages over more conventional meta-analytic techniques. First, not all relationships specified by the theory under investigation or development need to be included in each primary study, as each cell in the data matrix used to estimate the system of equations represents an independent accumulation of primary studies' research (Carney et al., 2011). Second, MASEM allows for the testing of research hypotheses that have never been tested in prior research, especially those connecting previously unlinked streams of literature (Aguinis et al., 2011). Third, MASEM avoids biased estimates when

---

[7] w is calculated as follows: $w_i = \frac{1}{se_i^2 + \hat{v}_\theta}$, where se is the standard error of the effect size and $\hat{v}_\theta$ is the random effects variance component. The standard error is calculated as: $se(z_r) = \frac{1}{\sqrt{n-3}}$, and the formula of the random effect variance is: $\hat{v}_\theta = \frac{Q_T - k - 1}{\sum w - \left(\frac{\sum w^2}{\sum w} \right)}$

[8] The meta-analytic mean is calculated as follows: $\overline{ES} = \frac{\sum (w \times ES)}{\sum w}$, with its standard error: $se_{\overline{ES}} = \sqrt{\frac{1}{\sum w}}$, and with its

there are possible simultaneity effects at play and when there is the risk of collinearity among independent variables (Geyskens et al., 2006).

We conducted our MASEM modeling with the help of a two-stage procedure (Carney et al., 2011). In the first stage, a series of separate *r*-based HOMA analyses is conducted to construe a meta-analytic correlation table specifying the mean correlations between all independent, mediator, dependent, and control variables. This table is always based on *r*, as partial correlations usually cannot be computed between the various independent and control variables included in a primary research study. This is the case because other regression equations than the ones pertaining to the focal dependent variable tend not to be reported. To deal with sample size differences across the correlation coefficients included in our matrix, we based our analysis on the harmonic mean sample size. The harmonic mean is less sensitive to outliers than the arithmetic mean, making it more appropriate for estimating correct and conservative *t*-values for the model parameters (Geyskens et al., 2006).

In the second stage of the MASEM modeling, the meta-analytic correlation matrix is treated as the observed correlation matrix, and subjected to regular maximum likelihood structural equation modeling routines to test the hypothesized relationships (Cheung & Chan, 2005). The data were analyzed using the full information maximum likelihood method with the LISREL 8.80 software package. Specifically, to investigate whether a direct and significant association between CSP and CFP exists, or whether this relationship is fully mediated by our hypothesized mediation variables (Hypotheses 1 through 4), we estimated two nested models, allowing us to trace changes in the coefficient for the direct relationship. We commenced with a simple model examining the direct relationship between CSP and CFP while controlling for prior firm performance, firm size, firm leverage, and capital intensity. We estimated the following systems of equations ($N = 1{,}912$):

(1) $CSP = \beta_1\, prior\ CFP + \beta_2\, firm\ size + \varepsilon$

(2) $CFP = \beta_3\, CSP + \beta_4\, prior\ CFP + \beta_5\, firm\ size + \beta_6\, firm\ leverage + \beta_7\, capital\ intensity + \varepsilon$

95% confidence interval computed as: $Lower = \overline{ES} - 1.96(se_{\overline{ES}})$, and $Upper = \overline{ES} + 1.96(se_{\overline{ES}})$.

To test our hypotheses we subsequently ran a more elaborate model including (1) firm reputation, (2) stakeholder endorsement, (3) firm risk, and (4) innovative capacity as mediating variables (N = 2,798):

(1) $CSP = \beta_1\ prior\ CFP + \beta_2\ firm\ size + \varepsilon$

(2) $Firm\ reputation = \beta_3\ CSP + \beta_4\ prior\ CFP + \beta_5\ firm\ size + \beta_6\ firm\ leverage + \beta_7\ capital\ intensity + \varepsilon$

(3) $Stakeholder\ endorsement = \beta_8\ CSP + \beta_9\ prior\ CFP + \beta_{10}\ firm\ size + \beta_{11}\ l\ firm\ leverage + \beta_{12}\ capital\ intensity + \varepsilon$

(4) $Firm\ risk = \beta_{13}\ CSP + \beta_{14}\ prior\ CFP + \beta_{15}\ firm\ size + \beta_{16}\ firm\ leverage + \beta_{17}\ capital\ intensity + \varepsilon$

(5) $Innovative\ capacity = \beta_{18}\ CSP + \beta_{19}\ prior\ CFP + \beta_{20}\ firm\ size + \beta_{21}\ firm\ leverage + \beta_{22}\ capital\ intensity + \varepsilon$

(6) $CFP = \beta_{23}\ CSP + \beta_{24}\ prior\ CFP + \beta_{25}\ firm\ size + \beta_{26}\ firm\ leverage + \beta_{27}\ capital\ intensity + \beta_{28}\ firm\ reputation + \beta_{29}\ stakeholder\ endorsement + \beta_{30}\ firm\ risk + \beta_{27}\ innovative\ capacity + \varepsilon$

MARA Procedure

We use meta-analytic regression analysis (MARA; Lipsey & Wilson, 2001) to test the robustness of our findings against a number of moderator variables, using both r and $r_{xy.z}$ as our effect sizes of choice. Similar to multiple regression approaches, MARA estimates a linear regression model in which the dependent variable (which in our case is the bivariate or partial correlation between CSP and CFP in a given primary sample) is regressed on a set of predictors (which are the potential moderators of the focal relationship) (Carney et al., 2011). We weighted the effect sizes by their inverse variance weight in order to account for differences in the precision of the information contained in them (Aguinis, Gottfredson, & Wright, 2011).

The moderator variables we used in the r-based MARA analyses correspond one-on-one to those used in the HOMA analyses. In terms of data sources, we included dummy variables to indicate whether the focal relationship estimates derived from 'survey measure', 'third-party evaluations', or 'archival measures' (reference category). In terms of stakeholders, we included dummy variables indicating whether the targeted stakeholders were 'employees', 'customers', 'shareholders', 'community', 'natural environment', or 'mixed stakeholders' (reference category)[9]. We also distinguished between two groups of CFP measures: 'accounting performance' and 'market performance' (reference category). To disentangle industry effects, we included dummy variables for 'manufacturing', 'non-financial services', and 'mixed industries' (reference category)[10]. Finally, we also tested for the presence of methodological moderating effects by including the 'median year of the sampling window' as well as dummy variables indicating whether a study was 'published' or a 'working paper' (reference category) and whether it was based on 'panel data' or on 'cross-sectional data' (reference category).

In the $r_{xy.z}$-based MARA analyses, we made full use of the possibility offered by partial correlation methods to code for the control variables used in the original analysis (Doucouliagos & Ulubasoğlu, 2008). In addition to all aforementioned variables, we therefore also included a dummy variable coding whether the primary study used an 'endogeneity control' or not (reference category). Furthermore, we also inserted dummy variables to code for the most commonly used control variables in the underlying primary studies: 'prior CFP', 'firm size', 'firm leverage', 'capital intensity', 'firm reputation', 'stakeholder endorsement', 'firm risk', and 'innovation capacity' (see Table 1 for variable definitions). Following current standards in the meta-analytic literature (Geyskens et al., 2009), we used random effects estimation methods in our MARA analyses, which are more conservative than conventional fixed effects methods.

[9] We had to exclude 'suppliers' from the MARA analyses because the number of available effect sizes pertaining to this stakeholder category was insufficient.
[10] We had to exclude 'financial services' from the MARA analyses because the number of available effect sizes pertaining to this industry category was insufficient.

Results

HOMA results

Table 2 presents the results for our r-based (left-hand panel) and $r_{xy.z}$-based (right-hand panel) HOMA analyses pertaining to the CSP – CFP relationship. In addition to the meta-analytic mean effect size (mean), we report the number of samples (k), the cumulative sample size (N), the standard error of the mean effect size (se), the 95% confidence interval around the meta-analytic mean, as well as the chi-square (*Q test:* Hedges & Olkin, 1985)[11] and I-square (I^2: Higgins et al., 2003)[12] tests for heterogeneity of the effect size distribution. The r-based mean effect size for the focal relationship is .07 (k = 1,290) and the $r_{xy.z}$-based mean is .05 (k = 1,427). As the confidence intervals around both effects are small and do not include zero, they are highly significant. These means are somewhat smaller but comparable in terms of magnitude as those reported in prior meta-analyses (Margolis et al., 2007: .13; Orlitzky et al., 2003: .18). The significant Q values testify to the heterogeneity of both effect size distributions, while the I^2 tests reveal the presence of moderate to high levels of 'true' or not sampling error-related heterogeneity between studies (Higgins & Thompson, 2002). These values underscore the need for further subgroup (HOMA) and multivariate (MARA) moderator analyses.

Sub-group HOMA analyses reveal that the heterogeneity in study findings is at least partially driven by methodological artifacts: whereas the mean effect sizes based on archival data and third-party rater data are close to the overall mean effect size, those based on self-reported survey data are substantially higher (r-based mean = .16; $r_{xy.z}$-based mean = .10). Because relatively few effect sizes are based on survey data, however (11.6 percent of the r-based effect size distribution and 7.9 percent

[11] The Q test is computed by summing the squared deviations of each study's effect estimate from the overall effect estimate (Cochran, 1954), in doing so each study is weighted by its w. The Q test assumes homogeneity, following a Chi-square distribution with k – 1 degrees of freedom (k = the number of studies). When Q is significant, the assumption of homogeneity is rejected.

[12] I^2 is a scale-free index of heterogeneity across study findings computed by the ratio of Q in relations to its degrees of freedom: $I^2 = \frac{Q-k}{Q}$. As opposed to Q, I^2 is easier to interpret because it defines heterogeneity along a scale-free range as a percentage from 0.00 to 1.00, it facilitates comparisons across meta-analyses, and its values do not depend on the number of studies (Higgins et al., 2003).

TABLE 2
HOMA Results for the Focal Relationship[a,b]

	Pearson product-moment correlation (r)							Partial linear correlation coefficient ($r_{xy.z}$)						
Predictor	k	N	Mean	SE	CI 95%	Q test	I^2	k	N	Mean	SE	CI 95%	Q test	I^2
CSP – CFP	1,290	281,511	**0.07*****	0.00	0.06 / 0.08	**5,019*****	0.74	1,427	664,899	**0.05*****	0.00	0.04 / 0.05	**2,933*****	0.51
Endogeneity control								107	68,839	**0.01****	0.00	0.00 / 0.02	106	0.00
Without endogeneity control								1,320	596,060	**0.05*****	0.00	0.04 / 0.05	**2,802*****	0.59
CSP – CFP without questionnaire	1,140	241,344	**0.06*****	0.00	0.05 / 0.06	**3,962*****	0.71	1,314	643,511	**0.04*****	0.00	0.04 / 0.04	**2,470*****	0.47
Source of CSP														
Survey measure	150	40,167	**0.16*****	0.01	0.13 / 0.19	**879*****	0.83	113	21,378	**0.10*****	0.02	0.07 / 0.12	**363*****	0.69
Archival measures	332	49,624	**0.04*****	0.01	0.02 / 0.06	**936*****	0.65	337	314,658	**0.04*****	0.00	0.03 / 0.05	**713*****	0.53
Third party evaluations	808	191,720	**0.05*****	0.00	0.05 / 0.07	**3,026*****	0.73	977	328,853	**0.04*****	0.00	0.03 / 0.05	**1708*****	0.43
Stakeholder groups														
Employees	170	28,199	**0.06*****	0.01	0.04 / 0.09	**767*****	0.78	193	59,747	**0.04*****	0.01	0.03 / 0.05	**259*****	0.26
Customers	76	16,121	**0.07*****	0.01	0.04 / 0.11	**228*****	0.67	79	24,011	**0.05*****	0.01	0.02 / 0.07	**174*****	0.55
Suppliers	4	300	0.13	0.15	-0.16 /0.41	**11****	0.73							
Shareholders	49	10,883	**0.06****	0.02	0.02 / 0.09	**103*****	0.53	32	6,481	**0.03****	0.01	0.00 / 0.05	38	0.18
Community	144	28201	**0.09*****	0.01	0.07 / 0.11	**478*****	0.70	146	44,317	**0.03*****	0.01	0.02 / 0.04	**196*****	0.26
Natural environment	386	83,544	**0.04*****	0.01	0.02 / 0.05	**1,213*****	0.68	452	309,570	**0.04*****	0.00	0.03 / 0.05	**924*****	0.51
Mixed stakeholders	461	114,263	**0.09*****	0.01	0.08 / 0.11	**2,129*****	0.78	525	220,773	**0.06*****	0.00	0.05 / 0.06	**1280*****	0.59
Measurement of CFP														
Accounting performance	944	202,155	**0.08*****	0.00	0.07 / 0.09	**3,843*****	0.75	754	449,815	**0.05*****	0.00	0.04 / 0.06	**1,656*****	0.54
Market performance	346	79,356	**0.05*****	0.01	0.03 / 0.06	**1,130*****	0.69	673	215,084	**0.04*****	0.00	0.03 / 0.05	**1,270*****	0.47
Industry														
Manufacturing	147	40,860	**0.09*****	0.01	0.07 / 0.11	**494*****		328	258,982	**0.04*****	0.01	0.03 / 0.05	**628*****	0.48
Financial services	88	2,519	**0.13*****	0.04	0.06 / 0.20	**234*****	0.63	5	549	-0.05	0.10	-0.25 / 0.15	**14****	0.71
Non-financial services	49	4,435	**0.08****	0.03	0.02 / 0.14	**171*****	0.72	59	1,297	**0.07****	0.03	0.01 / 0.14	76	0.24
Mixed industries	1,006	233,697	**0.06*****	0.00	0.06 / 0.07	**4,022*****	0.75	1,035	404,072	**0.05*****	0.00	0.04 / 0.05	**2,150*****	0.52

[a] * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$
[b] K = number of samples; N = firm observations; SE = the standard error of the mean correlation; CI 95% = 95 percent confidence interval around the meta-analytic mean; Q test =Hedges & Olkin (1985) chi-square test for homogeneity; I^2 = scale-free index of heterogeneity.

of the $r_{xy.z}$-based distribution), removing these effects from the analysis does not meaningfully affect the overall mean effect size estimate[13]. Furthermore, while there are some minor differences to report when the main sample is broken down by the various stakeholder groups towards which the CSP activities are targeted, perhaps the most surprising result is that the range of mean effects is very small (r-based: from .04 for the natural environment to .09 to the local community; $r_{xy.z}$-based: from .03 for the local community to .05 for customers). Like Orlitzky and associates (2003), we found CSP to be (somewhat) more strongly linked to accounting-based measures of performance than to market-based measures (r-based mean = .08 vs. .05; $r_{xy.z}$-based mean = .05 vs. .04). Finally, we found limited evidence for moderation by industry context, with the exception of the financial service industry (.13).

MASEM Results and Hypothesis Tests

In Table 3 we depict the meta-analytic correlation matrix. Each of the 45 cells below the diagonal represents a separate HOMA analysis. We report both the meta-analytic mean correlation (mean) and the standard error (se) for each relationship. The cells above the diagonal show the total number of observations (N) as well as the total number of samples (k) on which the meta-analytic mean is based. Since no primary sample included all correlations of interest, the total number of samples far exceeds the number of samples in any single cell.

Table 4 shows the results of a basic MASEM analysis, in which the direct effect of CSP on CFP is estimated, controlling for prior CFP and firm size (on CSP and CFP) and firm leverage and capital intensity (on CFP only). The model fits the data well ($\chi^2 = 2.63$; RMSR = 0.008; GFI = 1.00). While several control variables had significant effects – larger firms engage more in CSP and enjoy better CFP, and firm leverage is negatively related to CFP – the standardized parameter estimate for the CSP – CFP relationship matches the overall meta-analytic effect size closely ($\beta = 0.06$, $p < 0.05$).

[13] As a separate robustness check, we also ran our MASEM and MARA analyses again without the survey data-based effect sizes. All our findings are robust against this exclusion.

TABLE 3

r-Based Meta-Analytic Correlation Matrix for Pooled Results[a]

Variable	1	2	3	4	5	6	7	8	9	10
1. CSP		27,387	156,273	76,717	10,499	44,064	22,679	44,462	48,932	281,511
		(121)	(641)	(265)	(48)	(110)	(64)	(155)	(121)	(1,290)
2. Prior CFP	0.05		10,589	3,019	156	415	2,389	3,562	2,423	4,308
	(0.02)		(48)	(19)	(1)	(3)	(12)	(18)	(14)	(17)
3. Firm size	0.16	0.04		48,378	5,176	20,389	17,200	18,742	26,624	130,591
	(0.01)	(0.04)		(141)	(18)	(43)	(38)	(48)	(61)	(463)
4. Firm leverage	0.01	-0.01	0.15		3,166	16,203	11,493	14,514	16,885	71,628
	(0.01)	(0.05)	(0.02)		(12)	(29)	(22)	(32)	(32)	(221)
5. Capital intensity	0.04	0.03	0.03	0.01		2,306	836	1,171	3,002	13,798
	(0.03)		(0.05)	(0.05)		(8)	(4)	(5)	(10)	(42)
6. Firm reputation	0.21	0.10	0.16	-0.02	0.03		5,098	11,660	14,017	34,140
	(0.02)	(0.05)	(0.04)	(0.02)	(0.05)		(12)	(22)	(23)	(69)
7. Stakeholder endorsement	0.16	0.16	0.07	-0.02	0.04	0.11		1,554	9,549	29,390
	(0.03)	(0.05)	(0.04)	(0.02)	(0.05)	(0.05)		(9)	(14)	(59)
8. Firm risk	-0.09	0.07	-0.05	0.00	-0.11	-0.05	-0.07		10,835	32,786
	(0.01)	(0.04)	(0.03)	(0.02)	(0.05)	(0.03)	(0.06)		(21)	(86)
9. Innovative capacity	0.17	0.14	0.03	-0.11	-0.06	0.04	0.15	0.13		41,403
	(0.02)	(0.05)	(0.03)	(0.03)	(0.06)	(0.02)	(0.05)	(0.04)		(88)
10. CFP	0.07	0.04	0.05	-0.09	0.04	0.10	0.12	0.16	-0.07	
	(0.00)	(0.08)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	

[a] Cells below the diagonal contain mean correlations (Mean) and standard error (SE). Cells above the diagonal contain the total number of observations (*N*) and number of samples (*k*).

TABLE 4
MASEM Simple Model Results[a]

Predictors	CSP	CFP
CSP		**0.06**
		(2.58)
Prior CFP	0.04	0.03
	(1.93)	(1.44)
Firm size	**0.16**	**0.05**
	(7.00)	**(2.27)**
Firm leverage		**-0.10**
		(-4.29)
Capital intensity		0.04
		(1.59)
R^2	0.028	0.018
Harmonic Mean *N*	1,912	
X^2	2.63	
GFI	1.00	
RMSR	0.008	

[a] Significant relationships ($p < .05$) are printed in bold; *t*-values are given in parentheses.

Table 5 contains the results pertaining to our Hypotheses 1 through 4. It presents a more comprehensive MASEM model, which not only includes the same control variables as those depicted in Table 4, but also the four mediating variables which feature in our hypotheses. The model again fits the data well ($\chi^2 = 112.45$; RMSR = 0.026; GFI = 0.99). Hypothesis 1 is supported. CSP is positively related to firm reputation ($\beta = 0.18$, $p < 0.01$), and firm reputation is positively related to CFP ($\beta = 0.07$, $p < 0.01$). Hypothesis 2 likewise receives empirical support. CSP is positively related to stakeholder endorsement ($\beta = 0.14$, $p < 0.01$), and stakeholder endorsement is positively related to CFP ($\beta = 0.13$, $p < 0.01$). Hypothesis 3 is similarly supported. CSP is negatively related to firm risk ($\beta = -0.08$, $p < 0.01$), and firm risk is negatively related to CFP ($\beta = -0.07$, $p < 0.01$). Finally, we also found support for Hypothesis 4. CSP is positively related to innovative capacity ($\beta = 0.16$, $p < 0.01$), and innovative capacity is positively related to CFP ($\beta = 0.10$, $p < 0.01$). Jointly, these four variables fully mediate the relationship between CSP and CFP, as the focal effect becomes insignificant ($\beta = 0.01$, $p > 0.10$) upon their inclusion (also see Surroca et al., 2013). Formal tests for statistical mediation confirm that the relationship between CSP and CFP is fully mediated by firm reputation, stakeholder endorsement, firm risk, and innovative capacity (Sobel: $z = 7.92$, $p < .001$; Aroian: $z = 7.88$, $p < .001$; Goodman: $z = 7.97$, $p < .001$; cf. MacKinnon, Warsi, & Dyer, 1995).

TABLE 5
MASEM Hypotheses Results[a]

Predictors	CSP	Firm Reputation	Stakeholder endorsement	Firm risk	Innovation capacity	CFP
CSP		**0.18**	**0.14**	**-0.08**	**0.16**	0.01
		(9.96)	**(7.74)**	**(4.42)**	**(8.86)**	(0.35)
Prior CFP	**0.04**	**0.09**	**0.15**	**-0.08**	**0.13**	0.00
	(2.34)	**(4.62)**	**(8.12)**	**(-4.22)**	**(7.20)**	(0.01)
Firm size	**0.16**	**0.13**	**0.04**	**0.04**	0.02	0.03
	(8.47)	**(7.10)**	**(2.33)**	**(1.97)**	(0.92)	(1.78)
Firm leverage		**-0.04**	-0.03	-0.01	**-0.11**	**-0.08**
		(-2.23)	(-1.44)	(-0.44)	**(-6.06)**	**(-4.31)**
Capital intensity		0.02	0.03	**0.11**	**-0.07**	0.03
		(0.90)	(1.55	**(5.78)**	**(-3.82)**	(1.67)
Firm reputation						**0.07**
						(3.64)
Stakeholder endorsement						**0.13**
						(6.71)
Firm risk						**-0.07**
						(3.46)
Innovative capacity						**0.10**
						(5.12)
R^2	0.028	0.069	0.052	0.026	0.064	0.051
Harmonic Mean *N*	2,798					
X^2	112.45					
GFI	0.99					
RMSR	0.026					

[a] Significant relationships ($p < .05$) are printed in bold; *t*-values are given in parentheses.
(Sobel: $z = 7.92$, $p < .001$; Aroian: $z = 7.88$, $p < .001$; Goodman: $z = 7.97$, $p < .001$)

MARA Results

Table 6 reports the results of the MARA moderator analysis, intended to model the extant heterogeneity in the *r*-based (left-hand panel) and $r_{xy.z}$-based (right-hand panel) effect size distributions (Lipsey & Wilson, 2001)[14]. The main benefit of MARA is its multivariate, weighted regression-based character. This format allows the researcher to separate the effects of different moderators. Because MARA also pools effect sizes in a single analysis, in sharp contrast to HOMA subgroup analyses, it has more statistical power to detect moderating effects (Geyskens et al., 2009). Our MARA analyses confirm the positive moderating effect of survey designs (*r*-based $\beta = 0.12$, $p < 0.001$; $r_{xy.z}$-based $\beta = 0.05$, $p < 0.001$). It appears that either common method bias or self-report biases make survey methods less desirable for CSP research (cf. Orlitzky et al., 2003). In terms of CFP

[14] We are grateful to one of our anonymous reviewers, who suggested that we include further analyses to explore whether

operationalizations, the slightly positive moderating effect of accounting performance measures we

TABLE 6
Results of Mixed-Effects WLS Regression[a]

	Bivariate correlation	Partial correlation
CSP operationalization		
Source of CSP		
Survey measure	**0.12 (0.01)*****	**0.05 (0.01)*****
Third party evaluations	0.02 (0.01)	-0.00 (0.01)
Stakeholder groups		
Employees	-0.04 (0.03)	-0.01 (0.01)
Customers	-0.02 (0.02)	-0.00 (0.01)
Shareholders	-0.02 (0.02)	-0.01 (0.02)
Community	-0.00 (0.01)	**-0.02 (0.01)***
Natural environment	**-0.07 (0.01)*****	0.00 (0.01)
CFP operationalization		
Accounting performance	0.02 (0.01)	-0.01 (0.01)
Industry		
Manufacturing	**0.06 (0.02)*****	-0.02 (0.01)
Non-financial services	0.02 (0.02)	0.04 (0.03)
Study characteristics		
Median year of sample	0.00 (0.00)	0.00 (0.00)
Published study	0.00 (0.01)	0.01 (0.01)
Panel data	**-0.03 (0.01)****	**-0.04 (0.01)*****
Endogeneity check		**-0.03 (0.01)*****
Control variables		
Prior CFP		0.00 (0.01)
Firm size		**-0.04 (0.01)*****
Firm leverage		0.01 (0.01)
Capital capacity		-0.01 (0.01)
Firm reputation		-0.01 (0.01)
Stakeholder endorsement		0.00 (0.01)
Firm risk		**-0.03 (0.01)****
Innovative capacity		**0.02 (0.01)*****
R^2	0.09	0.10
K	1,290	1,427

[a] Unstandardized regression coefficients are presented for study moderators and substantive moderators with standard errors in parentheses. * p<.05 ** p < .01, *** p<.001

detected in the bivariate HOMA analyses disappears in the multivariate MARA analyses. Furthermore, like with the HOMA subgroup analyses, we again find surprisingly few significant moderating effects across targeted stakeholder groups (the only exceptions being the natural environment: r-based β = -0.07, $p < 0.01$; and the community: $r_{xy.z}$-based β = -0.02, $p < 0.05$). In other words, the benefits that accrue to firms due to their CSP activities are largely invariant across a range

the findings across the primary studies in our sample varied under the influence of moderating conditions.

of beneficiaries. In terms of industry effects, for which we use mixed industry samples as our control group, we only find a positive moderating effect for manufacturing industries in the *r*-based effect size distribution ($\beta = 0.06$, $p < 0.001$). The benefits of CSP thus do not appear to be limited to any single industry context. Amongst the study characteristics, we found a negative significant moderating effect for panel designs (*r*-based $\beta = -0.03$, $p < 0.01$; $r_{xy.z}$-based $\beta = -0.04$, $p < 0.001$). A plausible explanation for this finding is that panel studies seek to detect the sensitivity of CFP to changes in CSP, which isolates the effect of CSP, whereas cross-sectional studies assess how firms' absolute scores on both variables are related, which tends to confound CSP with other historical and contemporaneous effects. The $r_{xy.z}$-based panel also indicates that omitted variable biases frequently hamper CSP – CFP studies (McWilliams & Siegel, 2001). In particular, a failure to control for firm size, innovative capacity, and firm risk can lead to significantly distorted estimates of the focal relationship, and these variables should therefore always be included in the vector of control variables to prevent omitted variable biases.

Alternative Specifications of the CSP – CFP Relationship

We also tested for three alternative specifications of the CSP – CFP relationship: endogeneity, omitted joint causation variables, and virtuous circle theory. First, the relevant information for the endogeneity specification is reported in Tables 2 and 6 (in both cases in the right-hand $r_{xy.z}$-based panel). The results show that a nuanced interpretation is warranted. On the one hand, we found a significant negative moderating effect for studies using endogeneity corrections in our MARA analysis ($r_{xy.z}$-based $\beta = -0.03$, $p < 0.001$). On the other hand, our HOMA analyses showed that while the meta-analytic mean for studies using endogeneity corrections was significantly lower than that for studies not using such corrections (0.01 vs. 0.05), it remained positive and significant. Thus, while we do find evidence that CSP is partially endogenous on CFP, we cannot conclude that CSP is wholly endogenous upon CFP. Second, to test the idea that the CSP – CFP relationship is spurious and driven by omitted joint causation variables like financial slack and environmental munificence, we conducted a separate MASEM analysis reported in Table 7. We found some evidence for the joint causation role

TABLE 7
MASEM Robustness Results: Joint Causation[a]

Predictors	CSP	CFP
CSP		**0.05** **(3.86)**
Firm size	**0.16** **(12.81)**	**0.06** **(4.38)**
Leverage		**-0.08** **(-6.33)**
Capital intensity		**0.03** **(2.17)**
Financial slack	**0.09** **(6.75)**	**0.12** **(9.43)**
Munificence	0.01 (0.92)	**0.04** **(3.48)**
R^2	0.03	
Harmonic Mean *N*	5,982	
X^2	5.22	
GFI	1.00	
RMSR	0.016	

[a] Significant relationships ($p < .05$) are printed in bold; *t*-values are given in parentheses.

TABLE 8
MASEM Robustness Results: Virtuous Circle[a]

Predictors	CSP	CFP
CSP		**0.05** **(2.01)**
Prior CFP	0.04 (1.45)	0.02 (0.84)
Firm size	**0.16** **(6.71)**	**0.06** **(2.29)**
Leverage		**-0.08** **(-3.35)**
Capital intensity		0.03 (1.13)
Financial slack	**0.08** **(3.41)**	**0.12** **(4.89)**
Munificence	0.01 (0.45)	0.04 (1.82)
R^2	0.03	0.04
Harmonic Mean *N*	1,682	
X^2	1.39	
GFI	1.00	
RMSR	.0047	

[a] Significant relationships ($p < .05$) are printed in bold; *t*-values are given in parentheses.

of financial slack, which is both a driver of CSP ($\beta = 0.09$, $p < 0.001$) and CFP ($\beta = 0.12$, $p < 0.001$). We did not obtain similar evidence for the role of munificence, which is related to CFP ($\beta = 0.04$, $p < 0.01$) but not to CSP. However, accounting for financial slack and munificence leaves the focal relationship largely unaltered ($\beta = 0.05$, $p < 0.01$), which offers no support for the idea that the CSP – CFP relationship is spurious. Third, we tested a somewhat simplified version of virtuous circle theory through a final MASEM analysis reported in Table 8. Specifically, we assessed the argument that prior CFP predicts CSP, which in turn predicts subsequent CFP, controlling for all relevant factors. However, in this test prior CFP turned out not to be connected to CSP, so we had to refute the virtuous circle specification.

Discussion and Conclusion

Specifying the CSP – CFP Relationship

All social scientific research programs need both creativity and discipline to further their advancement: the former to continuously open up new lines of inquiry, the latter to close down the ones that have proven to be less fruitful. Meta-analyses are especially helpful towards the latter end. Several of the ideas that have been suggested in recent years concerning the most appropriate specification of the CSP – CFP relationship have therefore been subjected to a series of advanced meta-analytic tests in the present paper. These tests help to identify the most plausible specification of the focal relationship, and to reallocate researchers' attention towards those research designs that harbor the greatest future promise.

We began by testing the idea that CSP is endogenous upon CFP (Ghoul et al., 2011; Goss & Roberts, 2011). A variety of researchers have recently begun to use statistical corrections for endogeneity, such as instrumental variables (Bascle, 2008), to account for the possibility that firms experiencing better CFP are more inclined to engage in CSP. We indeed found supporting evidence for the idea that CSP is partially endogenous upon CFP: while correcting for reverse causality does not reduce the focal relationship to zero, it significantly diminishes it. We proceeded to assess whether the observed CSP – CFP relationship was spurious, and driven by omitted joint causation variables (Bansal, 2005; Barnett, 2007). Support for this position was weak, however. While there is some evidence that financial slack is a significant predictor of both CSP and CFP, controlling for its influence does not substantially weaken the focal relationship. Furthermore, our study did not find support for virtuous circle theory (Surroca et al., 2010; Waddock & Graves, 1997). Because the predicted positive relationship between prior CFP and CSP did not materialize, the hypothesized 'circle' was broken. Finally, we tested a mediating mechanisms specification (Luo et al., 2013; Uotila et al., 2009), which turned out to be the most promising specification of the CSP – CFP relationship. Not only were all four hypothesized paths strongly significant, but collectively they also fully mediated the focal relationship. Based on our empirical assessment of four alternative specifications, we therefore conclude that studies using a mediating mechanisms design provide the most fruitful future research opportunities.

Identifying Mediating Mechanisms

In line with our finding that mediating mechanisms designs represent the empirically most tenable way of specifying the CSP – CFP relationship, the field of CSP research has in recent years spawned numerous studies involving theorized mediation effects (Barnett, 2007; Godfrey, 2005; Godfrey et al., 2009; Husted, 2005; Luo & Bhattacharya, 2006; Luo et al., 2013; Uotila et al., 2009). Since most studies only test individual mediation mechanisms in isolation, and since the evidence for many known mediating mechanisms is mixed, it has thus far been impossible to assess the balance of evidence for this important branch of the explanatory CSP literature. In the present paper, we therefore set out to fill this gap.

We found broad support for our theoretical framework, and for each of its four paths (see Table 5). First, we found that CSP investments positively affect firms' reputations, which subsequently exert a positive influence on their CFP. The theoretical mechanism at play here is a *signaling* mechanism (Certo, 2003; Fombrun, 1995), through which firms can convey the quality of their products and internal processes to a broad range of stakeholders lacking in-depth knowledge of their offerings and operations. Second, we discovered that CSP activities lead to stakeholder endorsements, which in turn help improve CFP. The theoretical mechanism at work here is *cooptation* (Hillman et al., 2000, 2009), through which firms offer stakeholders direct CSP contributions or influence over CSP policy to gain their support for strategic initiatives. Third, our results show that investing in CSP lowers firm risk, while firm risk itself is negatively related to CFP. Through this *risk mitigation* mechanism (Godfrey et al., 2009; Orlitzky & Benjamin, 2001), firms prevent the loss of CFP by avoiding firm-specific risks or by cushioning their financial impact. Third, we discovered that CSP investments increase firms' innovative capacity, which has a subsequent positive relationship with CFP. Firms utilize this CSP-related *opportunity identification* mechanism (King & Lenox, 2002; Thompson & Heron, 2006) either through internal experimentation with CSP activities or by using CSP as a conduit for structuring interactions with outsiders. In short, all four hypothesized paths generate robust and generalizable empirical support.

CSP and Strategic Management: Theoretical Implications

Since its inception, CSP research has been inspired by multiple disciplines including economics, sociology, psychology, philosophy, and political science (Aguinis & Glavas, 2012). These diverse origins explain why to this day the CSP field is "not characterized by the domination of a particular theoretical approach, assumptions and method" (Lockett, Moon, & Visser, 2006: 133). While these multidisciplinary and multitheoretical underpinnings of the field have favored it with a wide array of ideas concerning the mechanisms linking CSP to CFP (Aguinis & Glavas, 2012), they have also hampered it by inadvertently obstructing the structuring and integration of extant research. By proposing and corroborating an integrative theoretical framework, we aspire to help the field break out from its “continuing state of emergence” (Lockett et al., 2006: 133).

The strong focus of CSP scholars on CFP illustrates the elaborate influence of the strategic management field on the research practices of the CSP community (Lockett et al., 2006). Similarly, the steady accumulation of CSP research in top strategy journals like *Strategic Management Journal* also demonstrates the acknowledgement of CSP as a relevant performance driver by strategic management scholars (Parmar et al., 2010). The confluence of these two fields is best illustrated by the integration of mainstream strategy theories within CSP research (Parmar et al., 2010), a process to which our theoretical framework contributes. The theoretical logics of the four mechanisms identified in this framework echo both those of the resource-based (Barney, 1991) and relational (Dyer & Singh, 1998) views of the firm. Specifically, our signaling and risk mitigation mechanisms hinge on the value of intangible assets to the firm (Barney, 1991). Firms’ reputations and their ‘reservoirs of goodwill’ meet the standing criteria for resource-based advantages in that they have the potential to protect and enhance CFP. Furthermore, the cooptation and opportunity identification mechanisms emphasize the competitive value of relational capital (Dyer & Singh, 1998). Gaining the endorsement of critical stakeholders and engaging in external learning are thus two important ways of developing relational advantages conducive to stronger CFP. The theoretical framework proposed in this paper thus helps to further the process of connecting and integrating CSP research with mainstream ideas in the strategic management field.

New Lines of Inquiry

Around the advent of the mechanisms turn in the CSP literature, Russo and Fouts (1997: 554) stated that “we have not identified every link in a complex causal chain” connecting CSP to CFP. In the intervening years, CSP scholars have taken calls to arms like these to heart, and we now have numerous studies at our disposal that uncover important pieces of the causal puzzle. In this paper, our primary objective has been to conduct a comprehensive test of these studies, finding that the complexity of the chain discussed by Russo and Fouts primarily resides in the multiplicity of the salient paths through which doing good can translate into doing well. Based on our synthesis of the mechanisms-based CSP literature, we see several opportunities for new lines of inquiry, which we will formulate as open research questions.

First, *how do CSP reputations form and how do they become a source of competitive advantage?* Firms' participation in CSP activities does not automatically translate into strong CSP reputations, as many CSP contributions remain below the radar of firms' key audiences. Moreover, even strong CSP reputations do not always translate into CFP, especially when investors and other critical stakeholders question the necessity of CSP-based strategic initiatives. More research is therefore needed to uncover the social processes by which information intermediaries disclose, disseminate, and frame information on firms' CSP activities, and how these processes affect audience evaluations (Luo et al., 2013).

Second, *are focused stakeholder endorsement strategies better than diffused ones?* According to the relational view of the firm (Dyer & Singh, 1998), the value of relational capital increases as firms make more relationship-specific investments. This raises the issue whether firms are best off spreading such investments across multiple stakeholder groups or focusing them on a select few constituents. Our findings show that there is no single stakeholder group that is salient above all others. Because the motives driving different stakeholder groups can fundamentally be at odds with one another (Aguilera et al., 2007), it appears that firms are best off targeting their CSP efforts towards a narrow set of stakeholders with similar motives to avoid accusations of hypocrisy and double standards. We would welcome future research into the issue of CSP scope.

Third, *are firms better off avoiding risk or cushioning it?* Our study offers strong support for the risk mitigating effect of CSP. What we do not know yet, however, is whether the financial consequences of using CSP to avoid firm transgressions (Porter & Kramer, 2006) are more or less positive than those of using CSP as an insurance against stakeholder attributions of ill will *ex post* *facto* (Godfrey et al., 2009). Because the managerial implications of this question are substantial – avoidance requires investments in health, safety, and environmental programs, whereas cushioning requires outwardly visible deeds like philanthropic giving – we call upon CSP scholars to further investigate the issue.

Fourth, *does CSP-driven innovation increase or inhibit positive social change?* Our findings show that the CSP-driven innovation mechanism improves CFP. But while the relational view logic underpinning this mechanism stresses the joint generation of economic rents (Dyer & Singh, 1998), the resource-based view logic highlights the private appropriation of such economic rents (Barney, 1991). More research is therefore needed to explore whether pitching private firms against one another in a 'market for virtue' will results in a 'race to the bottom' or a 'race for the top' (Vogel, 2006). Future research must determine whether CSP increases positive social change by raising social and environmental standards for all market participants, or inhibits it as competitive isolating mechanisms prevent the diffusion of socially beneficial innovations.

Future Research: Best Practice Recommendations

Our meta-analytic findings jointly also suggest a set of evidence-based research best practices, which we offer as recommendations to CSP researchers planning future studies. First, both our HOMA (Table 2) and MARA (Table 6) analyses indicate that there is strong evidence that CSP is partially endogenous upon CFP (Ghoul et al., 2011; Goss & Roberts, 2011). We therefore recommend researchers to correct for endogeneity using instrumental variables (Bascle, 2008). Variables that have been used successfully as instruments in the past include firm age (Jo & Harjoto, 2011), industry average CSP (Cheng, Ioannou, & Serafeim, 2013), self-imposed limitations on executive compensation (Brammer & Millington, 2006), and transparency in terms of social and environmental reporting (Luo et al., 2013). Across several samples, these variables have shown to be correlated with the endogenous explanatory variable CSP, but not with CFP or with the error terms resulting from the regression equation, such that they can be used productively to address the issue of reverse causality in the CSP – CFP relationship.

Second, our MARA analyses have revealed that primary studies are at risk of model misspecification due to omitted variable bias (see Table 6). The issue appears to concentrate on three variables in particular: firm size (Luo & Bhattacharya, 2006), innovative capacity (McWilliams & Siegel, 2001), and firm risk (Godfrey, 2005). When these variables are included in the regression equation, the coefficient for the CSP – CFP relationship becomes significantly larger (innovative capacity) or smaller (firm size and firm risk) than when they are omitted[15]. We therefore recommend that each CSP – CFP regression equation at least include these three variables as controls. Interested researchers can find the most commonly used empirical proxies for these variables in Table 1.

Third, and finally, both our HOMA (Table 2) and MARA (Table 6) analyses reveal that the results of studies using survey data are upwardly biased. For example, the HOMA results suggest that the estimate for the CSP – CFP relationship is approximately 2.0 ($r_{xy.z}$-based distribution) to 2.3 (r-based distribution) times larger for studies based on survey data than for those based on archival or third party rater data. We suspect that this is the case because the topic of CSP is inherently vulnerable to both social desirability and confirmation biases (in addition to common method bias) exerting an upward influence on the focal relationship. We therefore strongly advise against using survey data in CSP – CFP studies.

Conclusion

With our study, we have made three distinct contributions to the CSP literature. First, based on a concurrent test of four alternative specifications of the CSP – CFP relationship, we find that the mediating mechanisms specification trumps the alternative endogeneity, omitted joint causation variables, and virtuous circle specifications. CSP researchers are therefore advised to turn their

[15] See Doucouliagos & Ulubaşoğlu (2008) for guidelines on how to interpret the coefficients for omitted variables in

attention towards mediating mechanisms research. Second, we developed and corroborated a comprehensive theoretical framework synthesizing the explanatory CSP literature. The framework encompasses four paths which reference the most commonly theorized mediating mechanisms in the CSP literature: signaling through firm reputation, cooptation through stakeholder endorsement, preserving firm value through risk mitigation, and creating firm value by fostering its innovative capacity. This framework provides structure to previous studies and points out fruitful lines of inquiry to inspire future ones. Third, by assessing the merits of currently prevailing measurement strategies, research designs, and model specifications in CSP research, we provide a set of evidence-based research best practices. We trust that these guidelines will prove useful to researchers planning mechanisms-based CSP studies, and add greater consistency to future investigations into the CSP – CFP relationship.

MARA regression.

References

Aguilera RV, Rupp DE, Williams CA, Ganapathi J. 2007. Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. *Academy of Management Review* **32**(3): 836-863.

Aguinis H, Bergh DD, Joo H. 2011. Using meta-analytic structural equation modeling to advance strategic management theory. *Paper presented at the annual meeting of the Strategic Management Society,* Miami, FL.

Aguinis H, Glavas A. 2012. What we know and don't know about corporate social responsibility: A review and research agenda. *Journal of Management*. doi: 10.1177/0149206311436079

Aguinis H, Gottfredson RK., Wright, TA. 2011. Best- practice recommendations for estimating interaction effects using meta- analysis. *Journal of Organizational Behavior* **32**(8): 1033-1043.

Alexander GJ, Buchholz RA. 1978. Corporate social responsibility and stock market performance. *Academy of Management journal*, **21**(3): 479-486.

Al-Tuwaijri SA, Christensen TE, Hughes Ii KE. 2004. The relations among environmental disclosure, environmental performance, and economic performance: A simultaneous equations approach. *Accounting, Organizations and Society* **29**(5): 447-471.

Bansal P. 2005. Evolving sustainably: A longitudinal study of corporate sustainable development. *Strategic Management Journal*, **26**(3): 197-218.

Bansal P, Clelland I. 2004. Talking trash: Legitimacy, impression management, and unsystematic risk in the context of the natural environment. *Academy of Management Journal* **47**(1): 93-103.

Baron RM, Kenny DA. 1986. The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology* **51**(6): 1173-1182.

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.

Barney J. 1991. Firm resources and sustained competitive advantage. *Journal of Management* **17**(1): 99-120.

Barth ME, McNichols MF. 1994. Estimation and market valuation of environmental liabilities relating to superfund sites. *Journal of Accounting Research* **32**: 177-209.

Bascle G. 2008. Controlling for endogeneity with instrumental variables in strategic management research. *Strategic Organization* **6**(3): 285-327.

Beatty RP, Ritter JR. 1986. Investment banking, reputation, and the underpricing of initial public offerings. *Journal of Financial Economics* **15**(1): 213-232.

Berman SL, Wicks AC, Kotha S, Jones TM. 1999. Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management Journal* **42**(5): 488-506.

Bhattacharya CB. Sankar S. 2004. Doing better at doing good: When, why and how consumers respond to corporate social initiatives. *California Management Review* **47**(Fall): 9-25.

Bhattacharya CB, Sen S, Korschun D. 2008. Using corporate social responsibility to win the war for talent. *MIT Sloan Management Review* **49**(2): 37-44.

Bird R, Hall AD, Momentè F, Reggiani F. 2007. What corporate social responsibility activities are valued by the market? *Journal of Business Ethics* **76**(2): 189-206.

Bijmolt THA, Pieters RGM. 2001. Meta-analysis in marketing when studies contain multiple measurements. *Marketing Letters* **12**(2): 157-169.

Brammer S, Brooks C, Pavelin S. 2009. The stock performance of America's 100 best corporate citizens. *Quarterly Review of Economics and Finance* **49**(3): 1065-1080.

Brammer S, Millington A. 2005. Corporate reputation and philanthropy: An empirical analysis. *Journal of Business Ethics* **61**(1): 29-44.

Brammer S, Millington A. 2008. Does it pay to be different? An analysis of the relationship between corporate social and financial performance. *Strategic Management Journal* **29**(12): 1325-1343.
Brammer SJ, Pavelin S. 2006. Corporate reputation and social performance: The importance of fit. *Journal of Management Studies* **43**(3): 435-455.
Brammer S, Pavelin S. 2008. Factors influencing the quality of corporate environmental disclosure. *Business Strategy and the Environment* **17**(2): 120-136.
Brown SL, Eisenhardt KM. 1995. Product development: past research, present findings, and future directions. *Academy of Management Review* **20**(2): 343-378.
Buysse K, Verbeke A. 2003. Proactive environmental strategies: a stakeholder management perspective. *Strategic Management Journal* **24**(5): 453-470.
Capon N, Farley JU, Lehmann DR, Hulbert JM. 1992. Profiles of product innovators among large US manufacturers. *Management Science* **38**(2): 157-169.
Carney M, Gedajlovic ER, Heugens PPMAR, Van Essen M, Van Oosterhout J. 2011. Business group affiliation, context, and strategy: A meta-analysis. *Academy of Management Journal* **54**(3): 437-460.
Certo ST. 2003. Influencing initial public offering investors with prestige: Signaling with board structures. *Academy of Management Review* **28**(3): 432-446.
Chen KH, Metcalf RW. 1980. The relationship between pollution control record and financial indicators revisited. *The Accounting Review* **55**(1): 168-177.
Chen H, Wang X. 2011. Corporate social responsibility and corporate financial performance in China: an empirical research from Chinese firms. *Corporate Governance: An International Review* **11**(4): 361-370.
Cheng B, Ioannou I, Serafeim G. 2014. Corporate social responsibility and access to finance. *Strategic Management Journal* **35**(1): 1-23.
Cheung MW-L, Chan W. 2005. Meta-analytic structural equation modeling: A two-stage approach. *Psychological Methods* **10**(1): 40-64.
Christmann P. 2000. Effects of "best practices" of environmental management on cost advantage: The role of complementary assets. *Academy of Management Journal* **43**(4): 663-680.
Cochran WG. 1954. Some methods for strengthening the common χ 2 tests. *Biometrics* **10**(4): 417-451.
Cochran P, Wood R. 1984. Corporate social responsibility and financial performance. *Academy of Management Journal* **27**(1): 42-56.
Cohen J. 1960. A coefficient of agreement for nominal scales. *Educational and Psychological Measurement* **20**(1): 37-46.
Darnall N, Henriques I, Sadorsky P. 2008. Do environmental management systems improve business performance in an international setting? *Journal of International Management* **14**(4): 364-376.
Doucouliagos H, Ulubaşoğlu MA., 2008. Democracy and economic growth: A meta-analysis. *American Journal of Political Sciences* **52**(1): 61-83.
Dowell G, Hart S, Yeung B. 2000. Do corporate global environmental standards create or destroy market value?. *Management Science* **46**(8): 1059-1074.
Dyer, JH, Singh, H. The relational view: Cooperative strategy and sources of interorganizational competitive advantage. *Academy of Management Review* **23**(4): 660-679.
Eden D. 2002. From the editors. *Academy of Management Journal* **45**(5): 841-846.
Engelen PJ, van Essen M. 2011. Reputational penalties in financial markets: An ethical mechanism? In *Responsible Investment in Times of Turmoil*. Springer Netherlands; 55-74.
Fombrun CJ. 1996. *Reputation: Realizing Value from the Corporate Image*. Harvard Business School Press: Cambridge, MA.
Fombrun CJ, Gardberg NA, Barnett ML. 2000. Opportunity platforms and safety nets: Corporate citizenship and reputational risk. *Business and Society Review* **105**(1): 85-106.
Fombrun CJ, Shanley M. 1990. What's in a name? Reputation building and corporate strategy.

Academy of Management Journal **33**(2): 233-258
Galaskiewicz J. 1997. An urban grants economy revisited: Corporate charitable contributions in the twin cities. 1979-81, 1987-89. *Administrative Science Quarterly* 42(3): 445-471.
Gallego-Álvarez I, Prado-Lorenzo JM, García-Sánchez IM. 2011. Corporate social responsibility and innovation: A resource-based theory. *Management Decision* **49**(10): 1709-1727.
Garcia-Castro R, Ariño MA, Canela MA. 2010. Does social performance really lead to financial performance? Accounting for endogeneity. *Journal of Business Ethics* **92**(1): 107-126.
Gardberg NA, Fombrun CJ. 2006. Corporate citizenship: Creating intangible assets across institutional environments. *Academy of Management Review* **31**(2): 329-346.
Geyskens I, Steenkamp JBE, Kumar N. 2006. Make, buy, or ally: A transaction cost theory meta-analysis. *Academy of Management Journal* **49**(3): 519-543.
Geyskens I, Krishnan R, Steenkamp JBE, Cunha PV. 2009. A review and evaluation of meta-analysis practices in management research. *Journal of Management* **35**(2): 393-419.
Ghoul SE, Guedhami O, Kowk CCY, Mishra DR. 2011. Does corporate social responsibility affect the cost of capital? *Journal of Banking & Finance* **35**(9): 2388-2406.
Godfrey, PC. 2005. The relationship between corporate philanthropy and shareholder wealth: A risk management perspective. *Academy of Management Review* **30**(4): 777-798.
Godfrey PC, Merrill CB, Hansen JM. 2009. The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis. *Strategic Management Journal* **30**(4): 425-445.
Goll I, Rasheed A A. 2004. The moderating effect of environmental munificence and dynamism on the relationship between discretionary social responsibility and firm performance. *Journal of Business Ethics* **49**(1): 41-54.
Goss A, Roberts GS. 2011. The impact of corporate social responsibility on the cost of bank loans. *Journal of Banking & Finance* **35**(7): 1794-1810.
Graves SB, Waddock SA. 1994. Institutional owners and corporate social performance. *Academy of Management Journal* **37**(4): 1034-1046.
Greene WH. 2008. *Econometric Analysis*. Pearson Prentice Hall: New Jersey.
Harrison JS, Bosse DA, Phillips RA. 2010. Managing for stakeholders, stakeholder utility functions, and competitive advantage. *Strategic Management Journal* **31**(1): 58-74.
Hart O. 1995. Corporate governance: Some theory and implications. *The Economic Journal* **105**(430): 678-689.
Hart SL, Ahuja G. 1996. Does it pay to be green? An empirical examination of the relationship between emission reduction and firm performance. *Business Strategy and the Environment* **5**(1): 30-37.
Hedges LV, Olkin I. 1985. *Statistical Methods for Meta-Analysis*. Academic Press: Orlando, FL.
Higgins JPT, Thompson SG. 2002. Quantifying heterogeneity in a meta- analysis. *Statistics in Medicine* **21**: 1539-1558.
Higgins JPT, Thompson SG, Deeks JJ, Altman DG. 2003. Measuring inconsistency in meta-analysis. *British Medical Journal* **327**(7414): 557-560.
Hillman AJ, Cannella AA, Paetzold RL. 2000. The resource dependence role of corporate directors: Strategic adaptation of board composition in response to environmental change. *Journal of Management Studies* **37**(2): 235-256.
Hillman AJ, Withers MC, Collins BJ. 2009. Resource dependence theory: A review. *Journal of Management* **35**(6): 1404-1427.
Hull CE, Rothenberg S. 2008. Firm performance: The interactions of corporate social performance with innovation and industry differentiation. *Strategic Management Journal* **29**(7): 781-789.
Husted BW. 2005. Risk management, real options, corporate social responsibility. *Journal of Business Ethics* **60**(2): 175-183.
Jayachandran S, Kalaignanam K, Eilert M. 2013. Product and environmental social performance:

Varying effect on firm performance. *Strategic Management Journal* **34**(10): 1255-1264.
Jo H, Harjoto MA. 2011. Corporate governance and firm value: The impact of corporate social responsibility. *Journal of Business Ethics* **103**(3): 351-383.
Jo H, Na H. 2012. Does CSR reduce firm risk? Evidence from controversial industry sectors. *Journal of Business Ethics* **110**(4): 441-456.
Johnson RA, Greening DW. 1999. The effects of corporate governance and institutional ownership types on corporate social performance. *Academy of Management Journal* **42**(5): 564-576.
Judge WQ, Douglas TJ. 1998. Performance implications of incorporating natural environmental issues into the strategic planning process: an empirical assessment. *Journal of Management Studies* **35**(2): 241-262.
Kedia BL, Kuntz EC. 1981. The context of social performance: An empirical study of Texas banks. *Research in Corporate Social Performance and Policy* **3**: 133-154.
King AA, Lenox MJ. 2001. Lean and green? An empirical examination of the relationship between lean production and environmental performance. *Production and Operations Management*, **10**(3): 244-256.
King A, Lenox M. 2002. Exploring the locus of profitable pollution reduction. *Management Science* **48**(2): 289-299.
Kisamore JL, Brannick MT. 2008. An illustration of the consequences of meta-analysis model choice. *Organizational Research Methods* **11**(1): 35-53.
Klassen RD, Whybark DC. 1999. The impact of environmental technologies on manufacturing performance. *Academy of Management Journal* **42**(6): 599-615.
Klein B, Leffler KB. 1981. The role of market forces in assuring contractual performance. *The Journal of Political Economy* **89**(4): 615-641.
Knox S, Maklan S. 2004. Corporate social responsibility: Moving beyond investment towards measuring outcomes. *European Management Journal* **22**(5): 508-516.
Konar S, Cohen MA. 2001. Does the market value environmental performance? *Review of Economics and Statistics* **83**(2): 281-289.
Lipsey MW, Wilson DB. 2001. *Practical Meta-Analysis*. Sage: Thousand Oaks, CA.
Lockett A, Moon J, Visser, W. 2006. Corporate social responsibility in management research: Focus, nature, salience and sources of influence. *Journal of Management Studies* **43**(1): 115-136.
Luo X, Bhattacharya CB. 2006. Corporate social responsibility, customer satisfaction, and market value. *Journal of Marketing* **70**(4): 1-18.
Luo X, Wang H, Raithel S, Zheng Q. 2013. Corporate social performance, analyst stock recommendations, and firm future returns. *Strategic Management Journal*. DOI: 10.1002/smj.2219
MacKinnon DP, Dwyer JH. 1993. Estimating mediated effects in prevention studies. *Evaluation Review* **17**(2): 144-158.
MacKinnon DP, Warsi G. Dwyer JH. 1995. A simulation study of mediated effect measures. *Multivariate Behavioral Research* **30**(1): 41-62.
Mackey A, Mackey TB, Barney JB. 2007. Corporate social responsibility and firm performance: Investor preferences and corporate strategies. *Academy of Management Review* **32**(3): 817-835.
Mahoney L, Roberts RW. 2007. Corporate social performance, financial performance and institutional ownership in Canadian firms. *Accounting Forum* **31**(3): 233-253.
Makni R, Francoeur C, Bellavance F. 2009. Causality between corporate social performance and financial performance: evidence from Canadian firms. *Journal of Business Ethics* **89**(3): 409-422.
Margolis JD, Elfenbein HA, Walsh JP. 2007. Does it pay to be good? A meta-analysis and redirection of research on the relationship between corporate social and financial performance. Working paper, Harvard Business School, Cambridge MA.
Margolis JD, Walsh JP. 2003. Misery loves companies: Rethinking social initiatives by business.

Administrative Science Quarterly **48**(2): 268-305.
Margolis JD, Walsh JP. 2001. *People and profits? The search for a link between a company's social and financial performance*. Psychology Press.
McWilliams A, Siegel D. 2000. Corporate social responsibility and financial performance: correlation or misspecification? *Strategic management journal* **21**(5): 603-609.
McWilliams A, Siegel D. 2001. Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review* **26**(1): 117-127.
McWilliams A, Siegel DS, Wright PM. 2006. Corporate social responsibility: Strategic implications. *Journal of Management Studies* **43**(1): 1-18.
Milgrom P, Roberts J. 1986. Price and advertising signals of product quality. *The Journal of Political Economy* **91**(4): 796-821.
Orlitzky M, Benjamin JD. 2001. Corporate social performance and firm risk: A meta-analytic review. *Business & Society* **40**(4): 369-396.
Orlitzky M, Schmidt FL, Rynes SL. 2003. Corporate social and financial performance: A meta-analysis. *Organizational Studies* **24**(3): 403-441.
Parmar B, Freeman RE, Harrison JS, Wicks AC, Purnell L, de Colle S. 2010. Stakeholder theory: The state of the art. *Academy of Management Annals* **4**(1): 403-445.
Peloza J. 2006. Using corporate social responsibility as insurance for financial performance. *California Management Review* **48**(2): 52-72.
Peloza J. 2009. The challenge of measuring financial impacts from investments in corporate social performance. *Journal of Management* **35**(6): 1518-1541.
Porter ME, Kramer MR. 2006. Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review* (December): 1-14.
Raudenbush SW, Bryk AS. 2002. *Hierarchical linear models: Applications and data analysis methods* (Volume 1). Sage Publications: Thousand Oaks, CA.
Richardson AJ, Welker M. 2001. Social disclosure, financial disclosure and the cost of equity capital. *Accounting, Organizations and Society* **26**(7): 597-616.
Roberts PW, Dowling GR. 2002. Corporate reputation and sustained superior financial performance. *Strategic Management Journal* **23**(12): 1077-1093.
Rowley T, Berman S. 2000. A brand new brand of corporate social performance. *Business & Society* **39**(4): 397-418.
Russo MV, Fouts PA. 1997. A resource-based perspective on corporate environmental performance and profitability. *Academy of Management Journal* **40**(3): 534-559.
Said R, Zainuddin YH, Haron H. 2009. The relationship between corporate social responsibility disclosure and corporate governance characteristics in Malaysian public listed companies. *Social Responsibility Journal* **5**(2): 212-226.
Sharma S, Henriques I. 2005. Stakeholder influences on sustainability practices in the Canadian forest products industry. *Strategic Management Journal* **26**(2): 159-180.
Sharma S, Vredenburg H. 1998. Proactive corporate environmental strategy and the development of competitively valuable organizational capabilities. *Strategic Management Journal* **19**(8): 729-753.
Shipley, B. 2002. *Cause and correlation in biology: A user's guide to path analysis, structural equations and causal interference*. Cambridge University Press: Cambridge, UK.
Smith CW, Stulz RM. 1985. The determinants of firms' hedging policies. *Journal of Financial and Quantitative Analysis* **20**(4): 391-405.
Stigler, GJ. 1962. Information in the labor market. *The Journal of Political Economy* **70**(5): 94-105.
Strike VM, Gao J, Bansal P. 2006. Being good while being bad: Social responsibility and the international diversification of US firms. *Journal of International Business Studies* **37**(6): 850-862.
Stultz RM. 2002. *Risk management and derivatives*. Southwestern College Publications: New York.

Surroca J, Tribó JA, Waddock S. 2010. Corporate responsibility and financial performance: The role of intangible resources. *Strategic Management Journal* **31**(5): 463-490.

Surroca J, Tribó JA, Zahra SA. 2013. Stakeholder pressure on MNEs and the transfer of socially irresponsible practices to subsidiaries. *Academy of Management Journal* **56**(2): 549-572.

Thompson M, Heron P. 2006. Relational quality and innovative performance in R&D based science and technology firms. *Human Resource Management Journal* **16**(1): 28-47.

Turban DB, Greening DW. 1997. Corporate social performance and organizational attractiveness to prospective employees. *Academy of Management Journal* **40**(3): 658-672.

Uotila J, Maula M, Keil T, Zahra SA. 2009. Exploration, exploitation, and financial performance: analysis of S&P 500 corporations. *Strategic Management Journal* **30**(2): 221-231.

Van Oosterhout J, Heugens PPMAR. 2008, Much ado about nothing: A conceptual critique of corporate social responsibility. In *A. Crane (ed.), The Oxford Handbook of Corporate Social Responsibility*, Oxford University Press Inc: Oxford, UK; 197-223.

Vogel D. 2006. *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*. Washington DC: The Brookings Institution.

Waddock SA, Graves SB. 1997. The corporate social performance. *Strategic Management Journal* **8**(4): 303-319.

Williams, RJ, Barrett, JD. 2000. Corporate philanthropy, criminal activity, and firm reputation: Is there a link? *Journal of Business Ethics* **11**(1): 115-123.

Wood DJ, Jones RE. 1995. Stakeholder mismatching: A theoretical problem in empirical research on corporate social performance. *International Journal of Organizational Analysis* **3**(3): 229-267.

Zahra SA, Covin JG. 1995. Contextual influences on the corporate entrepreneurship-performance relationship: A longitudinal analysis. *Journal of Business Venturing* **10**(1): 43-58.

Zhang R, Zabihollah R, Zhu J. 2010. Corporate philanthropic disaster response and ownership type: Evidence from Chinese firms' response to the Sichuan earthquake. *Journal of Business Ethics* **91**(1): 51-63.

Appendix A

Studies Included in the Meta-Analysis[a]

Author	Year	Publication
Agarwal & Berens	2009	WP
Albers & Gunther	2010	ZPU
Alexander & Buchholz	1978	AMJ
Ali, Rehman, Ali, Yousaf & Zia	2010	AJBM
Al-Khadash	2003	WP
Alnajjar	2000	AEAM
Al-Tuwaijri, Christensen & Hughes	2004	AOS
Amran, Lynn & Sorfri	2007	SRJ
Aragon-Correa, Hurtado-Torres, Sharma, & Garcia-Moralis	2008	JEM
Aras, Aybars & Kutlu	2010	IJP
Arora & Petrova	2009	WP
Arx & Ziegler	2008	WP
Arya & Zhang	2009	JMS
Aupperle & Pham	1989	ERRJ
Aupperle, Carroll & Hatfield	1985	AMJ
Balabanis, Phillips & Lyall	1998	EBR
Barnett & Salomon	2006	SMJ
Becchetti, Ciciretti & Hasan	2009	WP
Becchetti, Giacomo & Pinnacchio	2008	AE
Belkaoui & Karpik	1989	AAAJ
Benson & Davidson III	2010	FM
Benson, Davidson III, Wang & Worrell	2011	FM
Berman, Wicks, Kotha & Jones	1999	AMJ
Berrone & Gomez-Meija	2009	AMJ
Berrone, Surroca & Tribo	2007	JBE
Bewley & Li	2000	AEAM
Bird, Hall, Momente & Reggiani	2007	JBE
Blazovich & Smith	2008	WP
Block & Wagner	2010	WP
Boesso & Kumar	2007	AAAJ
Bouquet & Deutsch	2007	JBE
Brammer & Millington	2005	CJE
Brammer & Pavelin	2006	JMS
Brammer & Pavelin	2008	BSE
Brammer, Brooks & Pavelin	2005	WP
Brammer, Brooks & Pavelin	2006	FM
Brammer, Brooks & Pavelin	2009	QREF
Brammer, Pavelin & Porter	2009	JMS

Branzei & Thornhill	2006	SO
Brik, Rettab & Mellahi	2010	JBE
Brown & Perry	1994	AMJ
Bujaki & McConomy	2002	CAP
Buysse & Verbeke	2004	RGSM
Cahan & Staden	2009	AF
Cainelli, Mazza & Zoboli	2008	WP
Callan & Thomas	2009	CSREM
Cardebat & Sirven	2010	JEIF
Carter, Kale & Grimm	2000	TRPE
Cavaco & Crifo	2009	JEL
Chang	2009	QQ
Chau & Gray	2002	IJA
Chen & Metcalf	1980	AR
Chen & Wang	2011	CG
Chen, Patten, & Roberts	2008	JBE
Cheung, Tan, Ahn & Zhang	2009	JBE
Chiu & Sharfman	2009	JM
Choi & Jung	2007	JBE
Choi, Jang & Chang	2007	WP
Choi, Kwak & Choe	2010	AJM
Christmann	2000	AMJ
Clarkson, Li, Richardson & Vasvari	2008	AOS
Clarkson, Li, Richardson & Vasvari	2011	JAPP
Cochran & Wood	1984	AMJ
Connelly & Limpaphayom	2004	JCCitiz.
Coombs & Gilley	2005	SMJ
Cormier, Ledoux & Magnan	2009	WP
Cormier, Magnan & Morard	1993	EE
Cowen, Ferreri & Parker	1987	AOS
Crisostomo, De Souza Freire & Vasconcellos	2010	WP
Curran	2005	WP
D'Arcimoles & Trebucq	2003	WP
Damak Ayadi	2004	WP
Darnall, Henriques & Sadorsky	2008	JIM
Darnall, Iwata & Arimura	2006	WP
Darnall, Jolley & Ytterhus	2006	WP
Dawley, Hoffman & Lamont	2002	JM
Dhaliwal, Tasang & Yang	2011	AR
Doh, Howton, Howton & Siegel	2009	JM
Dooley & Lerner	1994	JBE
Dowell, Hart & Yeung	2000	MS
Dragomir	2010	JAOC

Dunn & Sainty	2009	IJMF
Elijido-Ten	2007	ARA
Elsayed & Paton	2005	SCED
Elsayed & Paton	2009	BSE
Fauzi & Idris	2010	WP
Fauzi, Rahman, Hussain & Priyanto	2009	WP
Filbeck & Gorman	2004	ERE
Fisher-Vanden & Thorburn	2011	JEEM
Fombrun & Shanley	1990	AMJ
Freedman & Jaggi	1982	IJMS
Galaskiewicz	1997	ASQ
Galbreath	2006	MD
Galdeano-Gomez	2008	ERE
Gao	2010	JBR
Garcia-Castro, Arino & Canela	2009	JBE
George	2005	AMJ
Ghoul, Guedhami, Kwok & Mishra	2011	JBF
Gil, Jimenez & Lorente	2001	IJMS
Godfrey, Merrill & Hansen	2009	SMJ
Goll & Rasheed	2004	JBE
Graves & Waddock	1994	AMJ
Graves & Waddock	1999	IJVBM
Gray, Javad, Power & Sinclair	2001	JBFA
Greening	1995	RCSPP
Guenster, Derwall, Bauer & Koedijk	2011	EFM
Guidry & Patten	2010	SAMPJ
Gul & Leung	2004	JAPP
Hackston & Milne	1996	AAAJ
Hammond & Slocum Jr.	1996	JBE
Haniffa & Cooke	2005	JAPP
Hansen & Wernerfelt	1989	SMJ
Harjoto & Jo	2007	WP
Henri & Journeault	2009	AOS
Herremans, Akathaporn & McInnes	1993	AOS
Hillman & Keim	2001	SMJ
Hillman, Keim, & Luce	2001	BS
Huang & Kung	2010	JBE
Huang & Lien	2012	CME
Hull & Rothenberg	2008	SMJ
Inoue & Lee	2011	TM
Ioannou & Serafeim	2010	WP
Jaggi & Freedman	1992	JBFA
James-Overhue & Cotter	2009	AJFA

Johnson & Greening	1999	AMJ
Johnston & Malina	2008	GOM
Jones, Frost, Loftus & Van der Laan	2007	AAR
Judge	1994	JBE
Judge & Elenkov	2005	JBR
Judge Jr. & Douglas	1998	JMS
Kang	2012	SMJ
Kang, Lee, & Huh	2010	IJHM
Karagozoglu & Lindell	2000	JEPM
Katsuhiko, Akihiro, Yasushi & Tomomi	2001	WP
Kedia & Kuntz	1981	RCSPP
Kent & Chan	2003	WP
Khan	2010	IJLM
Khanna, & Damon	1999	JEEM
King & Lenox	2002	MS
Klassen & Whybark	1999	AMJ
Konar & Cohen	2001	RES
Kotha & Nair	1995	SMJ
Kristoffersen, Gerrans & Clark-Murphy	2005	WP
Kroes, Subramanian & Subramanyam	2008	WP
Laan, Ees & Witteloostuijn	2007	JBE
Labelle, Gargouri & Francoeur	2009	JBE
Lee & Park	2009	IJHM
Lee, Singal, & Kang	2012	IJHM
Lev, Petrovits & Radhakrishnan	2009	SMJ
Li & Ye	1999	IM
Lin, Cheng & Liu	2008	JWB
Lin, Service & Terrell	2007	IJSTM
Lin, Yang & Liou	2009	TS
Liu & Anbumozhi	2009	JCP
Lo & Sheu	2007	CG
Lopez, Garcia & Rodriguez	2007	JBE
Lopez-Gamero, Molina-Azorin, & Claver-Cortes	2009	JEM
Luo & Bhattacharya	2006	JMrkt
Mahoney & Roberts	2007	AFo
Mahoney & Roberts	2004	RPREA
Mahoney & Thorn	2006	JBE
Mahoney, LaGore, & Scazzero	2008	ISEA
Maignan & Ferrell	2001	JBR
Makni, Francoeur, & Bellavance	2009	JBS
Manescu	2011	SD
Marimuthu	2008	JISR
Marin, Rubio, & Ruiz de Maya	2012	CSREM

Mattingly & Berman	2006	BS
McGuire, Dow & Argheyd	2003	JBE
McGuire, Schneeweis & Branch	1990	JM
McWilliams & Siegel	2000	SMJ
Melo	2010	WP
Menassa	2010	JAAR
Menguc & Ozanne	2005	JBR
Mezias, Park & Choi	2008	AIB
Michelon, Boesso, & Kumar	2012	CSREM
Mitra, Dhar, & Agrawal	2008	JMR
Mittal, Sinha & Singh	2008	MD
Mohn	2006	WP
Moneva & Ortas	2008	IJSE
Monteiro & Aibar-Guzman	2009	CSREM
Moore	2001	JBE
Moore & Robson	2002	BEER
Muller & Kolk	2010	JMS
Muller & Kräussl	2007	WP
Murray, Sinclair, Power, & Gray	2006	AAAJ
Nakao, Amano, Matsumura, Genba & Nakano	2007	BSE
Naser, Hussaini, Al-Kwari & Nuseibeh	2006	AIA
Nehrt	1996	SMJ
Nelling & Webb	2009	RQFA
Neubaum & Zahra	2006	JM
Nikolaeva & Bicho	2011	JAMS
O'Neill, Saunders & McCarthy	1989	JBE
Ogden & Watson	1999	AMJ
O'Shaughnessy, Gedajlovic, & Reinmoeller	2007	APJM
Padgett & Galan	2009	JBE
Patten	2008	JBE
Plumlee & Brown	2008	WP
Plumlee, Brown & Marshall	2010	WP
Poddi & Vergalli	2008	WP
Post, Rahman, & Rubow	2011	BS
Prado-Lorenzo, Rodriguez-Dominguez, Gallego-Alvarez & Garcia-Sanchez	2009	MD
Preston & Sapienza	1990	JBES
Preston, & O'Bannon	1997	BS
Prior, Surroca & Tribo	2008	CG
Qian & Li	2003	SMJ
Ramanathan & Akanni	2010	WP
Rashid & Lodh	2008	RAEE
Rettab, Brik & Mellahi	2008	JBE
Richardson & Welker	2001	AOS

Roberts	1992	AOS
Rodriguez & Cruz	2007	HM
Rueda-Manzanares, Aragon-Correa, & Sharma	2008	BJM
Ruf, Muralidhar, Brown, Janney & Paul	2001	JBE
Russo & Fouts	1997	AMJ
Said, Zainuddin & Haron	2009	SRJ
Salama	2005	SCED
Salama & Anderson	2008	WP
Santaló & Kock	2006	WP
Schadewitz & Niskala	2010	CSREM
Schnietz & Epstein	2005	CRR
Scholtens	2008	JBE
Scholtens & Zhou	2008	SD
Schreck	2011	JBE
Seifert, Morris & Bartkus	2003	JBE
Seifert, Morris, & Bartkus	2004	BS
Semenova	2011	WP
Semenova & Hassel	2008	SD
Shen & Chang	2008	JBE
Simerly	1995	PR
Simerly	1994	PR
Simpson & Kohers	2002	JBE
Slater & Dixon-Fowler	2008	JBE
Smith, Yahya, & Amiruddin	2007	ARA
Soana	2009	WP
Sorescu & Spanjol	2008	JMrkt
Stanwick & Stanwick	2001	ABR
Stanwick & Stanwick	1998	JBE
Strike, Gao & Bansal	2006	JIBS
Su, Xie & Li	2009	APJM
Surroca & Tribo	2008	JBFA
Surroca, Tribo & Waddock	2010	SMJ
Sweeney	2009	WP
Tagesson, Blank & Broberg	2009	CSREM
Tang, Hull, & Rothenberg	2012	JMS
Telle	2006	ERE
Teoh, Pin, Joo & Ling	1998	WP
Toms	2002	BAR
Tsoutsoura	2004	WP
Turban & Greening	1997	AMJ
Vurro & Perrini	2011	CG
Waddock & Graves	1997	SMJ
Wagner	2003	ZE

Wagner	2005	JEM
Wagner	2010	JBE
Wagner, Van Phu, Zaomahou & Wehrmeyer	2002	CSREM
Wahba	2008	CSREM
Waldman, Siegel & Javidan	2006	JMS
Wang & Bansal	2012	SMJ
Wang & Choi	2010	JM
Wang & Schwarz	2010	HRM
Wang, Choi & Li	2008	OS
Weaver, Trevino & Cochran	1999	AMJ
Weinzimmer, Bond III, Houston & Nystrom	2003	JSM
Whiteman, Muller, van der Voort, van Wijk, Meijs & Pique	2005	WP
Wholey & Brittain	1989	AMJ
Wiseman & Catanach	1997	AMJ
Wu	2008	JBR
Yamaguchi	2008	WP
Yamashita, Sen & Roberts	1999	JFSD
Yang, Lin & Chang	2010	AJBM
Yao, Wang, & Song	2012	JCC
Yook	2010	WP
Yusoff & Lehman	2005	WP
Zhang & Rezaee	2009	JBE
Zhang & Stern	2007	WP
Zhang, Rezaee & Zhu	2009	JBE
Ziegler, Schroder & Rennings	2007	ERE
Zyglidopoulos & Georgiadis	2006	WP
Zyglidopoulos, Georgiadis, Carroll, & Siegel	2011	JBR

Publications: AA: Advanc: Accou Auditing and Accountability Journal; AAR: Australian Accounting Review; ABER: Akron Business and Economic Review; ABR: American Business Review; AEAM: Advances in Environmental Accounting & Management; AFi: Accounting and Finance; AFo: Accounting Forum; AFE: Applied Financial Economics; AIA: Advances in International Accounting; AJBM: African Journal of Business Management; AJFA: Asian Journal of Financial Accounting; AJM: Australian Journal of Management; APIA: Advances in Public Interest Accounting; AMJ: Academy of Management Journal; AOS: Accounting, Organizations and Society; APE: Applied Financial Economics; APJM: Asia Pacific Journal of Management; AR: Accounting Review; ARA: Asian Review of Accounting; ASQ: Administrative Science Quarterly; BAR: British Accounting Review; BEER: Business Ethics: A European Review; BJM: British Journal of Management; BS: Business & Society; BSE: Business Strategy and the Environment;; CAP: Canadian Accounting Perspectives; CEP: Contemporary Economic Policy; CG: Corporate Governance; CJE: Cambridge Journal of Economics; CJIELP: Colombian Journal of International Environmental Labour & Policy; CME: Construction Management & Economics; CMR: California Management Review; CPA: Critical Perspectives on Accounting; CRR: Corporate Reputation Review; CSREM: Corporate Social Responsibility and Environmental Management; EAR: European Accounting Review; EBR: European Business Review; EE: Ecological Economics; EFM: European Financial Management; ERE: Environmental and Resource Economics; ERRJ: Employee Responsibilities and Rights Journal; FAJ: Financial Analyst Journal; FM: Financial Management; FR: Financial Review; GBR: Global Business Review; GOM: Group Organization Management; HM: Hospitality Management; HRM: Human Resource Management; IJA: International Journal of Accounting; IJBS: International Journal of Business Studies; IJHM: International Journal of Hospitality Management; IJIMEFM:

International Journal of Islamic and Middle Eastern Finance and Management; IJMF: International Journal of Managerial Finance; IJLM: International Journal for Law & Management; IJMS: International Journal of Management Science; IJP: International Journal of Productivity; IJSE: International Journal of Sustainable Economy; IJST: International Journal Service Technology & Management; IJVBM: International Journal of Value-Based Management; ILRR: Industrial Labour Relations Review; ISEA: Issues in Social and Environmental Accounting; JAOC: Journal of Accounting & Organizational Change; JAK: Jurnal Akuntansi & Keuangan; JAPP: Journal of Accounting and Public Policy; JAMS: Journal of the Academy of Marketing Science; JAR: Journal of Accounting Research; JB: Journal of Business; JBE: Journal of Business Ethics; JBES: Journal of Behavioral Economics; JBF: Journal of Banking & Finance; JBFA: Journal of Business Finance & Accounting; JBR: Journal of Business Research; JCC: Journal of Contemporary China; JCCitiz.: Journal of Corporate Citizenship; JCF: Journal of Corporate Finance; JCP: Journal of Cleaner Production; JFR: Journal of Financial Research; JFSD: Journal of Financial and Strategic Decision Making; JEEM: Journal of Environmental Economics and Management; JEIF: Journal of Economics & International Finance; JEL: Journal of Economic Literature; JEM: Journal of Environmental Management; JEPM: Journal of Environmental Planning and Management; JIBS: Journal of International Business Studies; JIFMA: Journal of International Financial Management & Accounting; JIM: Journal of International Management; JISR: Journal of International Social Research; JLE: Journal of Law and Economics; JMG: Journal of Management & Governance; JMrkt; Journal of Marketing; JM: Journal of Management; JMR: Journal of Management Research; JMS: Journal of Management Studies; JOM: Journal of Operations Management; JPE: Journal of Political Economy; JSS: Journal of Social Sciences; MAJ: Managerial Auditing Journal; MAR: Meditari Accountancy Research; MD: Management Decision; MDE: Managerial and Decision Economics; MF: Managerial Finance; MS: Management Science; OS: Organizational Science; PAR: Public Administration Review; PBFJ: Pacific-Basin Finance Journal; PR: Psychological Reports; QQ: Quality and Quantity; QREF: Quarterly Review of Economics and Finance; RAEE: Research in Accounting in Emerging Economies; RCSPP: Research in Corporate Social Performance and Policy; RES: Review of Economics and Statistics; RFE: Review of Financial Economics; RGSM: Research in Global Strategic Management; RJIS: Research Journal of International Studies; RPBFMP: Review of Pacific Basin Financial Markets and Policies; RPREA: Research on Professional Responsibility and Ethics in Accounting; RQFA: Review of Quantitative Finance and Accounting; SAMPJ: Sustainability Accounting, Management and Policy Journal; SCED: Structural Change and Economic Dynamics; SD: Sustainable Development; SEJ: Southern Economic Journal; SMJ: Strategic Management Journal; SRJ: Social Responsibility Journal; TM: Tourism Management; TRPE: Transportation Research Part E; TS: Technology in Society; WP: Working paper; ZE: Zeitschrift für Energiewirtschaft; ZPU: Zeitschrift Plan Unternehmenssteurung.

CHAPTER 3:

Is ‘Irresponsible’ ‘Unsustainable’? A Meta-Analysis of the Corporate Social Irresponsibility – Performance Relationship

Abstract

Using meta-analytic methods on a sample of 244 primary studies, we not only challenge the widespread belief that markets are self-cleansing institutions in which corporate socially irresponsible behavior (CSI) is ultimately unsustainable, but also provide a more fine-grained account of the antecedents and performance consequences of CSI than is currently available in the literature. Specifically, we find that CSI is less prevalent in better monitored firms and more prevalent in firms with high inside ownership; that the negative performance consequences of CSI are higher when CSI is directed against related-party stakeholders rather than economically uninvolved third parties; and that the negative performance consequences of CSI are both aggravated and ameliorated by country-level institutional factors.

Introduction

An often made assumption in economics and management is that markets are ultimately self-cleansing institutions (e.g. Jones, 1995; Shapiro, 1983). In economic exchange we inevitably come across organizations that "lie, cheat, steal, mislead, disguise, obfuscate, feign, distort and confuse" (Williamson, 1984: 198) at the expense of their business partners, uninvolved third parties, or even society at large. Yet there is comfort in the thought that when such corporate socially irresponsible (CSI) behaviors are brought to light, their perpetrators are confronted with various economic sanctions (Brennan and Pettit, 1993), such as reputational penalties (Klein and Leffler, 1981; Lott, 1988), consumer boycotts (Posnikoff, 1997), lowered credit ratings (Baucus and Baucus, 1997), management turnover (Desai et al., 2004), and stock price depreciation (Karpoff and Lott, 1993). In contrast, parties untarnished by CSI are thought to incur economic benefits like pricing premiums (Shapiro, 1983), lowered agency and transaction costs (Jones, 1995), greater access to valued resources (Pfeffer and Salancik, 1978), improved credit ratings (Mishra and Salavei, 2009), and survival-enhancing legitimacy (Elsbach, 1994). Under such conditions, CSI will ultimately be economically unsustainable.

We define CSI as all corporate acts that deviate from prevailing legal or social norms that apply to corporate behavior, either through deliberate deviance or unwarranted negligence, without proper regard for the safety or interests of the parties affected by these behaviors. Disturbingly, a narrative review of the literature on CSI reveals that markets do not consistently meet out justice for corporate transgressions. Whereas certain studies have found that pollution and other environmental violations lead to stock value discounts in financial markets (Hamilton, 1995), other studies report no self-cleansing effects of CSI (Schneider, 2010). Similarly, whereas some studies find that stock markets punish civil right violations (Bradford, 2005), others reveal that investors are at best indifferent towards such misbehavior (Abraham and Voos, 2000). These contradictory findings question the self-cleansing qualities of market exchange and suggest that CSI may ultimately be economically sustainable after all.

From a research perspective, these mixed findings point out four presently unresolved research questions. First, is CSI unsustainable? If we take into account all available evidence, will we then find that CSI generally generates economic sanctions that are sufficient to deter future CSI behaviors (e.g. Becker, 1968)? Or can we identify significant differences in how markets sanction different types of CSI, such that some irresponsible behaviors are more sustainable than others? Second, do different kinds of affected parties—often referred to as stakeholders (Freeman, 1984)—matter differentially? More specifically, given that firms are differentially dependent on the future cooperation of different kinds of stakeholders (Frooman, 1999; Mitchell et al., 1997), will the impact of CSI on firm performance vary systematically across stakeholder groups (Karpoff and Lott, 1993; Karpoff et al., 2008)? Third, does corporate governance matter in relation to CSI? Although it is an attractive thought that better governed firms are less prone to CSI than firms with deficiencies in their governance setup (Black et al., 2000; Romano, 2005), most corporate governance practices were designed to remedy conflicts of interest between managers and owners (Shleifer and Vishny, 1997), and in some cases between owners themselves (Heugens et al., 2009; Peng and Jiang, 2010), but hardly to counter conflicts of interests between corporations and parties external to them (Kraakman, 2004). So will prevailing governance practices also deter CSI behaviors that harm stakeholders other than owners? Fourth, do institutions matter? The matrix of formal and informal institutions that could sanction CSI differs greatly across jurisdictions (Peng and Khoury, 2008; Peng et al., 2009). But which institutions can we rely on when it comes to making CSI unsustainable?

We address these four interrelated research questions through a meta-analysis involving the most comprehensive database on CSI to date, consisting of 244 primary studies on the CSI–corporate financial performance (CFP) association. Whereas our first research question primarily concerns the classic meta-analytic goal of synthesizing prior literature (Hedges and Olkin, 1985), research questions two, three, and four aim at theory extension and involve more innovative applications of meta-analysis (Combs et al., 2010). To establish the overall associational strength of the CSI–CFP relationship, and to detect any moderating effects related to CSI operationalization, we employ partial correlation-based Hedges and Olkin-type meta-analyses (HOMA; Hedges and Olkin, 1985). To test for the moderating effects of stakeholder type and institutional development, we use meta-analytic regression analysis (MARA; Lipsey and Wilson, 2001); a special type of weighted least squares (WLS) regression analysis designed specifically to assess the relationship between effect size and moderator variables in a multivariate format (Lipsey and Wilson, 2001). To test for the effect of various corporate governance antecedents on the prevalence of CSI, and to assess CSI's subsequent effect on CFP while accounting for the influence of firm level control variables, we use meta-analytical structural equation modeling (MASEM; Cheung and Chan, 2005), which combines elements of meta-analysis and structural equation modeling (Cheung and Chan, 2005; Viswesvaran and Ones, 1995).

Our contributions are threefold. First, we assess the balance of evidence on the impact of CSI on CFP, thereby synthesizing a large and rapidly expanding literature in management and economics (Daboub et al., 1995; Schnatterly, 2003; Zahra et al., 2005). Second, we develop previously underexplored theoretical connections between CSI and three other management literatures: stakeholder theory (Donaldson and Preston, 1995; Mitchell et al., 1997), corporate governance theory (Shleifer and Vishny, 1997), and the emerging institution-based view of management (Peng and Khoury, 2008; Peng et al., 2009). We thereby supply the CSI literature, which to date has been predominantly focused on the empirical issue of identifying the immediate economic effects of CSI, with novel theoretical underpinnings that may inspire future empirical work. Third, our study has important implications for practice, as it identifies the levers through which managers, policy makers, non-executive directors, and other parties with an interest in combating CSI can influence both its prevalence and impact.

Theory and Hypotheses

Performance Consequences of CSI

CSI is a convenient label for denoting various irresponsible corporate behaviors, but it is necessarily a broad denominator bringing together a variety of corporate actions. While certain types of CSI, such as breach of contract (Bhagat et al., 1998), political corruption (Strachan et al., 2005), or antitrust violations (Skantz et al., 1990) are mostly intentionally committed, other types, such as environmental damage (Hill and Schneeweis, 1983), airplane crashes (Bosch et al., 1998), or the need to initiate product recalls (Rupp, 2004), are largely unintentional, even though their origins may well be rooted in (criminal) negligence. Although the question as to what motivates corporations to engage in CSI is beyond the scope of this paper, certain forms of CSI clearly benefit corporations and their senior executives financially, such as insider trading (Schnatterly, 2003), tax sheltering (Desai and Dharmapala, 2009), and white collar crime (Karpoff and Lott, 1993). Furthermore, while CSI may affect the interests of a wide variety of stakeholder groups, violations against employees involving discrimination and occupational safety issues are amongst the most frequently researched and reported forms of CSI (Ursel and Armstrong-Stassen, 2006). In spite of the large variety of CSI behaviors studied, the question whether corporate misconduct is or is not economically unsustainable remains unanswered to date.

We expect CSI to have a negative impact on CFP because it is associated with a variety of legal and economic consequences (Karpoff and Lott, 1993; Klein and Leffler, 1981). When corporate misconduct results in court convictions, liable firms will have to bear litigation costs, administrative fines, civil damage awards, and criminal sanctions (Bradford, 2005; Khanna, 1996). Additionally, these firms may face court-imposed remediation costs because of oil spills and toxic releases (Karpoff et al., 2005) or recall- and replacement costs following product recall announcements (Govindaraj et al., 2004).

Frequently, however, a sizeable share of the value or performance loss a transgressing firm has to incur is attributable to less tangible factors, such reputational losses (Karpoff and Lott, 1993). Firms incur such reputational penalties, for example, through stock price depreciations (e.g. Karpoff and Lott, 1993; Murphy et al., 2009) or through declining sales due to consumer boycotts (Posnikoff, 1997). Additionally, firms involved in CSI may face adverse business conditions on account of either increases in their cost of capital (Mishra and Salavei, 2009), changes in the terms of trade with suppliers (Jones, 1995), or a deterioration of network ties (Sullivan et al., 2007) and legitimacy within the business community (Elsbach, 1994), which will all adversely affect firm value and performance. See Hypothesis 1:

Hypothesis 1: CSI is negatively related to CFP.

CSI and Stakeholder Theory

Stakeholder theory is about the management of relations between a firm and both its internal corporate constituencies, such as shareholders, managers and employees, and parties external to the firm such as clients, creditors, environmental interests and the community. From its inception onwards, stakeholder theory has developed both normative and instrumental variants that are premised on rather different theoretical logics (Jones and Wicks, 1999). Some authors have argued that, at its core, stakeholder theory is an inherently normative theory that pertains to the question of how corporations ought to behave towards their stakeholders (Donaldson and Preston, 1995). In this view, the stakeholder concept is inclusively defined, involving not only parties that can affect the firm, but also those parties affected by a firm's acts and omissions (Heugens and Van Oosterhout, 2002). Other authors have promoted a more instrumental variant of stakeholder theory (Jones, 1995; Jones and Wicks, 1999), in which the core question is how corporations and their managers best engage with stakeholders in order to maximize firm performance (Heugens et al., 2008; Jones, 1995). Compared to normative stakeholder theory, the logic of instrumental stakeholder theory is reversely premised on the ability of stakeholders to affect the wellbeing of the firm. As a result, the conceptualization and operationalization of the stakeholder concept includes only those parties that can exert economic leverage over the firm (Berman et al., 1999).

In line with these differential conceptualizations of normative and instrumental stakeholder theory, we distinguish between two different stakeholder groups. First, related party stakeholders, like shareholders, employees, and customers, are parties with whom the firm transacts on a regular basis and upon whom the firm depends for the generation of future revenues (Karpoff and Lott, 1993; Murphy et al., 2009). Second, third party stakeholders like competitors, governments, the natural environment, and communities, typically do not have a reciprocal economic relationship with the focal firm, but often end up having a relationship with a firm involuntarily because a firm's actions affect them negatively.

Because third party stakeholders have no reciprocal relationship with the firm, they cannot exert economic leverage over it and are unable to affect its future cash flows (Karpoff and Lott, 1993; Murphy et al., 2009). Related party stakeholders, in contrast, are important to a firm's performance either because they control critical resources (Frooman, 1999), are able to exert highly legitimate and urgent claims on the firm (Mitchell et al., 1997), or take up central positions in the network upon which a firm is dependent for its business (Rowley, 1997; Sullivan et al., 2007). From an instrumental stakeholder perspective, therefore, the danger of CSI is that it has relationship-rupturing features, such that mutually advantageous exchange relationships can inadvertently be damaged or even terminated (Van Oosterhout et al., 2006). Even if CSI does not lead to the severance of all ties, it can still cause a loss of trust and cooperation, making exchange partners "regress" to the use of costlier control-based forms of exchange (Heugens et al., 2008). We expect the negative performance consequences of CSI to be greater when it affects related rather than third party stakeholder relationships, as CSI towards related parties jeopardizes the firm's future stream of income (Karpoff and Lott, 1993; Murphy et al., 2009). See Hypothesis 2:

Hypothesis 2: The focal relationship will be more strongly negative when CSI affects related party stakeholders rather than third party stakeholders.

Corporate Governance and CSI

Although CSI is pervasive in many sectors of the economy, it remains a low base-rate phenomenon, involving certain firms but not others. So why do some firms engage in CSI while others do not? Because CSI is often the result of (self-serving) managerial decision-making, one answer to this question stems from corporate governance theory. In its classic conceptualization, the problem of corporate governance results from the separation of ownership and control in publicly listed firms (Berle and Means, 1932), and the agency problems between managers and shareholders that result from it (Fama and Jensen, 1983; Jensen and Meckling, 1976). Most research in corporate governance has therefore focused on assessing the effectiveness of various corporate governance practices, both inside and outside the firm (Walsh and Seward, 1990), in remedying these agency problems (Dalton et al., 2007; Shleifer and Vishny, 1997). Interestingly, however, hardly any researchers have investigated whether corporate governance practices implemented to remedy manager-owner agency problems also function to combat CSI (but see: Desai and Dharmapala, 2009). To address this empirical question, we focus on the roles of Board of Directors (BoD) and the ownership of the firm in this regard.

In situations in which the need to monitor management is high, either because a jurisdiction provides limited legal protection of investor interests or due to complex and opaque managerial assignments, corporate ownership tends to become more concentrated (Demsetz and Villalonga, 2001; Heugens et al., 2009). Concentrated ownership increases both shareholders' motives and means to monitor managers in order to prevent CSI behaviors (Shleifer and Vishny, 1986), because as residual claimants shareholders will ultimately have to bear the costs of legal or reputational penalties for CSI

(Shleifer and Vishny, 1986, 1997). When ownership is dispersed, the task of policing managers shifts to the BoD. Prior research shows that the monitoring capacity of the BoD increases with board size (Dalton et al., 1999), as larger boards are better able to absorb and process voluminous information concerning managerial behavior. We therefore expect CSI to occur less in firms with better monitoring of managerial decision-making, either in the form of concentrated (institutional) ownership or larger boards. See Hypothesis 3a:

> *Hypothesis 3a*: CSI is less prevalent in corporations with a corporate governance setup with greater capacity for monitoring managerial behavior.

Yet monitoring in corporate governance is not always effective (Daily and Dalton, 1994). This may be because a firm lacks a sufficiently capable and incentivized large owner, but a particularly problematic case arises when the BoD, which in large publicly listed firms performs a monitoring rather than decision-making role (Bainbridge, 2003), is insufficiently distanced from management. Research shows that cooptation of the BoD by management occurs frequently through various corporate governance deficiencies (Daily and Dalton, 1994; Romano, 2005). In many firms, for example, the roles of CEO and Chair of the BoD are united in the hands of a single person (CEO duality), which is widely believed to stand in the way of effective monitoring of managers (Dalton et al., 1998). BoDs can also be dominated by insiders, such that the primary monitoring body of the corporation is staffed by individuals who are economically and socially tied to the firm (Hermalin and Weisbach, 2003). Finally, executives may be sizeable corporate owners themselves (Holderness, 2003), which gives them additional means to influence the BoD's composition, turnover, and monitoring behavior. When the monitoring capacity of the BoD is compromised, we expect CSI to become more prevalent. See Hypothesis 3b:

> *Hypothesis 3b*: CSI is more prevalent in corporations with a corporate governance setup in which

the board of directors is insufficiently distanced from management.

CSI and Institutions

A new development in management studies involves the emergence of an institution-based view of management (Carney et al., 2010; Engelen and van Essen, 2010; Peng et al., 2009), which seeks to explain the institutional underpinnings of managerial decision-making. Both formal and informal institutions enable and constrain managers by sanctioning alternative courses of action (North, 1990). While both types of institutions may sanction CSI, their relative importance differs across nations (Peng and Khoury, 2008).

A first set of formal institutions that may condition the CSI-CFP relationship involves a well-developed legal system, which not only provides relevant norms for business conduct but also an adequate policing capability to enforce them (La Porta and Shleifer, 2008). While legal systems can be characterized along different dimensions, regulatory stringency, defined as the complexity and sophistication of regulatory environments (Fennell and Alexander, 1987), is often used in management studies to assess regulatory effects on firm performance (e.g. Kassinis and Vafeas, 2002; King and Lenox, 2002). We expect that in contexts with well-developed legal institutions, CSI is more likely to result in legal sanctions, such that the CSI-CFP relationship will be more strongly negative in such jurisdictions. See Hypothesis 4a:

> *Hypothesis 4a*: The CSI – CFP relationship is negatively moderated by the degree of regulatory stringency.

Whereas legal institutions are paramount for connecting CSI to legal sanctions, effective reputational mechanisms also require development in a different part of the institutional matrix. For CSI to be reflected in reputational penalties, other more informal institutions must also play a role in reducing the information asymmetry between corporations and their monitors in regard to CSI (Deephouse and Heugens, 2009). This 'infomediary' role is most effectively played by free and independent news media (Dyck et al., 2008). The news media represent a forum through which information about CSI can be disseminated and evaluated, which will subsequently increase its social and economic impact (Davis, 2005; Tetlock, 2007). We expect reputation mechanisms to work best in contexts with a high degree of media freedom, implying that the CSI-CFP relationship will be more strongly negative in such jurisdictions. See Hypothesis 4b:

> *Hypothesis 4b*: The CSI – CFP relationship is negatively moderated by the degree of press freedom.

While regulatory stringency and the freedom of the media determine the impact of legal and reputational penalties on the corporate bottom line, other institutions determine the relative importance of reputational as opposed to legal penalties in a country. An important set of institutions in this respect are those that jointly determine a country's competitiveness, such as the higher education system, financial market sophistication, technological readiness, and overall business sophistication (Mowery and Oxley, 1995; Porter et al., 2007). In highly competitive contexts, stakeholders who have an economic interest in the firm can be certain that new information about CSI will swiftly and accurately be reflected in a firm's stock price. In competitive jurisdictions, relatively less importance will be attached to informal and opaque information cues like rumors and opinions, while greater prominence will be given to more precise and factual knowledge about the consequences of CSI for firm performance. As the effect of reputational penalties on a firm's stock price can be up to 7.5 times higher than what can be accounted for based on the imposed legal penalties (Bradford, 2005; Karpoff et al., 2008), we expect the CSI-CFP relationship to be less strongly negative in more competitive market contexts. See Hypothesis 4c:

Hypothesis 4c: The CSI – CFP relationship is positively moderated by the degree of national competitiveness.

Finally, whereas the institutions that jointly determine a country's competitiveness focus stakeholders' attention on formal, objective information cues, other institutions express and articulate societal values and norms concerning proper business conduct. This is especially true for the development of humanitarian, post-industrial cultural institutions, such as those promoting gender equality, human rights, democracy, and economic equality (Nussbaum, 1997; Rogoff, 2003), and which normatively pressure for compliance with prevailing norms and standards for business conduct. In the words of Downs (1972: p. 45), in humanitarianly well-developed societies, "rising dissatisfaction with "[corporate behavior]" (…) does not result primarily from poorer performance by [corporations]. Rather, it stems mainly from a rapid escalation of our aspirations as to what [corporations'] performance ought to be." Given the relatively large impact of reputational penalties on the bottom line (Bradford, 2005; Karpoff et al., 2008), we expect the CSI-CFP relationship to be more negative in contexts in which humanitarian institutions are well-developed, as an appreciation of humanitarian values and norms makes CSI a greater risk to the firm's going concern value. See Hypothesis 4d:

Hypothesis 4d: The CSI – CFP relationship is negatively moderated by the overall level of humanitarian development.

Methods

Sample and Coding

To identify the population of relevant studies, we used four complementary search strategies. First, we searched four electronic databases: (1) Business Source Premier, (2) Google Scholar, (3) JSTOR, and (4) SSRN, using 34 keywords like 'corporate lawsuits', 'discrimination', 'fraud', 'hazardous waste', and 'misconduct.' Second, we conducted a manual search of leading management journals. Third, we applied a two-way 'snow-balling' technique on all retrieved studies, backward-tracing all references reported in them and forward-tracing all articles citing the originals. Fourth, we corresponded with 291 researchers represented in our dataset, asking them for related studies. We finished our search in June 2010. These four strategies yielded a final sample of 244 primary studies, consisting of 156 published journal articles and 88 working papers. In Appendix B an overview of all included studies can be found. From these studies we retrieved 2,896 partial correlation-based effect sizes for our CSI-CFP relationship, representing a cumulative sample of 3,499,595 firm-year observations.

HOMA Procedure

We tested Hypothesis 1 using Hedges and Olkin-type meta-analysis (HOMA). HOMA estimates the associational strength of the focal relationship (mean ρ) and the variability of this relationship across studies (Q; Cochran, 1954). We used the partial correlation coefficient, $r_{xy.z}$, as our primary source of effect size information. $r_{xy.z}$ captures the association between CSI (x) and firm performance (y), given a set of n control variables (z). The z-vector in CSI studies typically contains variables like firm size, firm risk, and firm leverage (e.g. Sullivan et al., 2007). We rely on $r_{xy.z}$, first, because it has favorable measurement properties, as it is a standardized measure of the degree of association between two variables. Second, because $r_{xy.z}$ can be computed directly from regression output, it is the most widely available effect size statistic in the CSI field. Third, because $r_{xy.z}$ controls for the influence of a vector of other factors, it offers a more precise estimate of the focal effect than the Pearson product-moment correlation r.

In the CSI field, the dominant methodology used in primary studies is the event study method (see also McWilliams and Siegel, 1997), which examines the stock price effect (or abnormal return) of the release of unanticipated information. Abnormal returns around the event date are estimated by subtracting the expected return, obtained from a regression analysis estimating the rate of return on a market portfolio of stocks over a period preceding the event, from the actual return. Significant differences are assumed to derive from the unanticipated event. We were able to include event studies in our meta-analysis by converting the reported *t*-statistics into $r_{xy.z}$[16].The statistical output of other frequently used research designs, such as regression analysis, were similarly converted into $r_{xy.z}$. Additionally, we coded the average abnormal return on the event day to obtain a measure for the decrease in market value resulting from CSI.

A further issue is how to deal with studies containing multiple measurements of the focal effect. A Monte Carlo simulation by Bijmolt and Pieters (2001) shows that procedures including all available effect size information outperform those representing each study by a single value in areas like effect size estimation precision and parameter estimate consistency. We therefore included all available measurements in our study. All retrieved effect sizes were subjected to a Fisher's (1928) Zr transformation, to correct for skew in the effect size distribution[17]. In line with current conventions (Geyskens et al., 2009), we opted for random effects HOMA, in which effect sizes are corrected for sampling error plus a randomly distributed value representing other sources of variability (Lipsey and Wilson, 2001). Finally, we account for differences in accuracy across effect sizes by weighting them by their inverse variance weight *w* (Hedges and Olkin, 1985)[18]. We use *w*-weighted $r_{xy.z}$ to calculate the

---

[16] The partial correlation coefficients were calculated by using the *t*-statistic reported in the primary studies. The formula used to calculate partial correlation is: $\sqrt{\frac{t^2}{(t^2 + df)}}$, where *t* is the *t*-statistic and *df* is degrees of freedom.

[17] Fisher's *Zr* transformed correlations are calculated as follows: $z_r = \frac{1}{2}\ln\left(\frac{1+r}{1-r}\right)$, where *r* is the untransformed correlation coefficient.

[18] *w* is calculated as follows: $w_i = \frac{1}{se_i^2 + \hat{v}_\theta}$, where SE is the standard error of the effect size and $\hat{v}_\theta$ is the random effects variance component, which is turn calculated as: $s.e.(z_r) = \frac{1}{\sqrt{n-3}}$, and the formula of random effect variance is

mean ρ, its standard error, and the corresponding confidence interval[19].

MARA Procedure

We tested Hypotheses 2 and 4a–4d using meta-analytical regression analysis (MARA; Lipsey and Wilson, 2001). Similar to multiple regression analysis, MARA features individual effect size estimates as the dependent variable and methodological and substantive moderators as the independent variables (Lipsey and Wilson, 2001). These moderators are modeled simultaneously to examine extant heterogeneity in the effect size distribution (Lipsey and Wilson, 2001). MARA is a type of WLS regression analysis, which weighs effect sizes by *w*. Following current standards in the meta-analytic community (Geyskens et al., 2009), we used random effects estimation methods in our MARA analyses, which are more conservative than conventional fixed effects methods.

To test Hypothesis 2, we estimated the effect of stakeholder type on the CSI-CFP relationship, categorizing stakeholders into 'related party' and 'third party stakeholders' (reference category: 'mixed stakeholders'). As a robustness check, we unpacked these categories into more specific stakeholder groups: 'shareholders', 'employees', 'customers', 'environment', 'government', 'community residents', 'competitors', and 'mixed stakeholders'. To test Hypotheses 4a–4d, we included several jurisdiction-level variables capturing the institutional context from which an effect size was drawn. In recognition of the predominance of US-based observations in our dataset, we first included a dummy variable indicating whether a given effect size was derived from the 'US' context. We subsequently disaggregated this

---

$$\hat{v}_{\theta} = \frac{Q_T - k - 1}{\sum w - \left(\frac{\sum w^2}{\sum w}\right)}.$$

[19] The meta-analytical mean is calculated as follows: $\overline{ES} = \frac{\sum (w \times ES)}{\sum w}$, with its standard error: $se_{\overline{ES}} = \sqrt{\frac{1}{\sum w}}$, and with its 95% confidence interval computed as: $Lower = \overline{ES} - 1.96(se_{\overline{ES}})$, and $Upper = \overline{ES} + 1.96(se_{\overline{ES}})$.

dichotomous classification into four specific variables. To test Hypothesis 4a, we used the ‘regulatory stringency’ variable from the Economic Freedom of the World Report (Gwartney and Lawson, 2008). It captures the extent to which regulatory constraints influence exchanges in credit, labor, and product markets. To test Hypothesis 4b, we included Freedom House’s ‘press freedom’ variable. To make greater values represent larger levels of freedom, we employed reversed scores in our analysis. Hypothesis 4c was tested using the ‘global competitiveness index’ (Porter et al., 2007), which captures the micro and macroeconomic foundations of national competitiveness. Finally, we tested Hypothesis 4d using the United Nations’ ‘human development index’, a composite index measuring the level of humanitarian development of a country.

We also included a number of control variables in our MARAs to assess whether heterogeneity in the effect size distribution could be attributed to differences in measurement or study design. Five dummy variables accounted for the specific characteristics of each type of CSI, notably: whether the CSI behavior was formally illegal, whether it was committed intentionally, whether the perpetrator was the corporation itself, whether the likely beneficiary of the misconduct involved management or the organization itself, and whether the misconduct was committed in the same country as where the perpetrating firm is listed on the stock exchange. Seven additional dummy variables controlled for the phase in which new information about the CSI behavior became public. The effects of different measurements for CFP were controlled for by including a dummy variable assessing whether a ‘market measure’ of CFP was used or not. In recognition of the different research designs used in CSI studies we constructed a categorical variable identifying whether the primary study performed an ‘event study’, a ‘cross-sectional study’, or a ‘longitudinal study’. Since the event study methodology was most commonly used we additionally controlled for differences in the length of the event window. Finally, to control for industry effects we differentiated between ‘production’ and ‘service industries’, using ‘mixed industries’ as a reference category. Table 1 lists all moderator and control variables used in our MARA, including their operationalizations and reference categories.

TABLE 1

Variable description[a]

Variable	**Description**
Corporate Social Irresponsibility	All corporate actions deviating from the prevailing legal or social norms applying to corporate behavior, either through deliberate deviance or unwarranted negligence, without proper regard for the safety or interests of the parties affected by these behaviors.
Related party stakeholders	Parties with whom the firm transacts on a regular basis, i.e. shareholders, employees, and customers.
Third party stakeholders	Parties that are economically uninvolved with the firm, i.e. the natural environment, governments, community residents, and competitors.
US	A dummy variable coded as (1) if a specific study collected its data in the US and (0) if otherwise.
Freedom of press	A rating score assessing the varied ways in which pressure can be placed upon the flow of information and the ability of print, broadcast, and internet-based media to operate freely and without fear of repercussions. Source: Freedom House (2010).
Regulatory stringency	An index reflecting the extent of credit market regulations (e.g. ownership of banks, foreign bank competition, interest rate controls), labor market regulations (e.g. minimum wage, hiring and firing regulations, centralized collective bargaining), and business regulations (e.g. price controls, administrative requirements, bureaucracy costs). Source: Gwartney & Lawson (2008).
National competitiveness	Global Competitiveness Index: represents a weighted average addressing a country's legal institutions, infrastructure, macroeconomic stability, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market sophistication, technological readiness, market size, business sophistication, and innovativeness. Source: World Economic Forum (2009-2010).
Human Development Index	An index measuring the average achievements in a country in three basic dimensions of human development in 2007: a long and healthy life, as measured by life expectancy at birth, knowledge, as measured by adult literacy rate and gross enrolment ratio, and a decent standard of living, as measured by GDP per capita. Source: United Nations' Human Development Report (2009).
Illegal	A dummy variable coded as (1) if the specific form of CSI is formally illegal and (0) if otherwise.

Intentional	A dummy variable coded as (1) if the specific form of CSI was committed intentionally and (0) if otherwise.
Committed by focal firm	A dummy variable coded as (1) if the CSI in question was committed by the focal firm and (0) if otherwise.
Management/ organization benefits	A dummy variable coded as (1) if the beneficiaries of CSI involve the firm's management and/or the organization and (0) if otherwise.
CSI vicinity	A dummy variable coded as (1) if the country of misconduct corresponds to the country where the focal firm is publicly listed and (0) if otherwise.
Impact phase of misconduct	A categorical variable measuring whether CSI was studied during the phase of (1) an allegation/rumor, (2) a public announcement, (3) an initial press release, (4) a formal investigation, (5) a lawsuit filling, (6) a settlement/conviction, or (0) mixed.
Study design	A categorical variable measuring whether the primary study performed (1) an event study, (2) a cross-sectional study, or (0) a longitudinal study.
Event window	A categorical variable measuring whether those primary studies that performed event studies used an event window of (1) less than 11 days, (2) between 11 and 60 days, (3) between 61 days and 1 year, (4) more than 1 year, or (0) performed no event study.
Market measure of CFP	A dummy variable coded as (1) if the CFP was measured using a market measure, and (0) if otherwise.
Industry	A categorical variable measuring whether the primary study's sample included firms from only (1) production industries, (2) service industries, or (0) multiple industries.

[a] Those variables coded as (0) are used as reference categories in the MARAs.

MASEM Procedure

To test Hypotheses 3a and 3b we relied on meta-analytical structural equation modeling (MASEM: Cheung and Chan, 2005; Viswesvaran and Ones, 1995). MASEM involves a two-step procedure. In the first step, a meta-analytic correlation matrix is constructed from the separate HOMA analyses on all interrelationships between the independent, mediating, and control variables applied. Since primary studies rarely incorporate all variables of interest, we estimated each cell of the meta-analytic correlation matrix based on a different number of studies using pair-wise deletion (Viswesvaran and Ones, 1995). In the rare event that we could not retrieve sufficient effect sizes to meta-analyze a relationship of interest, we retrieved additional effect sizes from related fields in order to obtain a minimum of three effect sizes per cell of the meta-analytic correlation matrix. In the second step, the meta-analytic correlation table is used as input for a SEM path analysis. We use the full information maximum likelihood method in LISREL 8.80 and the harmonic mean number of observations of all included effect sizes as our sample size (N = 4,128), to compute correct, but conservative t-values for the parameter estimates (Carney et al., 2010).

To evaluate the effect of governance variables on the prevalence of CSI we estimate a model including blockholders, institutional ownership, board size, CEO duality, board independence, and inside ownership as antecedents. We simultaneously test the strength of the direct relationship between CSI and CFP, incorporating leverage ratio and firm size as control variables. We hence estimate the following equations:

(3) $CSI = \beta_1\ blockholders + \beta_2\ board\ size + \beta_3\ CEO\ duality + \beta_4\ board\ independence + \beta_5\ inside\ ownership + \beta_6\ institutional\ ownership + \varepsilon$

(4) $CFP = \beta_7\ leverage + \beta_8\ size + \beta_9\ CSI + \varepsilon$

Results

HOMA Results

Table 2 reports the partial correlation-based HOMA results for Hypothesis 1, including: the meta-analytical mean (mean ρ), the number of samples (k), the cumulative sample size (N), the standard deviation of the mean effect size in the population (s.d.$_\rho$), the 95 percent confidence interval around the mean ρ, the Q test for homogeneity (Hedges and Olkin, 1985), and, when available, the average abnormal return as a percentage of the firm's stock price. The evidence supports Hypothesis 1, as the mean ρ is -0.12 and significant (k = 2,896).

The results in Table 2 warrant three further observations. First, the Q-test for homogeneity in the effect size distribution is rejected, implying that the mean ρ must be interpreted as an average rather than a common true correlation value (Hedges and Olkin, 1985: p. 235), suggesting that further moderator analyses are warranted. Second, the focal relationship is moderated by CSI type, suggesting that certain types of CSI are more sustainable than others. Misleading advertising (mean ρ = -0.36), white collar crime (mean ρ = -0.23), and breach of confidential data (mean ρ = -0.25) are the forms of CSI that are most severely punished by financial markets and therefore economically the least sustainable. Conversely, no significant negative performance consequences were detected for political corruption (mean ρ = -0.09; n.s.), tax sheltering (mean ρ = -0.02; n.s.), and earnings management (mean ρ = 0.02; n.s.), suggesting that these forms of CSI may be economically sustainable. Third, in terms of the largest percentage-wise stock price impact, we find that announcements of unexpected financial losses (-7.20 percent), the presence of class action lawsuits (-4.70 percent), and violations related to discrimination and occupational safety (-4.04 percent) destroy most value.

MARA Results

The MARA results for Hypotheses 2 and 4a–4d are reported in Table 3. Model 1 reports a multivariate test of Hypothesis 2, whereas Model 2 disentangles the capstone variables ‘related party’ and ‘third party’ stakeholders into the specific categories represented in our dataset. Model 3 reports the results for Hypotheses 4a–4d by replacing the US dummy variable used in Models 1 and 2 with four more specific institutional variables. The sample attrition from Models 1 and 2 to Model 3 (from k = 2,896 to k = 2,557) occurrs as we eliminate effect sizes drawn from multi-country samples. Overall, our findings are robust across all models, and the models fit the data reasonably well.

TABLE 2
HOMA Results Grouped by CSI Type[a]

Predictor	**K**	***N***	**Mean**	**s.d.$_\rho$**	**CI 95%**	**Q test**	**Abnormal return (%)**
CSI to CFP	2,896	3,499,595	**-0.12***	0.08	-0.12 / -0.11	21,898.30 (0.00)	-1.12
Type of CFP							
Market-based CFP	2,741	2,669,057	**-0.12***	0.09	-0.13 / -0.12	20,605.30 (0.00)	-1.12
Accounting-based CFP	155	830,538	**-0.04***	0.03	-0.05 / -0.03	957.16 (0.00)	–
Type of CSI							
Misleading advertising	14	252	**-0.36***	0.22	-0.48 / -0.24	9.72 (0.72)	–
Lay offs	21	2,090	**-0.11***	0.23	-0.21 / -0.01	109.37 (0.00)	–
Product recalls	485	89,727	**-0.16***	0.15	-0.18 / -0.14	1,959.58 (0.00)	-3.33
Political corruption	30	5,528	-0.09	0.08	-0.12 / 0.06	37.94 (0.00)	-0.49
Discrimination & occupational safety	131	59,819	**-0.10***	0.09	-0.12 / -0.07	431.33 (0.00)	-4.04
Tax shelter	11	27,784	-0.02	0.03	-0.04 / 0.01	28.57 (0.00)	–
Accounting restatements	429	2,145,679	**-0.13***	0.05	-0.14 / -0.12	5,634.48 (0.00)	-0.81
White collar crime	214	26,070	**-0.23***	0.21	-0.26 / -0.20	1,096.45 (0.00)	-1.39
Antitrust violations	283	97,999	**-0.10***	0.11	-0.12 / -0.08	1,101.58 (0.00)	-0.70
Airplane crash	8	1,068	-0.08	0.14	-0.20 / 0.04	19.88 (0.01)	-1.17
Breach of data	14	1,078	**-0.25***	0.09	-0.30 / -0.19	7.46 (0.88)	–
Breach of contract	26	5,104	**-0.06***	0.09	-0.10 / -0.03	38.40 (0.04)	–
Financial losses & bankruptcy	176	42,039	**-0.14***	0.16	-0.16 / -0.11	1,078.21 (0.00)	-7.20
Environmental damage	461	604,646	**-0.08***	0.06	-0.09 / -0.07	2,004.58 (0.00)	-0.46
Earnings management	25	33,106	0.02	0.07	-0.01 / 0.04	146.88 (0.00)	–
Class action lawsuits	96	79,094	**-0.20***	0.19	-0.24 / -0.16	3,259.86 (0.00)	-4.70
Mixed illegal acts	472	278,512	**-0.08***	0.11	-0.09 / -0.07	3,118.73 (0.00)	-1.23

[a] Mean effect sizes marked with an asterix (*) are statistically significant ($p < .05$).

Hypothesis 2 is accepted. The related party variable negatively moderates the focal relationship, implying that CSI is more severely punished when it is directed towards related parties ($p < 0.01$). The third party variable positively moderates the focal relationship ($p < 0.01$), suggesting that third party offenses have a less negative impact on CFP. The more fine-grained results in Model 2 and 3 corroborate these conclusions. CSI has a more negative effect on the focal relationship when it is directed towards related party stakeholders like shareholders, employees, and customers than when it is directed towards third party stakeholders like governments, communities, the natural environment, and firm competitors (Karpoff and Lott, 1993; Murphy et al., 2009).

The results reported in Model 3 confirm Hypothesis 4a. Regulatory stringency negatively moderates the focal relationship ($p < 0.01$), suggesting that corporations operating in highly regulated environments suffer higher financial penalties from CSI than firms in a less stringent regulatory

TABLE 3

Results of Mixed Effects WLS Regression[a]

Variable	**Model (1)**	**Model (2)**	**Model (3)**
Stakeholder type			
Related party	-0.04 (0.01)***		
Third party	0.05 (0.01)***		
Shareholder		-0.05 (0.01)***	-0.06 (0.01)***
Employee		-0.04 (0.02)***	-0.05 (0.02)***
Customer		-0.05 (0.01)***	-0.05 (0.01)***
Environment		0.01 (0.01)	0.02 (0.01)*
Government		0.09 (0.02)***	0.07 (0.02)***
Community		-0.02 (0.06)	-0.02 (0.06)
Competitor		0.06 (0.02)***	0.05 (0.02)***
Characteristics country of misconduct			
US dummy	0.08 (0.01)***	0.08 (0.01)***	
Freedom of press			-0.00 (0.00)***
Regulatory stringency			-0.08 (0.02)***
National competitiveness index			0.33 (0.08)***

Human development index			-0.44 (0.40)
Controls			
Characteristics of misconduct:			
Illegal	-0.06 (0.01)***	-0.06 (0.01)***	-0.03 (0.01)***
Intentional	0.01 (0.01)	-0.02 (0.01)	-0.00 (0.01)
Committed by focal firm	-0.09 (0.01)***	-0.08 (0.01)***	-0.08 (0.01)***
Management/organization benefits	-0.02 (0.01)***	-0.01 (0.01)	-0.02 (0.01)**
CSI vicinity	0.03 (0.01)***	0.03 (0.01)***	0.04 (0.01)***
Impact phase of misconduct:			
Allegation/rumor	-0.02 (0.01)*	-0.03 (0.01)**	-0.04 (0.01)***
Public announcement	-0.02 (0.01)***	-0.03 (0.01)***	-0.02 (0.01)
Initial press release	-0.04 (0.01)***	-0.03 (0.02)*	-0.04 (0.02)**
Formal investigation	-0.12 (0.02)***	-0.12 (0.02)***	-0.16 (0.02)***
Lawsuit filling	0.05 (0.01)***	0.05 (0.01)***	0.03 (0.01)***
Settlement/conviction	0.12 (0.01)***	0.11 (0.01)***	0.08 (0.01)***
Measurement dependent variable			
Market measure of CFP	0.01 (0.01)	0.01 (0.01)	0.00 (0.01)
Study design:			
Event study	0.05 (0.03)*	0.07 (0.03)**	0.05 (0.03)*
Cross sectional study	-0.05 (0.01)***	-0.05 (0.01)***	-0.04 (0.01)***
Event window:			
< 11 days	-0.18 (0.03)***	-0.19 (0.03)***	-0.17 (0.03)***
11 - 60 days	-0.21 (0.03)***	-0.22 (0.03)***	-0.21 (0.03)***
61 - 365 days	-0.18 (0.04)***	-0.19 (0.04)***	-0.15 (0.04)***
> 365 days	-0.07 (0.03)**	-0.08 (0.03)**	-0.06 (0.03)**
Industry:			
Production industry	0.01 (0.01)	0.02 (0.01)***	0.02 (0.01)***
Service industry	0.07 (0.01)***	0.08 (0.01)***	0.06 (0.01)***
R^2	0.15	0.15	0.14
K	2,896	2,896	2,557
Q_{model} (p)	1,409.11 (0.00)	1,404.75 (0.00)	1,155.95 (0.00)
$Q_{residual}$ (p)	8,228.89 (0.00)	8,241.63 (0.00)	7,095.32 (0.00)
v	0.0045	0.0045	0.0040

[a] Unstandardized regression coefficients are presented for study moderators and substantive moderators with standard errors in parentheses. k is the total number of effect sizes; Q is the homogeneity statistic with its probability in parentheses; v is the

* p < .1

** p < .05

*** p < .01

environments (La Porta and Shleifer, 2008). Hypothesis 4b is also accepted. The level of media freedom in a given country negatively moderates the focal relationship ($p < 0.01$) such that corporations face higher reputational penalties from CSI in countries where the media function independently (Dyck et al., 2008). Model 3 results also support Hypothesis 4c. National competitiveness positively moderates the focal relationship ($p < 0.01$). Apparently, shareholders of firms in countries with sophisticated economic institutions are better able to assess the actual costs of CSI and discount a firm's share price correctly. Hypothesis 4d is rejected. The human development index does not significantly moderate the focal relationship, suggesting that the prevalence of humanitarian values does not increase the reputational penalties that firms bear.

Table 3 reports additional control variable results. Almost all included methodological control variables significantly moderate the focal relationship. We make three observations. First, whether CFP is measured using accounting or market measures does not significantly influence the strength of the CSI-CFP relationship. This finding is salient, because a large majority of the effect sizes in our dataset involve market-based measures of CFP (see Table 2). Second, our results indicate that host country CSI is more severely penalized than home country CSI, suggesting that there are increased uncertainties and risk exposure associated with operations overseas. Finally, the control variables relating to the impact phase of CSI indicate that CSI is more severely punished in the initial discovery phases than in subsequent phases of the enforcement process.

Antecedents of CSI

Tables 4 and 5 report the results pertaining to Hypotheses 3a and 3b. Table IV depicts the meta-analytic correlation matrix. To test Hypothesis 3a, we use blockholders, board size, and institutional owners as indicators of managerial monitoring capacity. To test Hypothesis 3b, we included CEO duality, board

TABLE 4

Meta-Analytic Correlation Matrix[a]

Variable	1	2	3	4	5	6	7	8	9	10
1. Corporate misconduct		39,293 (84)	22,891 (31)	37,033 (60)	1,246 (4)	14,770 (11)	15,058 (14)	16,119 (16)	2,371 (10)	7,135 (6)
2. CFP	**-0.08 (0.12)**		14,933 (22)	18,561 (33)	1,036 (4)	3,251 (8)	6,065 (10)	3,369 (11)	6,435 (8)	3,980 (4)
3. Leverage	0.01 (0.13)	0.02 (0.25)		26,117 (18)	4,928 (5)	10,689 (8)	11,919 (6)	10,381 (9)	7,275 (5)	3,933 (4)
4. Firm size	-0.03 (0.14)	**0.08 (0.19)**	**0.22 (0.19)**		3,660 (6)	16,551 (9)	18,690 (11)	15,318 (10)	8,423 (10)	3,847 (4)
5. Blockholders	-0.04 (0.03)	0.02 (0.10)	-0.05 (0.07)	-0.10 (0.16)		3,769 (4)	2,699 (4)	4,449 (8)	5,993 (7)	1,859 (3)
6. Board size	-0.05 (0.12)	**0.06 (0.06)**	**0.15 (0.11)**	**0.44 (0.16)**	-0.03 (0.19)		9,551 (8)	10,140 (8)	5,116 (7)	963 (3)
7. CEO duality	0.00 (0.04)	0.01 (0.05)	**0.07 (0.03)**	**0.09 (0.08)**	**-0.07 (0.04)**	0.01 (0.04)		9,847 (10)	7,847 (8)	3,796 (3)
8. Board independence	-0.01 (0.07)	0.01 (0.04)	0.01 (0.08)	**0.14 (0.05)**	**0.05 (0.03)**	0.07 (0.14)	**0.09 (0.07)**		5,607 (9)	717 (3)
9. Inside ownership	0.04 (0.10)	0.02 (0.09)	-0.05 (0.07)	**-0.19 (0.11)**	0.16 (0.38)	-0.17 (0.07)	0.07 (0.12)	**-0.20 (0.14)**		5,664 (4)
10. Institutional ownership	0.01 (0.02)	0.03 (0.11)	0.05 (0.10)	0.02 (0.13)	0.02 (0.15)	0.07 (0.11)	-0.06 (0.07)	0.06 (0.07)	**-0.21 (0.09)**	

[a] Cells below the diagonal contain mean correlations ($mean_{\rho}$) and standard deviations ($s.d._{\rho}$) in parentheses. Cells above the diagonal contain the total number of observations (*N*) and the number of effect sizes (*k*) in parentheses. Bold font indicates significant χ^2 test, suggesting the presence of moderator variables.

TABLE V

MASEM Results[a]

Predictor	CSI	CFP
CSI		**-0.07***** **(-4.83)**
Leverage		0.00 (0.16)
Firm size		**0.08***** **(4.95)**
Blockholders	**-0.05***** **(-3.33)**	
Board size	**-0.04**** **(-2.60)**	
Institutional ownership	0.02 (1.17)	
CEO duality	-0.00 (-0.29)	
Board independence	0.01 (0.34)	
Inside ownership	**0.04**** **(2.62)**	
Harmonic Mean *N*	4,128	
X^2	18.74	
GFI	1.00	
RMSR	0.0084	

[a] Significant relationship are printed in bold; *t*-values are given in parentheses. * $p < 0.01$, ** $p < 0.05$, *** $p < 0.01$

dependence, and inside ownership as indicators of the BoD's inability to operate at arm's length. The model reported in Table V fits the data very well ($\chi^2 = 18.74$; RMSR = 0.01; GFI = 1.00). Consistent with the results for Hypothesis 1, the direct relationship between CSI and CFP remains negative ($\beta = -0.07$, $p < 0.01$). The model supports Hypothesis 3a. Both the presence of blockholding owners and larger boards reduce the occurrence of CSI ($\beta = -0.05$, $p < 0.01$ and $\beta = -0.04$, $p < 0.05$, respectively). Institutional ownership does not significantly reduce the incidence of CSI, however, consistent with the poor monitoring performance of institutional investors more generally (Faccio and Lasfer 2000). The support for Hypothesis 3b is weaker. Inside ownership increases the prevalence of CSI ($\beta = 0.04$, $p < 0.05$), but CEO duality and board dependence yield no significant effects, suggesting that arm's-length relationships between management and the BoD do not prevent CSI.

Discussion and Conclusion

Our overarching research question in this paper was: Is irresponsible corporate behavior also unsustainable? Taking stock of the currently available empirical evidence, we find a modest negative effect of CSI behaviors on firm performance (mean ρ = -0.12), suggesting that even though markets perform some policing role with respect to CSI, they cannot entirely be regarded as self-cleansing institutions. More interesting are the fine-grained answers that our study provides in respect to the conditions under which markets discipline CSI behaviors. We conclude with a discussion of the implications of these more fine-grained results for managers, policy makers, and scholarly research.

Managerial Implications: Good Advice for Bad Managers?

Taking a cynical perspective, our findings can be used in a Machiavellian way to counsel ill-intending managers. First, managers who ruthlessly seek to realize economic benefits should avoid types of CSI that are known to result in substantial economic sanctions. We show that certain forms of CSI, such as misleading advertising, white collar crime, and breach of confidential data, can lead to severe economic penalties in addition to adverse legal consequences. At the same time, other forms of CSI, such as political corruption, tax-sheltering and earnings management practices, are associated with negligible economic sanctions, although they may have severe legal consequences.

Second, managers are advised to avoid victimizing related party stakeholders on whom the firm is dependent for the realization of future earnings. Our findings indicate that while transgressions against parties economically related to the firm can have severe negative effects on performance, the performance implications of CSI against unrelated, third parties tend to be considerably smaller (cf. Karpoff and Lott, 1993; Murphy et al., 2009).

Third, we find that corporate governance matters in respect to the prevalence of CSI, as it is more prevalent in firms in which managers are less constrained by the monitoring activities of boards and large shareholders, and where they hold larger ownership stakes. This finding can be interpreted in two ways. First, governance structures that allow for more managerial discretion and in which managers have a stronger interest in firm outcomes will also feature more CSI. This interpretation has interesting policy implications, which we will discuss below. Another interpretation, however, is that managers are more likely to get caught in better governed firms. In that case, ill-intending managers should be more careful in firms where they are monitored more, even though they may stand to gain more from CSI through their larger ownership in such firms.

Finally, ill-intending managers should be aware of where to engage in CSI. Our findings suggest that managers should avoid both countries with stringent regulatory regimes and countries that feature more freedom for the press. Yet our findings do not thereby ban ill-intending managers to the less developed parts of the world, as CSI is punished less severely in more economically more competitive countries like Switzerland, Singapore, Germany, and Japan (Porter et al., 2007).

Policy Implications

Our intention is of course not to encourage managers to engage in CSI, but to alert policy makers to the conditions under which managers may engage in forms of CSI that are economically sustainable. So what can policy makers learn from our findings?

First, policy makers must come to understand the specific conditions under which markets succeed or fail to correct irresponsible corporate behaviors. Our study finds that CSI against related party stakeholders invokes stronger economic penalties than CSI against third party stakeholders. Hence, the self-cleansing capacities of markets function only selectively. Policy makers should therefore focus their enforcement efforts on those forms of CSI that spontaneously functioning market mechanisms fail to correct sufficiently. Put differently, given that active enforcement is costly, it will generally be more efficient to spend a dollar on enforcement where that dollar matters most in correcting CSI. Our findings suggest that enforcement dollars are better spent on preventing and correcting externalities and forms of CSI targeted at third parties than on CSI that directly involves economic interests of the firm, as the latter are remedied effectively by market mechanisms. Note that this conclusion goes against current trends in business regulation, which has mushroomed more in the financial sector than in any other field of society (Coffee, 1999; Karpoff et al., 2005).

Second, policy makers must address the conditions under which CSI arises in the first place. Our study has shown that CSI flourishes in the presence of weak firm-level corporate governance and weak country-level institutions. We address the role of corporate governance in combating CSI below, but in the area of institutional development, policy makers should focus on developing and maintaining a high degree of regulatory stringency as well as vigorously protect the freedom of the press. Our results indicate that this is especially necessary in countries that are economically more competitive (Porter et al., 2007), but in which legal institutions and the media are less than fully developed, such as China, Hong Kong, Russia, Saudi Arabia, and Singapore (Freedom House, 2010).

Scholarly Implications

This paper has drawn extensively on three scholarly literatures: stakeholder theory, corporate governance, and institutional theory. While Hypotheses 1 and 2 aimed at testing existing theories of CSI and stakeholder management, Hypotheses 3 and 4 served to extend theory. By testing novel hypotheses, our study makes important contributions to both corporate governance and institutional theory.

To date, corporate governance research has focused mostly on the effectiveness of governance practices in remedying the agency problems resulting from the separation of ownership and control in publicly listed firms (Dalton et al., 2007). We find that two of the most important corporate governance mechanisms internal to firms are also effective in combating CSI, which is often directed at parties other than shareholders. More specifically, both larger boards and large shareholders prove to be effective monitors of managers in regard to CSI. At the same time, our results also indicate that certain corporate governance reforms promoted in the quest to secure shareholder value (Aguilera and Cuervo-Cazurra, 2009) may conflict fundamentally with the ambition to combat CSI. This is true for recommendations to tie executive compensation more closely to firm performance through executive ownership, efforts to reduce board size in order to be able to monitor management more effectively, and reforms that seek to curb the adverse effects of concentrated ownership of firms (Morck et al., 2005). As certain corporate governance practices appear to be significant antecedents of CSI, future research should attempt to further unveil the corporate governance antecedents of those forms of CSI that target stakeholders other than shareholders.

Our findings also have implications for the emerging institution-based view of management (Peng et al., 2009). An important theme in this literature involves the relationship between formal and informal institutions (cf. Peng and Khoury, 2008), which both affect corporate practices. Yet with the exception of national culture, most of the available measures for country level institutions tend to focus on formal institutions. Consequently, most empirical contributions to the institution-based view limit themselves to an analysis of formal institutional effects. Our study explicitly assesses the effects of both formal and informal institutions on the functioning of reputation mechanisms and demonstrates that institutions like free media and those promoting national competitiveness have a profound effect on the size of reputational sanctions firms incur for CSI behaviors. This suggests the presence of complementarities between formal and informal institutions (Hall and Gingerich, 2009). We therefore recommend institutional researchers to more explicitly assess the interactions between formal and informal institutions in future studies.

References

Abraham, S.E. and Voos, P.A. (2000). 'The ramification of the Gilmer decision for firm profitability'. *Employee Rights and Employment Policy¸* **4**(2): 101-122.

Aguilera, R.V. and Cuervo-Cazurra, A. (2009). 'Codes of good governance'. *Corporate Governance: An International Review*, **17**(3): 376-387.

Bainbridge, S. M. (2003). Director primacy: The means and ends of corporate governance'. *Northwestern University Law Review*, **97**(2): 547-606.

Baucus, M. A. and Baucus, D. A. (1997). 'Paying the piper: An empirical examination of longer-term financial consequences of illegal corporate behavior'. *Academy of Management Journal*, **40**(1): 129-151.

Becker, G. S. (1968). 'Crime and punishment: An economic approach'. *Journal of Political Economy*, **76**(2): 169-217.

Berle, A. and Means, G. (1932). *The Modern Corporation and Private Property*. New York: Macmillan.

Berman, S.L., Wicks, A.C., Kotha, S. and Jones, T.M. (1999). 'Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance'. *Academy of Management Journal*, **42**(5): 485-506.

Bhagat, S., Bizjak, J. and Coles J.L. (1998). 'The shareholder wealth implications of corporate lawsuits'. *Financial Management*, **27**(4): 5-27.

Bijmolt, T. H. A. and Pieters, R. G. M. (2001). 'Meta-analysis in marketing when studies contain multiple measurements'. *Marketing Letters*, **12**(2): 157-169.

Black, B., Kraakman, R. and Tarassova, A. (2000). 'Russian privatization and corporate governance: What went wrong? *Stanford Law Review*, **52**(6): 1731-1808..

Bosch, J.-C., Eckhard, E.W. and Singal, V. (1998). 'The competitive impact of air crashes: Stock market evidence'. *Journal of Law and Economics*, **41**(2): 503-519.

Bradford, W.D. (2005). *Discrimination, Legal Costs and Reputational Costs*. University of Washington, Seattle.

Brennan, G. and Pettit, P. (1993). 'Hands invisible and intangible'. *Synthese*, **94**(2): 191-225.

Carney, M., Gedajlovic, E. R., Heugens, P. P. M. A. R., van Essen, M., and van Oosterhout, J. (2010). 'Business Group affiliation, performance, context, and strategy: A meta-analysis'. *Academy of Management Journal*, in press.

Cheung, M. W-L. and Chan. W. (2005). 'Meta-analytic structural equation modeling: A two-stage approach'. *Psychological Methods*, **10**(1): 40-64.

Cochran, W. G. (1954). 'The combination of estimates from different experiments'. *Biometrics*, **10**(1): 101-129.

Coffee, J. (1999). 'The future as history: The prospects for global convergence in corporate governance and its implications'. *Northwestern University Law Review*, **93**(3): 641-708.

Combs, J.G., Ketchen, D.J., Crook, ,T.R. and Roth, P.L. (2010). 'Assessing cumulative evidence within 'macro' research: Why meta-analysis should be preferred over vote counting'. *Journal of Management Studies*, in press.

Daboub, A.J., Rasheed, A.M.A., Priem, R.L. and Gray, D.A. (1995). 'Top management team characteristics and corporate illegal activity'. *Academy of Management Journal*, **20**(1): 138-170.

Daily, C.M. and Dalton, D.R. (1994). 'Bankruptcy and corporate governance: The impact of board composition and structure'. *Academy of Management Journal*, **37**(6): 1603-1617.

Dalton, D. R., Daily, C. M., Ellstrand, A. E. and Johnson, J. L. (1998). 'Meta-analytic reviews of board composition, leadership structure, and financial performance'. *Strategic Management Journal*, **19**(3): 269-290.

Dalton, D. R., Daily, C. M., Johnson, J. L. and Ellstrand, A. E. (1999). 'Number of directors and

financial performance: A meta-analysis'. *Academy of Management Journal*, **42**(6): 674-686.
Dalton, D. R., Hitt, M. A., Certo, S. and Dalton, C. (2007). 'The fundamental agency problem and its mitigation; Independence, equity, and the market for corporate control'. *Academy of Management Annals*, **1**(1): 1-64.
Davis, A. (2005). 'Media effects and the active elite audience: A study of communications in the London Stock Exchange'. *European Journal of Communication*, **20**(3): 303-326.
Deephouse, D.L. and Heugens, P.P.M.A.R. (2009). 'Linking social issues to organizational impact: The role of infomediaries and the infomediary process.' *Journal of Business Ethics*, **86**(4): 541-553.
Demsetz, H. and Villalonga, B. (2001). 'Ownership structure and corporate performance'. *Journal of Corporate Finance*, **7**(3): 209-233.
Desai, M.A. and Dharmapala, D. (2009). 'Corporate tax avoidance and firm value'. *The Review of Economics and Statistics*, **91**(3): 537-546.
Desai, H., Hogan, C.E. and Wilkins, M.S. (2004). *The Reputational Penalty for Aggressive Accounting: Earnings Restatements and Management Turnover*. Working Paper No. 471842, Southern Methodist University, Dallas.
Donaldson, T. and Preston, L.E. (1995). 'The stakeholder theory of the corporation: Concepts, evidence, and implications'. *Academy of Management Review*, **20**(1): 65-91.
Downs, A. (1972). 'Up and down with ecology – the "issue-attention cycle"'. *Public Interest*, **28**(Summer): 38-50.
Dyck, A., Volchkova, N. and Zingales, L. (2008). 'The corporate governance role of the media: Evidence from Russia'. *Journal of Finance*, **63**(3): 1093-1135.
Engelen, P-J., M. Van Essen. (2010). Underpricing of IPOs: Firm-, issue- and country-specific characteristics. *Journal of Banking and Finance,* **34**(8): 1958-1969.
Elsbach, K.D. (1994). 'Management organizational legitimacy in the California cattle industry: The construction and effectiveness of verbal accounts'. *Administrative Science Quarterly*, **39**(1): 57-88.
Faccio, M. & AM Lasfer. 2000. Do occupational pension funds monitor companies in which they hold large stakes? *Journal of Corporate Finance*, **6**(1): 71-110.
Fama, E. F. and Jensen, M. C. (1983). 'Separation of ownership and control'. *Journal of Law and Economics*, **26**(2): 301-326.
Fennell, M.L. and Alexander, J.A. (1987). 'Organizational boundary spanning in institutionalized environments'. *Academy of Management Journal*, **30**(3): 456-476.
Fisher, R.A. (1928). '*Statistical Methods for Research Workers*' (2nd ed.). London: Oliver & Boyd.
Freedom House (2010). 'Freedom in the world 2010: Erosion of freedom intensifies'. http://www.freedomhouse.org/template.cfm?page=505 (accessed on 30 July 2010).
Freeman, R.E. (1984). *Strategic Management: A Stakeholder Approach*. Boston: Pitman.
Frooman, J. (1999). 'Stakeholder influence strategies'. *Academy of Management Review*, **24**(2): 191-205.
Geyskens, I., Krishnan, R., Steenkamp, J.-B. E. M. and Cunha, P. V. (2009). 'A review and evaluation of meta-analysis practices in management research'. *Journal of Management*, **35**(2): 393-419.
Govindaraj, S., Jaggi, B., and Lin, B. (2004). 'Market overreaction to product recall revisited – The case of Firestone Tires and the Ford Explorer'. *Review of Quantitative Finance and Accounting*, **23**(1): 31-54.
Gwartney, J. and Lawson, R. (2008). '*Economic Freedom of the World: 2008 Annual Report*'. Vancouver: Fraser Institute.
Hall, P.A. and Gingerich, D.W. (2009). 'Varieties of capitalism and institutional complementarities in the political economy: An empirical analysis. *British Journal of Political Science*, **39**(3): 449-482.
Hamilton, J. (1995). 'Pollution as news: Media and stock market reactions to the toxics release

inventory data'. *Journal of Environmental Economics and Management*, 28(**1**): 98-113.
Hedges, L.V. and Olkin, I. (1985). '*Statistical Methods for Meta-Analysis*'. Orlando: Academic Press.
Hermalin, B.E. and Weisbach, M.S. (2003). 'Boards of directors as an endogenously determined institution: A survey of the economic literature. *Federal Reserve Bank of New York Economic Policy Review*, **9**(1): 7-26.
Heugens, P.P.M.A.R., van Essen, M. and van Oosterhout, J. (2009). 'Meta-analyzing ownership concentration and firm performance in Asia: Toward a more fine-grained understanding. *Asia Pacific Journal of Management*, **26**(3): 481-512.
Heugens, P.P.M.A.R., Kaptein, M. and van Oosterhout, J. (2008). 'Contracts to communities: A processual model of organizational virtue. *Journal of Management Studies*, **45**(1): 100-121.
Heugens, P. P. M. A. R. and van Oosterhout, J. (2002). 'The confines of stakeholder management: Evidence from the Dutch manufacturing sector'. *Journal of Business Ethics*, **40**(4): 387-403.
Hill, J. and Schneeweis, T. (1983). 'The effect of three mile island on electric utility stock prices: A note'. *Journal of Finance*, **38**(4): 1285-1292.
Holderness, C.G. (2003). 'A survey of blockholders and corporate control'. *Federal Reserve Bank of New York Economic Policy Review*, **9**(1): 317-346.
Jensen, M. C. and Meckling, W. H. (1976). 'Theory of the firm: Managerial behavior, agency costs and ownership structure'. *Journal of Financial Economics*, **3**(4): 305-360.
Jones, T. M. (1995). 'Instrumental stakeholder theory: A synthesis of ethics and economics'. *Academy of Management Review*, **20**(2): 404-437.
Jones, T.M. and Wicks, A.C. (1999). Convergent Stakeholder Theory. *Academy of Management Review*, **24**(2): 206-221.
Karpoff, J. M., Lee, D. S. and Martin, G. S. (2008). 'The consequences to managers for financial misrepresentation. *Journal of Financial Economics*, **88**(2): 193-215.
Karpoff, J. M. and Lott, J. R. (1993.) 'The reputational penalty firms bear from committing criminal fraud'. *Journal of Law and Economics*, **36**(2): 757-802.
Karpoff, J.M., Lott, J.R. and Wehrly, E.W. (2005). 'The Reputational Penalties for Environmental Violations: Empirical Evidence'. *Journal of Law and Economics*, **48**(2): 653-675.
Kassinis, G. and Vafeas, N. (2002). 'Corporate boards and outside stakeholders as determinants of environmental litigation'. *Strategic Management Journal*, **23**(5): 399-415.
Khanna, V. S. (1996). 'Corporate criminal liability; what purpose does it serve?' *Harvard Law Review*, **109**(7): 1477-1534.
King, A. and Lenox, M. (2002). 'Exploring the locus of profitable pollution reduction'. *Management Science*, **48**(2): 289-299.
Klein, B. and Leffler, K. (1981). 'The role of market forces in assuring contractual performance'. *Journal of Political Economy*, **89**(4): 615-641.
Kraakman, R.H. (2004). *The Anatomy of Corporate Law: A Comparative and Functional Approach*. New York: Oxford University Press.
La Porta, R. and Shleifer, A. (2008). *The Unofficial Economy and Economic Development*, NBER Working Paper no. 14520, Dartmouth College, Boston.
Lipsey, M.W. and Wilson, D.B. (2001). *Practical Meta-Analysis*. Thousand Oaks, California: Sage.
Lott, J.R. (1988). 'Brand names, ignorance, and quality guaranteeing premiums'. *Applied Economics*, **20**(2): 165-176.
McWilliams, A. and Siegel, D. (1997). 'Event studies in management research: Theoretical and empirical issues'. *Academy of Management Journal*, **40**(3): 626-657.
Mishra, D. and Salavei, K. (2009). *Financial Restatements, Litigation, and Implied Cost of Equity*. University of Saskatchewan, Saskatoon.
Mitchell, R.K., Agle, B.R. and Wood, D.J. (1997). 'Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts'. *Academy of Management Review*, **22**(4): 853-886.

Morck, R., Wolfenzon, D. and Yeung, B. (2005). 'Corporate governance, economic entrenchment, and growth'. *Journal of Economic Literature*, **43**(3): 655-720.
Mowery, D.C. and Oxley, J.E. (1995). 'Inward technology transfer and competitiveness: The role of national innovation systems'. *Cambridge Journal of Economics*, **19**(1):67-93.
Murphy, D.L., Shrieves, R.E. and Tibbs, S.L. (2009). 'Understanding the penalties associated with corporate misconduct: an empirical examination of earnings and risk'. *Journal of Financial and Quantitative Analysis*, **44**(1): 55-83.
Oosterhout, van J. , Heugens, P.P.M.A.R. and Kaptein, M. (2006). 'The internal morality of contracting: Advancing the contractualist endeavor in business ethics'. *Academy of Management Review*, **31**(3): 521-539.
North, D.C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.
Nussbaum, M.C. (1997). 'Capabilities and human rights.' *Fordham Law Review*, **66**(2): 273-300.
Peng, M. W. and Jiang, Y. (2010). 'Institutions behind family ownership and control in large firms. *Journal of Management Studies*, **47**(2): 253-273.
Peng, M.W. and Khoury, T.A. (2008). 'Unbundling the institution-based view of international business strategy', in Rugman, A. (Ed), *Oxford Handbook of International Business*. Oxford: Oxford University Press.
Peng, M.W., Sun, S.L., Pinkham, B. and Chen, H. (2009). 'The institution-based view as a third leg for a strategy tripod'. *Academy of Management Perspectives*, **23**(3): 63-81.
Pfeffer, J. and Salancik, G. R. (1978). *The External Control of Organizations*. New York: Harper & Row.
Porter, M.E., Ketels, C. and Delgado, M. (2007). 'The global competitiveness index: Measuring the productive potential of nations', *The Global Competitiveness Report 2007-2008*. World Economic Forum.
Posnikoff, J. (1997). 'Disinvestment from South Africa: They did well by doing good'. *Contemporary Economic Policy*, **15**(1): 76–86.
Rogoff, B. (2003). *The Cultural Nature of Human Development*. Oxford: Oxford University Press.
Romano, R. (2005). 'The Sarbanes-Oxley Act and the making of quack corporate governance'. *Yale Law Journal*, **114**(7): 1521-1611.
Rowley, T.J. (1997). 'Moving beyond dyadic ties: A network theory of stakeholder influences'. *Academy of Management Review*, **22**(4): 887-910.
Rupp, N.G. (2004). 'The attributes of a costly recall: Evidence from automotive industry'. *Review of Industrial Organization*, **25**(1): 21-44.
Schnatterly, K. (2003). 'Increasing firm value through detection and prevention white-collar crime'. *Strategic Management Journal*, **24**(7): 587-614.
Schneider, T.E. (2010). *Is Environmental Performance a Determinant of Bond Pricing? Evidence from the US Pulp and Paper and Chemical Industries*. Working Paper No. 1639220, University of Alberta, Alberta.
Shapiro, C. (1983). 'Premiums for high quality products as returns to reputations'. *Quarterly Journal of Economics*, **98**(4): 659-680.
Shleifer, A. and Vishny, R.W. (1986). 'Large shareholders and corporate control'. *Journal of Political Economy*, **94**(3): 461-488.
Shleifer, A. and Vishny, R.W. (1997). 'A survey of corporate governance'. *Journal of Finance*, **52**(2): 737-783.
Skantz, T.R., Cloninger, D.O. and Strickland, T.H. (1990). 'Price-fixing and shareholder returns: An empirical analysis'. *Financial Review*, **25**(1): 153-163.
Strachan, J.L., Smith, D.B and Beedles, W.L. (2005). 'The price reaction to (alleged) corporate crime'. *Financial Review*, **18**(2): 121-132.
Sullivan, B. N., Haunschild, P., and Page, K. (2007). 'Organizations non gratae? The impact of

unethical corporate acts on interorganizational networks'. *Organization Science*, **18**(1): 55-70.
Tetlock, P.C. (2007). 'Giving content to investor sentiment: The role of media in the stock market'. *Journal of Finance*¸ **62**(3): 1139-1168.
United Nations, (2009). 'Human development report 2009' http://hdr.undp.org/en/media/HDR_2009_EN_Table_H.pdf (accessed 30 July 2010).
Viswesvaran, C. and Ones, D.S. (1995). 'Theory testing: Combining psychometric meta-analysis and structural equations modeling'. *Personnel Psychology*, **48**(4): 865-885.
Walsh, J.P. and Seward, J.K. (1990). 'On the efficiency of internal and external corporate control mechanisms'. *Academy of Management Review*, **15**(3): 421-458.
White, H.D. (1994). 'Scientific Communication and Literature Retrieval', in Cooper, H. and Hedges, L.V. (Eds.), *The Handbook of Research Synthesis* (1st ed.). New York: Sage.
Williamson, O. E. (1984). 'The economics of governance: Framework and implications'. *Journal of Institutional and Theoretical Economics*, **140**: 195-223.
World Economic Forum, (2009-2010). 'Global Competitiveness Report 2009-2010'. http://gcr.weforum.org/gcr09/ (accessed on 31 July 2010).
Zahra, S.A., Priem, R.L. and Rasheed, A.A. (2005). 'The antecedents and consequences of top management fraud'. *Journal of Management*, **31**(6): 803-828.

Appendix B

Studies Included in the Meta-Analysis[a]

Author	Year	Publication
Abraham & Voos	2000	WP
Agrawal & Chadha	2005	JLE
Agrawal & Cooper	2009	WP
Agrawal & Cooper	2009	WP
Agrawal, Jaffe, & Karpoff	1999	JLE
Ahmed, Gardella, & Nanda	2002	FM
Alexander	1999	JLE
Alla, Detre, & Connor	2005	WP
Alyousef & Alumutairi	2010	IRBRP
Amir, Kallunki, & Nilsson	2009	WP
Anderson & Yohn	2002	WP
Arena & Julio	2009	WP
Atanasov, Ivanov, & Litvak	2008	WP
Badertscher & Burks	2010	WP
Badrinath & Bolster	1996	JRE
Barber & Darrough	1996	JPE
Barber , Kang, & Liang	2006	WP
Barnett & King	2008	AMJ
Barth & McNichols	1994	JAR
Baucus & Baucus	1997	AMJ
Baucus & Near	1991	AMJ
Becker & Olsen	1986	ILRR
Beneish	1999	AR
Bernile & Jarrell	2009	JAE
Bhagat, Bizjak, & Coles	1998	FM
Bhagat, Brickley, & Coles	1994	JFE
Bittlingmayer & Hazlett	2000	JFE
Bizjak & Coles	1995	AER
Blacconiere & Northcut	1997	JAAF
Blackwell, Marr, & Spivey	1990	JFE
Bosch & Eckard	1991	RES
Bosch & Lee	1994	MDE
Bosch, Eckard, & Lee	1998	MDE
Bosch, Eckward, & Singal	1998	JLE
Bowen, Castanias, & Daley	1983	JFQA
Bowen, Rajgopal, & Wenkatachalam	2008	CAR
Bradford	2005	WP
Bromiley & Marcus	1989	SMJ
Brown & Burdekin	2000	JEB
Burns & Kedia	2010	WP
Burns, Kedia, & Lipson	2006	WP
Callen, Livnat, & Segal	2002	WP

Cao, Myers, & Omer	2009	WP
Capelle-Blancard & Laguna	2010	JEEM
Carcello & Nagy	2004	WP
Carcello & Nagy	2004	MAJ
Chang, Wang, & Lin	2009	WP
Chen, Ganesan, & Liu	2009	AMA
Chen, Gu, & Tang	2008	WP
Cheng & Farber	2008	AR
Chiu, Teoh, & Tian	2009	WP
Chu, Lin, & Prather	2005	NJEB
Clinebell & Clinebell	1994	JM
Cohen & Zarowin	2010	JAE
Collins, Reitenga, & Sanchez	2008	AA
Collins, Uhlenbruck, & Rodriguez	2009	JBE
Cormier & Magnan	1997	JAPP
Cornett, McNutt, & Tehranian	2009	JCF
Cox & Weirich	2002	MAJ
Cummins, Lewis, & Wei	2006	JBF
Dag, Eije, & Pennink	1998	WP
Daniel, Denis, & Naveen	2008	JAE
Dasgupta, Laplante, & Mamingi	1998	WP
Davidson & Worrell	1988	AMJ
Davidson & Worrell	1990	ABER
Davidson & Worrell	1992	SMJ
Davidson, Worrell, & Cheng	1994	IR
Davis, Payne, & McMahan	2007	JBE
Dechow, Sloan, & Sweeney	1996	CAR
Demirkan & Platt	2009	WP
Desai & Dharmapala	2009	RES
Desia, Hogan, & Wilkins	2004	WP
Detre & Gollub	2004	WP
Donoher, Reed, & Storrud-Barnes	2007	JM
Dowdell, Govindaraj, & Jain	1992	JFQA
Dranove & Olsen	1994	JLE
DuCharme, Malatesta, & Sefcik	2004	JFE
Dunn	2004	JM
Durnev & Mangen	2006	WP
Eckbo	1983	JFE
Effendi, Srivastava, & Swanson	2007	JFE
Elayan, Li, & Meyer	2002	WP
Elayan, Meyer, & Sun	2003	WP
Ellert	1975	JF
Ellingson	1988	WP
Engelen	2009	WP
Erickson, Hanlon, & Maydew	2004	WP
Fan, Rui, & Zhao	2008	JCE
Fanning & Cigger	240	WP

Farber	2005	AR
Feroz, Park, & Pastena	1991	JAR
Ferris & Pritchard	2009	WP
Fich & Shivdasani	2007	JFE
Freedman & Patten	2004	AF
Freedman & Stagliano	1991	AAAJ
Frieder & Shanthikumar	2007	WP
Frieder & Shanthikumar	2008	WP
Fry & Lee	1989	FR
Gande & Lewis	2007	WP
Garber, Adams, Peltzman, & Rubinfeld	1998	BPEA
Gatzlaff & McCullough	2008	WP
Gillet, Hubner, & Plunus	2007	WP
Glied en Kroszner	1994	WP
Goh	2007	WP
Goldman, Preyer, & Stefanescu	2008	WP
Gonen	2003	WP
Gordon, Henry, Peytcheva, & Sun	2008	WP
Govindaraj, Jaggi, & Lin	2004	RQFA
Graddy & Strickland	2007	AE
Graham, Maher, & Northcut	2001	JAAF
Gratto, Thatcher, & Thatcher	1990	ABER
Griffin, Grundfest, & Perino	2004	A
Gunthorpe	1997	JBE
Gupta & Goldar	2005	EE
Hamilton	1995	JEEM
Hanlon & Slemrod	2009	JPEc
Harper & Adams	1996	CEP
Harris	2007	WP
Harris & Bromiley	2006	WP
Haslem	2005	JF
Hedge, Malone, & Finnerty	2010	WP
Hersch	1991	JHR
Hertzel & Smith	1993	JLEO
Hill & Schneeweis	1983	JF
Hoffer, Pruitt, & Reilly	1988	JPE
Hoffer, Pruitt, & Reilly	1987	FR
Hovav & D'arcy	2005	CS
Hranaiova & Byers	2007	WP
Hribar & Jenkins	2004	RAS
Hribar, Jenkins, & Wang	2004	WP
Huth & MacDonald	1989	JIE
Jaggi & Freedman	1992	JBFA
Jarrell & Peltzman	1985	JPE
Jia, Ding, Li, & Wu	2009	JBE
Jo & Kim	2007	JFE
Johnson, Nelson, & Pritchard	2004	WP

Johnson, Ryan, & Tian	2005	WP
Johnson, Ryan, & Tian	2009	RF
Jones & Rubin	2001	AFE
Joshi, Khanna, & Sidique	2005	WP
Kang	2008	AMJ
Karpoff & Lott	1999	JLE
Karpoff & Lott	1993	JLE
Karpoff & Lou	2008	WP
Karpoff, Lee, & Martin	2008	JFQA
Karpoff, Lee, & Vendrzyk	1999	JPE
Karpoff, Lott, & Rankine	1998	WP
Karpoff, Lott, & Wehrly	2005	JLE
Kassinis & Vafeas	2002	SMJ
Kedia & Philippon	2009	RFS
Kellogg	1984	JAE
Khanna & Damon	1999	JEEM
Khanna, Quimio, & Bojilova	1998	JEEM
Kinney & McDaniel	1989	JAE
Klassen & McLaughlin	1996	MS
Koku	2006	JBR
Koku, Qureshi, & Akhigbe	2001	JBR
Konar & Cohen	2001	RES
Lang & Stulz	1992	JFE
Langus & Motta	2007	WP
Langus	2008	WP
Langus, Motta, & Aguzzoni	2010	WP
Lanoie, Laplante, & Roy	1997	WP
Laplante & Lanoie	1994	SEJ
Lee & Masulis	2009	WP
Li	2004	WP
Long & Rao	1995	JE&F
Lowry & Shu	2002	JFE
Lusk & Schroeder	2002	ARER
Marciukaityte & Varma	2008	EL
Marciukaityte, Szewczuk, Uzun, & Varma	2006	FAJ
McDowell	2005	WP
McKendall, DeMarr, & Jones-Rikkers	2002	JBE
McKenzie & Thomsen	2001	JARE
Mishina, Dykes, Block, & Pollock	2009	WP
Moore, Stuart, & Pozner	2010	WP
Muller & Kraussl	2010	WP
Muoghalu, Robison, & Glascock	1990	SEJ
Murphy, Shrieves, & Tibbs	2004	WP
Murphy, Shrieves, & Tibbs	2009	JFQA
Nabar, Kim, & Heninger	2006	WP
O'Connor, Shapiro, & Downe	2003	WP

Owers, Lin, & Rogers	2002	IBERJ
Palmon, Sun, & Tang	1997	FM
Palmrose, Richardson, & Scholz	2004	JAE
Pantzalis, Park, & Sutton, NOT PART OF SAMPLE	2008	JEF
Peltzman	1981	JLE
Peng & Roell	2008	RF
Perry & Fontnouvelle	2005	WP
Persons	2006	JBE
Prince & Rubin	2000	WP
Pruitt & Nethercutt	2002	JLR
Pruitt & Peterson	1986	JFR
Pruitt, Wei, & White	1988	JLR
Rao	1997	JFSD
Rao	1996	JFSD
Rao & Hamilton	1996	JBE
Rathinasamy & Loh	2001	JBER
Reichert, Lockett, & Rao	1993	FM
Reichert, Lockett, & Rao	1996	FR
Richardson, Tuna, & Wu	2002	WP
Rock	2003	CC
Rupp	2001	EL
Rupp	2004	RIO
Saksena	2001	IJCM
Salavei, Golec, & Harding	2010	WP
Salavei, Golec, & Harding	2009	WP
Salavei, Moore, & Golec	2005	WP
Schmidt, Kappel, & Ziegler	2009	WP
Schnatterly	2003	SMJ
Schneider	2010	WP
Schrand & Zechman	2010	WP
Skantz, Cloninger, & Strickland	1990	FR
Srinivasan	2005	JAR
Staw & Szwajkowski	1975	ASQ
Strachan, Smith, & Beedles	2005	FR
Sullivan, Haunschild, & Page	2005	WP
Summers & Sweeney	1998	AR
Sun & Zhang	2006	WP
Swanson, Tse, & Wynalda	2007	WP
Takaoka	2004	EL
Thirumalai & Sinha	2007	WP
Thomsen & McKenzie	2001	AJAE
Tibbs, Murphy, & Shrieves	2008	WP
Torabzadeh, Davidson, & Assar	1989	JBE
Ursel & Armstrong-Stassen	2006	JLR
Viscusi & Hersch	1990	JRE
Voon, Puah, & Entebang DIGITAL ONLY	2008	JEC

Wang	2008	WP
Wang & Chou	2009	WP
Wang & Yu	2008	WP
Wang, Senbet, & Prabhala	2005	WP
Wang, Winton, & Yu	2010	WP
Wei, Xie, & Posthuma	2006	WP
Wiersema & Zhang	2010	WP
Williams & Barrett	2000	JBE
Wokutch & Spencer	1987	CMR
Wong	2002	WP
Worrell, Davidson, & Sharma	1991	AMJ
Wright, Ferris, Hiller & Kroll	1995	AMJ
Wynne & Hoffer	1976	AE
Xu, Najand, & Ziegenfuss	2006	JBFA
Zhao, Lee, Ng, & Flynn	2009	WP
Zyglidopoulos	2001	BS

[a] **Publication:** A: *Abacus*; AA: *Advances in Accounting*; AAAJ: *Accounting, Auditing, & Accountability Journal*; ABER: *Akron Business & Economic Review*; *AE*: *Applied Economics*; AER: *American Economic Review*; AF: *Accounting Forum*; AFE: *Advances in Financial Economics*; AJAE: *American Journal of Agricultural Economics*; AMA: *American Marketing Association*; AMJ: *Academy of Management Journal*; AR: *Accounting Review*; ARER: *Agricultural & Resource Economics Review*; ASQ: *Administrative Science Quarterly*; BPEA: *Brookings Papers on Economic Activity*; BS: *Business & Society*; CAR: *Contemporary Accounting Research*; CC: *Competition & Change*; CEP: *Contemporary Economic Policy*; CMR: *California Management Review*; CS: *Computers & Security*; EE: *Ecological Economics*; EL: *Economic Letters*; FAJ: *Financial Analysts Journal*; FM: *Financial Management*; FR*: Financial Review*; IBERJ: *International Business & Economics Research Journal*; IJCM: *International Journal of Commerce & Management*; ILRR: *Industrial Labor Relations Review*; IR: *Industrial Relations*; IRBRP: *International Review of Business Research Papers*; JAAF: *Journal of Accounting, Auditing, & Finance*; JAE: *Journal of Accounting & Economics*; JAPP: *Journal of Accounting & Public Policy*; JAR: *Journal of Accounting Research*; JARE: *Journal of Agricultural and Resource Economics*; JBE: *Journal of Business Ethics*; JBER: *Journal of Business & Economics Research*; JBF: *Journal of Banking & Finance*; JBFA: *Journal of Business Finance & Accounting*; JBR: *Journal of Business Research*; JCE: *Journal of Comparative Economics*; JCF: *Journal of Corporate Finance*; JE&F: *Journal of Economics & Finance*; JEB: *Journal of Economics & Business*; JEC: *Journal of Economic Cooperation*; JEEM: *Journal of Environmental Economics & Management*; JEF: *Journal of Empirical Finance*; JF: *Journal of Finance*; JFE: *Journal of Financial Economics*; JFQA: *Journal of Financial & Quantitative Analysis*; JFR: *Journal of Financial Research*; JFSD: *Journal of Financial and Strategic Decisions*; JHR: *Journal of Human Resources*; JIE: *Journal of Industrial Economics*; JLE: *Journal of Law & Economics*; JLEO: *Journal of Law, Economics & Organization*; JLR: *Journal of Labor Research*; JM: *Journal of Management*; JPE: *Journal of Political Economy*; JPEc: *Journal of Public Economics*; JRE: *Journal of Regulatory Economics*; MAJ: *Managerial Auditing Journal*; MDE: *Managerial & Decision Economics*; MS: *Management Science*; NJEB: *Nebraska Journal of Economics & Business*; RAS: *Review of Accounting Studies*; RES: *Review of Economics & Statistics*; RF: *Review of Finance*; RFS: *Review of Financial Studies*; RIO: *Review of Industrial Organization*; RQFA: *Review of Quantitative Finance & Accounting*; SEJ: *Southern Economic Journal*; SMJ: *Strategic Management Journal*; WP: *Working Paper*.

CHAPTER 4:

Governance Without Ownership: A Qualitative Study of the Corporate Governance of Philanthropic Organizations

Abstract

Although Philanthropic Organizations (POs) face the gravest corporate governance challenges imaginable, they have hardly been systematically studied by corporate governance researchers to date. The few studies available either uncritically extend the agency theoretical analysis of the separation of ownership and control in public firms to the PO context, or research individual corporate governance practices without attempting to contribute to a general understanding of PO governance. In order to break away from this agency theoretical path dependency, this study uses qualitative research methods on an analytical sample of 34 Dutch philanthropies to develop a currently lacking general theory of PO governance. We provide a definition of POs, describe their economic function and their core governance challenge, and develop a typology of POs based on the differential ability of POs to involve their two primary stakeholder groups—i.e. donors and beneficiaries—in organizational governance. We articulate our nascent theory by means of six propositions, and conclude with exploring its implications for research on corporate governance, the use of stakeholder theory in corporate governance research, and the governance of social enterprises and hybrids.

Introduction

POs are formal organizations without owners that produce goods or services for one stakeholder group (i.e. the beneficiaries), that are predominantly paid for by another stakeholder group (i.e. the donors). POs are a particularly interesting research object because they are subject to a number of unusual conditions that make their governance challenges exceptionally daunting. First, the non-overlap between the stakeholder group that pays for the goods or services and the stakeholder group that consumes them implies that there is no functioning market for POs' goods and services, and hence no price mechanism to guide organizational decision-making on what to produce and for whom. Second, POs do not have a single primary stakeholder group, such as owners, whose interests as a residual risk bearer provide incentives to monitor managerial decisions (Jensen, 2002). Instead, POs face multiple primary stakeholder groups, such as donors, volunteers, and beneficiaries, of which none can claim priority (Anheier, 2005; Brody, 1996). In spite of these challenging conditions, the survival rate of POs is exceptionally high. While only 52.4 percent of businesses established in the US in 2001 survived five years or more (Bureau of Labor Statistics), the survival rate of public charities was 84 percent over the same period (National Center for Charitable Statistics). As POs are hardly subject to market forces that would weed out inefficient producers, this finding is more disturbing than comforting, as existing POs may not be delivering the value that would economically justify their existence. As such, POs represent a unique organizational form, facing particularly daunting corporate governance challenges, the resolution of which are potentially greatly welfare enhancing (Hansmann, 1996).

The available literature on the governance of POs strongly reflects a path dependency on the agency theoretical analysis of the separation of ownership and control in public firms (Jensen & Meckling, 1976). Most theoretical work on PO governance attempts to extend or adapt this analysis to the context of POs (e.g. Brody, 1996; Manne, 1999; Steinberg, 2010; Puyvelde, Caers, Du Bois & Jegers, 2012), while empirical work has primarily investigated agency theory-inspired governance practices known from the context of public firms, such as board monitoring (Ostrower & Stone, 2006; Miller, 2002), performance-based remuneration schemes (Baber, Daniel & Roberts, 2002; Hallock, 2002), and the role of accounting information (Hyndman, 1990; Keating & Frumkin, 2003).

The extension of the agency theoretical analysis of the separation of ownership and control in public firms to PO governance has narrowed our perspective and led us to insufficiently account for the idiosyncratic governance challenges that POs face. Drawing parallels between owners in public firms and donors in POs, the literature has focused primarily on possible agency problems between the external donors and internal decision agents in POs. As a result, research on PO governance focuses almost exclusively on accountability practices as governance remedies for these agency problems (Cornforth, 2012). That this somewhat uncritical extension of the agency theoretical framework to the PO context has not been very fruitful is aptly illustrated by the existing literature on PO board composition. A review of nearly three decades of research concluded that fundamental questions of how, when, and why board composition matters, have yet to be answered (Ostrower & Stone, 2006). More generally, "a coherent economic theory on nonprofit governance has not yet emerged from the research" to date (Jegers, 2009: 158).

The purpose of our study is to fill this gap. In order to break away from the field's theoretical path dependency which "favors building new theory based on old" (Bansal, 2013: 127), we adopt two strategies. First, we revert back to Kenneth Arrow's (1974) foundational insight that governance is the backbone of formal organizations and involves *both* organizational decision-making and accountability practices. He argued that the key design challenge of any organization is to optimally balance decision-making authority with accountability mechanisms and therefore both merit equal consideration in the study of *organizational* governance. Using this broadened perspective, second, we use an inductive, qualitative research approach to develop a more comprehensive understanding of the unique governance challenges of POs. The questions that we set out to answer include: What are the specific decision-making and accountability challenges that POs face? Who are a PO's stakeholders? What does a well-governed PO look like and how can this be achieved? Qualitative research methods are particularly suitable to answer these broad questions because they allow us to collect open-ended data and develop a new, and potentially path-breaking theory of PO governance (Bansal, 2013; Graebner, Martin & Roundy, 2012).

We used qualitative comparative case study methods (Eisenhardt, 1989; Yin, 1994) on a sample of 34 POs that we selected through a most different systems sampling design (Przeworski & Teune, 1970). This analytical sampling design maximizes the variety of potentially relevant PO attributes in order to facilitate maximal generalizability of our theory building efforts. By comparatively analyzing data from various sources, we develop a typology of POs that not only enlightens our understanding of the specific governance challenges that POs share as an organizational form, but that also helps to understand the subtly different governance challenges that different types of POs may face. Based on our analysis, we develop a theory of the governance of POs, which we articulate by means of six propositions. These propositions do not just involve empirically testable propositions, but should rather be interpreted as the foundational tenets and conceptual building blocks of our emerging theory of PO governance. Next to contributing to the corporate governance literature, this theory may also fruitfully inform the literatures on stakeholder management (Donaldson & Preston, 1995; Mitchell, Agle & Wood, 1997) and social enterprises (Pache & Santos, 2010; 2013; Battilana & Dorado, 2010).

In order to define and demarcate the phenomenon of interest, we first discuss some available theoretical insights concerning POs and introduce the first two *theoretical* propositions of our theory. In the subsequent section we describe our sampling design, data collection efforts, and qualitative analyses. We present our findings in the next three sections and gradually build our theory by articulating four additional propositions. We conclude with a discussion of the theoretical implications and intended contributions of our study.

Theoretical Background

What is a PO?

We define POs as organizations that meet three basic requirements: 1) POs have a legal personality, 2) POs are subject to the non-distribution constraint (Hansmann, 1980; 1996), and 3) PO's service purchasers and service recipients are two largely non-overlapping groups. The first requirement represents a trivial but necessary condition that applies to any formal organization, because only legal personality allows organizations to function as an entity separate from its constituents that can engage in business and own assets on its own behalf (Hansmann & Kraakman, 2001). The second characteristic of POs is that they are subject to the non-distribution constraint, which is a defining feature of the broader class of non-profit organizations (NPOs) more generally (Hansmann, 1980). This constraint does not bar NPOs from making profits, but prohibits that any profits made are distributed to any of the organization's constituencies. Because ownership entails the formal right to control an organization and the right to appropriate its profits, NPOs are organizations without owners. The final characteristic of a PO is that it receives the bulk of its income from parties other than the recipients of the delivered service. This feature distinguishes POs within the class of NPOs. Hansmann refers to such organizations as 'donative nonprofits' as opposed to 'commercial nonprofits' such as universities, labor unions, and museums. In commercial nonprofits the service recipients are typically involved in an exchange relationship with the organization; paying a tuition or membership fee, or an entry ticket in return for goods or services. When unsatisfied with quality of the delivered goods or services, these recipients can withhold their business. This is something that the recipients of a PO's goods or services are hardly able to do due to the significant non-overlap between service purchasers and service recipients. Since how an organization is defined influences an empirical analysis of its governance challenges, the first theoretical proposition of our theory involves a definition and empirical demarcation of POs as an organizational form:

Proposition 1: *POs are formal organizations without owners that produce goods or services for* *one stakeholder group (i.e. the beneficiaries) that are predominately paid for by another stakeholder group (i.e. the donors).*

What Do We Know? The Existence and Governance of POs

According to the literature, POs, and NPOs more generally, are organizations that emerge in conditions where markets fail to govern transactions. This happens when either; 1) the goods or services produced are public goods (Weisbrod, 1977), 2) severe information asymmetries stand in the way of efficient exchange, 3) or the product or service is delivered to a party other than the one paying for it. In such circumstances regular contractual arrangements cannot provide purchasers with sufficient means for contract enforcement, resulting in contract failure (Hansmann, 1987). A for-profit organization operating under such conditions would have both the incentive and the opportunity to act opportunistically and provide less service or quality than was paid for. Although NPOs may also have the opportunity to deliver inferior services, they lack the incentive to do so because the non-distribution constraint prohibits any distribution of profits to parties involved in the organization (Fama and Jensen 1983a). The NPO, therefore, has been conceived as an organizational response to the contract failures that NPOs face in exchange (Hansmann 1980). Within the class of NPOs, POs arguably represent the worst cases of contract failure. While NPOs may face a substantial overlap between service purchasers and service recipients, POs face limited or no overlap at all. An illustrative example is a development aid organization where donors and beneficiaries represent two completely physically separated groups.

Building on this functional explanation for their existence, the dominant view of PO governance in the literature is that an agency relationship exists between (external) donors on the one hand, and the (internal) organizational decision agents on the other, because donors are vulnerable to expropriation and opportunism by those administering the service (Fama & Jensen, 1983b). Although the non-distribution constraint represents an important remedy for this problem, it is hardly a perfect solution because decision agents still have the opportunity to indirectly distribute some PO resources to themselves by means of inflated salaries or perquisites, for example. The literature conceives this agency problem as the core governance challenge of POs, and since for-profit, publicly listed organizations are subject to similar challenges, Fama and Jensen (1983a; 1983b) claim that the governance challenges of POs do not differ much from those of their for-profit counterparts. Accordingly, the bulk of research on NPO governance has focused either on internal monitoring through accounting practices (e.g. Hyndman, 1990; Keating & Frumkin, 2003) board supervision (Ostrower & Stone, 2006; Miller, 2002), or on external monitoring through taxation policies and regulation (Bolton & Mehran, 2006; Fremont-Smith & Kosaras, 2003; Manne, 1999).

Donors, however, are not equivalent to shareholders because donors do not own POs. In fact, as POs do not have any owners, they may be better understood as organizations without principals (Brody, 1996). This does not imply that monitoring practices are irrelevant to POs, but it does reveal a deeper question that lies at the core of PO governance; to whom are POs accountable? Most of the available literature assumes that POs are accountable to donors. Yet this stream of research, which has focused primarily on board monitoring, is highly fragmented and has failed to produce any foundational insights or generalizable recommendations regarding the governance of POs (Jegers, 2009). The goal of this study is to move away from the field's unbalanced focus on the relationship between POs and their donors, and hence a foundational assumption of our theory is that due to the absence of ownership, POs do not have a single primary stakeholder group:

Proposition 2: *Because POs have no owners, they do not have a single, ultimate stakeholder group whose interests are leading the governance of the organization*.

Data and Methods

Given the variety of extant POs and the likely heterogeneity in existing governance challenges, the qualitative comparative case study method is most suitable because the continuous comparison of multiple cases allows us to verify whether an emergent finding is "idiosyncratic to a single case or consistently replicated by several cases" (Eisenhardt & Graebner, 2007: 27). This replication logic is a key feature of comparative case studies and enables the development of robust and generalizable theories (Graebner & Eisenhardt, 2004).

Case Selection

We selected all our cases from the Dutch philanthropic sector. Accounting for nearly five percent of the Dutch GDP, it is one of the largest philanthropic sectors in the world (Salamon & Sokolowski, 2004)[20]. The most popular area of philanthropic activity is development aid, which received nearly 40 percent of all financial contributions collected in 2010, followed by community services, environmental protection, and healthcare (CBF, 2010). The Dutch philanthropic sector is institutionally well organized. The government provides tax deductions to stimulate giving and a government-supported Fundraising Office (CBF) exists that collects data on Dutch POs and offers certification for good governance (Ploeg, 2010).

As is recommended in case study research, we purposefully sampled our individual cases using a most different systems sampling design where cases are selected such that the variation of potentially relevant attributes is maximized (Przeworski & Teune, 1970). We selected the cases in three rounds. In the first round we identified ten cases that were most different in a number of key descriptive features; type (grant-making POs vs fundraising POs), size (in total income and number of employees), age, and sector. In the second round we selected cases that were most different with respect to contract failures, which in most cases involves the extent of information asymmetry that the PO's donors are subject to (Hansmann, 1980). This is high for organizations that rely on a large number of small dispersed donors, and low for organizations where the most important donor manages the PO. During the final round of case selection, we had already developed a preliminary understanding of the governance challenges of POs and selected cases that were most different with

[20] Note that the size of the philanthropic sector in this study is measured as the sum of private volunteering and giving as a share of GDP for the period 1995-2002.

respect to the attributes that we expected to be relevant to our emerging theory (Eisenhardt & Graebner, 2007). Finally, we consulted a field expert and asked him to reflect on the comprehensiveness of our emerging sample and to suggest cases that might bring new insights into our research. We reached a point of informational redundancy at a final sample size of 34 cases (Lincoln & Guba, 1985). Table 1 summarizes some key characteristics of the cases in our analytical sample. We assign each case with a unique ID ranging from C01 to C34 and use this ID to denote a specific case throughout the paper.

Data Sources

We collected data from five sources: (1) interviews with case specific informants, (2) interviews with field experts, (3) primary archival data, (4) secondary archival data, and (5) focus groups. Primary archival data were first used to assist case selection, and subsequently to further enhance our understanding of the case such that more informed and detailed probing was possible during the interview. The interviews represent the central source of information in our study. In later stages of our research archival data were used again to complement our knowledge of the cases and to triangulate emerging findings (Patton, 2002). Focus group meetings with PO leaders were organized at several stages of our research, both to validate intermediate theory building and to acquire new data in regard to specific questions that came up during the previous round of data collection.

Interviews. The interviews were semi-structured and open-ended (cf. Merton & Kendall, 1946). We interviewed the PO's director, the COO, or the Chair of the Board. Since for some POs corporate governance is a salient and sensitive issue, we started each interview by explaining that our goal is to map the general corporate governance challenges of POs, and that we are not interested in evaluating the extent to which any particular PO is meeting existing obligations[21]. Because each interview lasted approximately two hours, we believe that we were able to reach some level of

[21] Such as those articulated in the *Code Wijffels*; the Dutch good governance code for POs.

TABLE 1
Sample characteristics

	# of cases	Case ID
Activity		
Grant-making	9	C01, C02, C05, C09, C12, C17, C19, C26, C31
Fundraising	23	C03, C04, C06-C08, C10, C11, C13-C16, C18, C20-C23, C25, C28-30, C32-C34
Hybrid	2	C24, C27
Legal form		
Association	9	C04, C06, C07, C10, C13, C21, C30, C34
Foundation	25	C01-C03, C05, C08, C09, C11, C12, C14-C20, C22-C29, C31-C33
Industry		
Public-social benefits	11	C01, C09, C13, C19, C22, C25, C26, C28, C27, C33, C34
International relief	7	C04, C05, C17, C20, C23, C29, C32
Culture & arts	3	C06, C24, C30
Health	5	C03, C12, C15, C16, C18
Environment/animals	4	C07, C08, C11, C21
Sports	2	C10, C14
Mixed	2	C02, C31
Total income		
≤ €100,000	3	C07, C10, C28
€100,000 - €1 million	4	C06, C15, C20, C22, C33
€1 - €10 million	9	C01, C08, C12, C14, C17, C19, C25, C26, C30
€10 - €25 million	9	C02-C05, C13, C18, C27, C32, C34
€25 - €50 million	5	C09, C11, C23, C24, C31
≥ €50 million	3	C16, C21, C29
Total paid staff		
≤ 5	7	C01, C06, C10, C12, C26, C28, C33
5 - 15	7	C02, C14, C15, C19, C20, C22, C30
15 - 50	7	C05, C08, C09, C17, C25, C27, C31
50 - 100	7	C03, C07, C18, C23, C24, C29, C32
100 - 250	4	C04, C11, C16, C34
≥ 250	2	C13, C21
Age		
≤ 10 years	7	C01, C02, C12, C16, C20, C25, C33
10 - 50 years	12	C03, C08-C11, C14, C15, C17, C18, C22, C28, C32
50 - 100 years	8	C04, C05, C13, C23, C24, C27, C29, C34
100 - 300 years	5	C06, C07, C21, C30, C31
≥ 300 years	2	C19, C26
Geographical scope		
Dutch city/region	4	C09, C26, C28, C33
Nationwide	17	C01, C03, C06, C07, C10, C13-C16, C18, C21, C22, C24, C25, C30, C31, C34
Some foreign countries	5	C05, C12, C19, C20, C27
Worldwide	8	C02, C04, C08, C11, C17, C23, C29, C32

openness and trust between the interviewer and respondent. The interviews covered a broad range of topics such as organizational and governance structures, funding acquisition, history, program management, and stakeholder relationships. For each topic discussed we asked respondents to identify and explain the challenges relating to decision-making and accountability, as well as the practices that they employ to address these challenges. An interview was finished when the respondent answered 'no' to the question of whether he/she could think of any other management or governance challenge their organization copes with. We also performed five additional interviews with field experts to tap into a more detached view of PO governance. Such interviews are valuable because they potentially reveal governance issues that organization-specific, image-conscious respondents might not have been willing to share (Eisenhardt & Graebner, 2007). All interviews were recorded and transcribed and a total of 761 pages of (single-spaced) transcribed text were used for data analyses.

Archival data. We used both primary and secondary archival data. The two most important sources of archival data were PO's official websites and their annual reports. All 34 POs had a website, and for all POs we had access to a digital annual report. The other primary data that we used were brochures and organizational charters that we received from the respondents. We obtained secondary archival data from the Dutch Fundraising Office who agreed to share its database with us, containing financial and non-financial data on certified Dutch fundraising POs. This involved information on income sources, expenditures, board size, board composition, and the number of employees and volunteers, for example. For 21 of the 25 *fundraising* POs in our sample this secondary information was available. Unfortunately, no such secondary database for *grant-making* POs exists in The Netherlands.

Focus groups. We organized five focus group sessions (cf. Morgan, 1993) of which two were conducted at the beginning of our research, and three towards the end. The focus groups consisted of 15 to 30 representatives of middle or higher management from a wide array of POs. The duration of these sessions spanned between 45 to 120 minutes. During the first two sessions we briefly introduced our research topic and asked each participant to identify and describe their organization's biggest governance challenge. Since these initial sessions took place before the interviews, our aim was to make an initial assessment of governance challenges facing POs. A discussion among the participants often arose naturally, and our role was to make sure that the discussion remained on-topic. The sessions organized at a later stage of our research were more focused. We presented the emerging theory and asked participants to interpret and apply it to their own organizations. The goal of these sessions was both to evaluate the validity of our theory and to further develop it[22].

Qualitative Analyses

Our research is based on 34 cases, which is larger than the number of cases conventionally used in comparative case study analysis (Eisenhardt, 1989). As a result, it was not feasible for us to "become intimately familiar with each case as a stand-alone entity" (Eisenhardt, 1989: 540), but given our research objective of developing a general theory of PO governance, this was not our aim to begin with. In fact, the relatively large sample size allowed us to reach a higher level of abstraction when analyzing our data, which is a necessary step in building a generalizable theory. We now describe the three stages of our analytic procedures.

Stage 1: Surveying common governance challenges. The first step in our data-analysis was to make sense of the large amount of transcribed interview text describing numerous governance and organizational challenges. The goal was to identify common governance challenges mentioned by respondents across cases. We denoted a fragment of text as describing a governance challenge when the respondent mentions some kind of problem, dilemma, or hardship related to either strategic or operational decision-making, or to some sort of organizational accountability practice. To make an initial assessment of governance challenges, both authors read a subset of interview transcripts and individually prepared an overview of reoccurring governance challenges. We subsequently compared

[22] Due to privacy considerations, we were unable to record and transcribe our focus group sessions, but one of the co-authors took detailed notes during each session.

and synthesized our findings. Several meetings followed in which we read and discussed new interview transcripts and attempted to complement our inventory of governance challenges and further refine their conceptualizations. After identifying 12 distinct governance challenges we concluded that our overview of governance challenges was exhaustive.

We next sought to derive a conceptual ordering from our overview of governance challenges by reviewing them and experimenting with different groupings. Our goal was to 'distill' a smaller number of governance challenges that would theoretically be able to capture the inductively derived 12 challenges. We eventually arrived at a three-level hierarchical ordering. At the lowest level we positioned the 12 descriptive governance challenges. Proceeding from our foundational assumption that governance involves both organizational decision-making and accountability practices (Arrow, 1974), we grouped each governance challenge at the second order as relating to either a decision-making challenge or an accountability challenge. At the highest level of conceptual ordering, we identified two core *organizational* challenges; "acquiring and managing resources" and "mission achievement". To facilitate further analysis, we uploaded all the interview transcripts to Nvivo, a qualitative data analysis software package. We then coded all transcripts using the 12 governance challenges as coding labels so that we could easily retrieve all interview fragments dealing with a certain challenge. All coding was done by one coder. Table 2 shows the hierarchical structure in our data, and describes the 12 governance challenges.

Stage 2: Identifying explanatory relationships. After identifying common patterns across cases, the second stage of data analysis served to explain differences between cases. Although we identified 12 frequently occurring governance challenges, not all POs experienced these challenges to the same degree. In fact, different respondents emphasized different governance challenges. The key question that drove our analysis was therefore: why are certain governance challenges more pressing for some POs than for others? To answer this question, we performed both within and cross-case analyses.

To improve our understanding of each individual case, we first produced a data matrix. We listed both quantitative features, including total income, total number of paid staff, and age, as well as qualitative features, such as legal form, sector, mission statement, core activity, geographical scope, and who the donors and beneficiaries are. We subsequently went back to the interview transcripts to carefully re-read fragments of text coded as governance challenges. For each challenge we attempted to uncover what the contingencies or organizational characteristics were that gave rise to, or intensified, this challenge. Following this process we achieved a better understanding of each case and developed preliminary thoughts on possible explanatory relationships between organizational characteristics and manifested governance challenges (Yin, 1981).

The within-case analysis also revealed that sometimes the analysis was too centered on one specific issue. For example, at the time of the interview C07 was in the middle of a large scale reorganization process and as a consequence, the interview was centered on the challenges related to closing down offices and firing or relocating volunteers. So the respondents' assessments of their organization's governance challenge were prone to being biased by a decision that was made or an incident that had occurred recently. In order to discriminate among case specific idiosyncrasies and distill analytically generalizable relationships, we performed a cross-case analysis (Eisenhardt, 1989; Yin 1994). We sought to identify factors that may explain or intensify governance challenges that were inherent to the organization, or, at least, very difficult to alter, as opposed to factors that were the result of discretionary organizational decisions or practices. Through this approach we were able to reach a higher level of abstraction. We went back and forth between interview data and archival data to triangulate our emerging insights (Jick, 1979).

Stage 3: building and validating emerging theory. To build our theory we relied on an approach that resembles analytic induction (Znaniecki, 1934; Robinson, 1951), which is "a non-experimental qualitative sociological method that employs an exhaustive examination of cases in order to prove universal, causal generalizations" (Manning, 1982: 280). In many ways this method is similar to the replication logic in case study analysis, as cases are treated as a series of experiments each serving to confirm or reject a 'hypothesis' (Yin, 1984). The most important distinguishing feature of analytic induction, however, is that it avoids producing probabilistic statements. Instead, it seeks to develop insights involving the essential features of a phenomenon, and generate theories that are universal, precise, and limited (Robinson, 1951). Since our goal is to produce a general theory of the corporate governance challenges of POs, analytic induction is an appropriate method.

We followed the general structure of analytic induction by studying whether our insights in regard to explanatory relationships identified in the previous stage, were confirmed or disconfirmed by the data of each case. In case of confirmation we enhanced our confidence in the insight and proceeded to the next case. Disconfirming cases were particularly valuable because they helped us to revise and refine our emerging theory. While other approaches typically account for deviant cases by the inclusion of a new variable, in analytic induction deviant cases have the potential to change the full analytic scheme of the emerging theory to ensure maximal generalizability (Mehan, 1979). We continued this procedure of developing, testing, and refining (or sometimes, completely revising) our emerging propositions until they could account for all 34 cases in our analytic sampling design.

The final step was to validate our emerging theory (Gibbert, Ruigrok & Wicki, 2008). Once we had a foundational outline of our theory, we presented it to different focus groups of executives who either worked for a specific PO or in the philanthropic sector more broadly. During these sessions we asked the participants to apply our emergent theory to their own organization, and assess whether its predictions resonate with their experience. These sessions helped us to enhance our theory's internal validity since the group discussions highlighted areas of our theory that were unclear and needed more refinement. We were also able to probe the external validity of our theory as these focus groups contained various individuals currently working, or having worked for a large variety of organizations.

POs as Dual Objective Organizations

We concluded from the analyses described above that POs simultaneously seek to achieve two core objectives; realizing their mission, and acquiring philanthropic resources. While the prior can be seen to represent a PO's raison d'être, the latter is needed for their survival. We therefore conceptualize POs as dual-objective organizations. In the process of trying to meet these organizational objectives, POs are faced with challenges related to both decision-making and accountability. We now elaborate on some of the challenges listed in Table 2.

Mission Achievement

Decision-making challenges. A PO's mission defines who its beneficiaries are and what the purpose of the organization is (Brown & Slivinski, 2006). While mission achievement is challenging for any organization, it is particularly daunting for POs due to the absence of competitive market forces. Successful organizations are typically those that show sustained growth, but in the philanthropic sector successful organizations may be precisely those that cease their activities because they have achieved their mission. However, in the absence of competitive pricing in a market for the PO's goods and services it is all but straightforward for the PO how it should achieve its mission, and when it is actually 'completed'.

An important decision-making challenge faced by POs involves defining their mission. The respondent of C06 describes this challenge: ".. a lot of things were going on in this association, a lot of things were fun, many things were happening but… should we stop or should we continue? This was actually literally the question. […] What do we actually do, what do we stand for, and are we still needed?". The director of this PO eventually wrote a new mission statement, which was elaborately discussed by the board and approved. We coded such decision-making challenges under the 'defining mission' label in Table 2.

TABLE 2
Data structure

Organizational objectives		Governance challenges	Description	Cover-age
Mission achievement	Decision-making	Defining mission	Challenges resulting from the fact that there is no competitive market for the PO's products/services: What is the PO going to produce? And for whom? When is the PO 'finished'?	9,4%
		Mapping needs	Challenges related to how the PO identifies the specific needs it wishes to address. Given the PO's mission, which specific needs or beneficiaries should it prioritize?	10,7%
		Managing organizational scope	The difficulty of staying focused and close to the core activity on the one hand, and being flexible and responsive to beneficiary needs on the other.	7,9%
		Need for expertise	Deals with complexities resulting from the need and importance of expert knowledge to make strategic decisions.	4,7%
	Accountability	Performance evaluation	Challenges related to both the importance and difficulty of performance measurement and evaluation.	6,8%
		Board's ability to monitor	Challenges related to the difficulty of effectively monitoring PO performance due to board members' lack of time or understanding of the PO's activities.	12,1%
Acquiring resources	Decision-making	Acquiring financial donations	Deals with complexities resulting from the PO's dependence on financial donations and the difficulty of acquiring them.	10,5%
		Managing relationship with financial donors	Challenges related to managing the demands of donors. How does the PO try to please its donors? How should the PO balance donor needs with beneficiary needs?	10,5%
		Managing relationship with association members	Only applicable to associations: Challenges related to managing the demands of members. How does the PO try to please its members? How should the PO balance member needs with beneficiary needs?	3,3%
		Managing relationship with volunteers	Challenges related to managing the demands of volunteers. How does the PO try to please its volunteers? How should the PO balance the demands of volunteers with beneficiary needs?	5,4%
	Accountability	Meeting legitimacy demands	Deals with the challenge of meeting the accountability expectations of external institutions such as certifiers and regulators.	11,0%
		Reputation management	External stakeholders use reputation to evaluate a PO's performance and therefore managing it is very important: how does the PO avoid reputation damage?	7,7%

Within the scope of a given organizational mission, POs also face *strategic* decision-making challenges. One of these challenges includes determining the scope of the PO's activities. C22 is a PO lending music instruments to professionals and provides an illustrative example: "… on the one hand we have to keep an eye on the changing conditions within our own organization, and the changing conditions within society. So […] you give four instruments to a quartet, yes but what does that mean for us? And aren't there other things that we should do to help these people? But on the other hand, this is a private foundation that was founded by a number of people, who are still here, and who had a specific goal in mind. So then you get a kind of dilemma". The question essentially is whether to expand operations to better cater to the needs of beneficiaries, or to stick to the PO's original mission and core business. This was found to be a common decision-making challenge for many POs, and we categorized it under the 'managing organizational scope' label in Table 2.

Accountability challenges. Organizing accountability after decisions have been made and actions have been taken also create challenges for POs. Without 'natural' market signals that help evaluate past decisions, POs are forced to develop 'artificial' ways to create feedback loops to the organization. The director of an endowment fund (C31) aptly expressed his struggle in this regard: "I am looking for opportunities to see myself in a mirror, or to obtain a compass of the world that we donate to. We give 30 million euros to applicants, and they all say 'thank you', but there are also many that don't receive, in fact, to half of the applicants we say 'no'! And besides them, the world is even bigger! I would like to know how… well we think we are doing good things here, but then actually we should ask them. When is it good and when is it not good?" The respondent then goes on to stress the importance of performance measurement, which is one way in which POs can purposefully seek feedback on their decisions and operations. Yet, given the complexity of the societal problems that POs routinely deal with, measuring performance or impact is difficult. We refer to these accountability challenges as 'performance measurement' challenges in Table 2.

To improve monitoring quality, monitoring is predominantly done by a separate supervisory board in many POs. Yet, developing an effective supervisory board also creates challenges. Whether the board can effectively perform its monitoring function depends largely on the individual board members' familiarity with the sector in which the PO operates, and the amount of time he or she is willing to dedicate to the PO. In addition, different POs, depending on their life cycle phase, need different forms of monitoring. A pioneering PO, for example, is best served by a highly committed board that not only monitors its decisions, but also functions as a source of advice (e.g. C08), while a mature and established PO is better served by a more formal and distant monitoring board (e.g. C32). We classified such challenges under 'board's ability to monitor' in Table 2.

Acquiring Resources

Decision-making challenges. Resource acquisition is as important for POs as attempting to achieve their mission. POs rely on three different forms of resources; financial donations, voluntary labor, and membership fees (if the PO is an association). While managing relationships with resource providers is essential for a PO's survival, it may also create grave decision-making challenges because the interests of resource providers may not cohere with the mission of the PO or the needs of its main beneficiaries. Exemplary for such challenges is the predicament of C29: "We do get requests though, also from major donors, those are private individuals that want to give a large amount of money and want that money to be spent on a school, in that country, and that looks like this and that… We also don't know what to do with that. On the other hand this is very tempting, because you can attract funds, but then… it also doesn't quite fit with our organization" (C29). We coded such challenges under the 'managing relationship with financial donors' label in Table 2.

Managing volunteers is something different altogether. Whereas donations with unattractive conditions can be rejected, after volunteers are recruited they can develop strong views and demands on what should be done by the PO. Although volunteers are generally well intentioned, managing them is difficult because of their tendency to overcommit. According to one of our respondents "It could happen that they [the volunteers] say 'look, there's a refugee camp […] where many rejected asylum seekers are being kept and these people are treated even worse than regular prisoners are in Holland'. There are volunteers that just won't accept this. '[Name of the PO] or not, 'we are doing something now!' (C13)". This is a clear manifestation of psychological ownership where volunteers feel a strong sense of being psychologically tied to the PO's mission (Pierce, Kostova, & Dirks, 2001). The challenges that POs are confronted with is whether or not to cater to the needs of volunteers, and if not, how to re-align them with the PO's objectives. We code such challenges under the 'managing relationship with volunteers' label in Table 2.

Finally, the relationship between association members and the PO must be managed. Members, as opposed to financial donors or volunteers, have formal decision-making powers in a PO and are therefore better able to enforce their demands. C04 provides an example of a decision-making challenge that may result from such structure. C04 is a national subsidiary of a multinational PO, and a majority of the decision-making regarding the PO's activities is done by specialists at the international headquarters. When members realized how limited their ability was to actually influence PO decision-making, many of them stopped showing up at General Meetings, leaving the PO with the question of whether their associational structure was still viable. We grouped these kinds of decision-making challenges under the label 'managing relationship with members' in Table 2. The General Meeting was eventually replaced by a 'Membership Council', for which 40 candidates were regionally elected by the members.

Accountability challenges. As with most organizations, monitoring of decisions and performance does not just take place internally, but also externally by institutions and stakeholders. To provoke positive evaluations from external parties, POs must manage their legitimacy and reputation. External institutions impose legitimacy demands on POs, by introducing good governance codes, for example, but meeting these demands is often costly and time consuming. A respondent even said: "[…] I think that whole discussion [about the need for more transparency] is just going berserk. […] I think it is idiotic the kind of things you have to put in your annual report, I'm pulling my hair out of my head! I did it just because I think they want it" (C22). We code such challenges as 'meeting legitimacy demands' challenges in Table 2. POs also rely on their reputation as a bonding device to secure resources and legitimacy. While it takes years to build a reputation, it can collapse overnight and this is often detrimental for POs as it may result in a failure to attract resources to continue operations. Hence many POs are involved in risk management practices and since many POs operate overseas, rely on volunteers, or deal with very vulnerable people, this is an important challenge for them. We code such challenges as 'managing reputation' challenges.

The Economic Function of POs

In sum, as dual-objective organizations POs face two primary stakeholder groups; donors and beneficiaries. We define donors as all stakeholders that provide resources to the PO, while beneficiaries are understood to be the 'consumers' of the PO's goods or services. Since POs are critically dependent on resources, they must attract or retain donors, which requires meeting their expectations and satisfying their demands. At the same time, POs need to make decisions and undertake activities that cohere with their mission and serve beneficiary needs. Because there is no spontaneous market alignment between donor means and beneficiary needs, we conceive of POs as a mediating structure between donors and beneficiaries:

> ***Proposition 3:*** *In the absence of a market for a POs goods or services, the main economic function of POs is to mediate between the interests of their two primary stakeholder groups; beneficiaries and donors*.

The Core governance Challenge of POs

An important observation that arose from our cross-case analyses is that POs differ considerably in the relationship they have with their donors and beneficiaries. While in certain POs face-to-face contact with beneficiaries is common practice, in other POs managers have no idea about the identity of their beneficiaries. In order to be able to effectively mediate between donors and beneficiaries, POs must know what their needs and interests are. We found that this is a core challenge for all POs. The extent to which the resources, preferences and needs of donors and beneficiaries can be incorporated in PO organizational processes depends, as we explain next, on the extent of 'stakeholder involvability'.

The Notion of Stakeholder Involvability

Stakeholder involvability can be understood as the extent to which it *is possible* for a PO to involve its two primary stakeholder groups in its organizational practices. Stakeholder involvability is therefore not about a stakeholder group's actual involvement in the PO but rather about its possible involvement. The more involvable a stakeholder group is, the easier it is for a PO to incorporate their resources, preferences and needs in organizational processes.

After surveying our cases, we found that the extent of stakeholder involvability depends on three attributes of the relationship between the stakeholder group and the PO (see. Table 3). First, in order to be involvable in organizational processes, stakeholders must be identifiable for a PO. This is typically only the case if the PO has an individual and formalized relationship with them. The beneficiaries of both C14 and C22, for example, individually apply for a 'service' from the PO, and once their application is approved, the PO stays in contact with them throughout the duration of the service. As a result, C14 and C22 are able to maintain a close relationship with their beneficiaries. When, on the other hand, the targeted beneficiaries of a PO are a broad and dispersed group, which is the case for C04 whose mission is to promote and protect human rights across the world, it is nearly impossible for the PO to individually identify its beneficiaries. The same logic applies to donors. If the PO relies largely on lotteries and street fundraising to acquire financial donations, it is nearly impossible for the PO to trace the identity of its donors, while POs that obtain the bulk of their income from a single family (C02 & C05) or a company (C01 & C12) are well able to identify their donors. Similarly, when a substantial share of a PO's donor portfolio consists of volunteers or association

TABLE 3

Determinants of stakeholder involvability

Beneficiaries:	**Donors:**
Are they identifiable?	**Are they identifiable?**
Beneficiaries are easily individually identifiable when they have a one-on-one, formalized relationship with the PO.	Donors are easily individually identifiable when they have a direct and formalized relationship with the PO.
High: C14, C22	High: C02, C05
These POs have a contractual relationship with each of their beneficiaries, which typically lasts for a long time.	These POs were founded by family philanthropists, and rely exclusively on the returns of the family endowment to finance their operations.
Low: C04, C08	Low: C16, C29
The mission of these POs is so broad and affects so many people that it is impossible to identify the individual beneficiaries.	These POs are highly dependent on lottery and street fundraising which makes it impossible to trace the identity of the individual donors.
Are they approachable?	**Are they approachable?**
Beneficiaries are easily physically approachable when the geographic distance between them and the PO is small.	Donors are easily physically approachable when the geographic distance between them and the PO is small.
High: C09, C26	High: C28, C34
The statutes of these POs dictate that they can only serve beneficiaries that are located within their own city or region.	These POs are fully dependent on volunteers to execute their mission and these volunteers work in close proximity to the PO.
Low: C12, C20	Low: C19, C31
While C12 exclusively serves beneficiaries in Sub-Saharan Africa, C20's beneficiaries are all located in Bangladesh.	These POs do not have volunteers or association members, but only financial donors that are not located in close proximity to the PO.
Are they able to communicate meaningfully?	**Are they able to communicate effectively?**
Beneficiaries are capable of meaningful communication with the PO if they are knowledgeable about their own needs as well as the broader mission of the PO.	Donors are able to communicate with the PO and effectively influence its actions when they have formal decision-making power within the organization.
High: C13, C33, C34	High: C01, C02, C12
The beneficiaries of these POs are adults that are fully knowledgeable about their needs. Since satisfying these needs is the PO's mission, beneficiaries' feedback is useful and meaningful.	C02 is a family foundation in which the founding family members are still involved with the PO's management. C01 and C12 are associations whose members have formal decision-making power.
Low: C07, C11, C16	Low: C05, C26, C29
C07 and C11 are environmental organizations whose beneficiaries are the natural environment. C16 is a PO that finances cancer research and its ultimate beneficiaries, i.e. cancer patients, often cannot provide meaningful feedback to the PO.	The original donors of C05 and C26 have passed away and their voice is only represented by their will or articles of incorporation. C29 is a large multinational PO that relies on many small and large donors who only have withholding power.

members, donors are more easily identifiable, as volunteers and association members are typically more closely involved in a PO than financial donors.

A second attribute that determines stakeholder involvability is the extent to which stakeholders are physically approachable for the organization. An important condition involves the geographic proximity between the PO and its stakeholder groups. The closer stakeholders are located to the PO, the easier it is for the PO to learn about their needs and interests and incorporate it in organizational processes. For example, the beneficiaries of a PO that has a historical mandate to only serve beneficiaries in its own specific city or region (C09 & C26) are more easily physically approachable than the beneficiaries of a PO that are located abroad (e.g. C12 & C20). With respect to donors, specifically, the extent to which a PO relies on volunteers determines their approachability. In contrast with financial donors or association members, volunteers are often actively involved in the PO and have face-to-face contact with PO management, which significantly increases their approachability.

The final attribute that affects stakeholder involvability is the extent to which stakeholders are able to communicate meaningfully with the PO. The better stakeholders are able to articulate their needs and interests, the easier it is for the PO to involve them in organizational processes. However, direct communication is not always possible between stakeholders and the PO. Specifically, beneficiaries that are animals (e.g. C07) or the natural environment (e.g. C11), are not capable of meaningful communication with the PO and a mediating structure is needed to 'speak' on their behalf. Even feedback provided by identifiable human beneficiaries may not be meaningful or useful for a PO. C29 is case in point, as its mission is to protect the rights of children in poverty. These children generally do not understand the broader social and economic causes of their predicament, which limits the ability of POs to involve them in organizational processes. The same is true for a PO that finances cancer research (C16). Although its ultimate beneficiaries are cancer patients who are able to communicate meaningfully, they typically do not have the expertise to provide useful feedback as to which cancer research projects to finance.

Under certain conditions donors are also unable to communicate their needs to the PO. Some POs received their income from an endowment that was established by a financial donor ages ago (e.g. C05, C26). Although such donors are able to communicate their interests through a will, its influence on day-to-day decision-making is often limited. Even if donors are still alive, their ability to influence the PO is oftentimes very low. For example, many POs rely on a large number of small financial donors to acquire the necessary resources, and although these donors can withhold their donations when unsatisfied with the PO's performance, they typically cannot effectively influence its activities. Donors are clearly best able to effectively influence the PO when it is run by the major donor, as is the case for family foundations (C02) or corporate foundations (C01 & C12), or when the PO is an association, in which case the members have ultimate decision-making power (C01 & C12).

In sum, stakeholder involvability involves the extent to which a stakeholder group is involvable in a PO's organizational processes. Stakeholder involvability is high when stakeholders are individually identifiable, physically approachable and capable of effective and meaningful communication with the PO. Under such circumstances it is relatively easy for the PO to learn about the needs and interests of its stakeholders and incorporate them in organizational decision-making and accountability practices. We hence predict:

> ***Proposition 4:*** *The higher the involvability of a given stakeholder group, the more likely it is that this stakeholder group's needs and interests will be represented in the PO's organizational processes*.

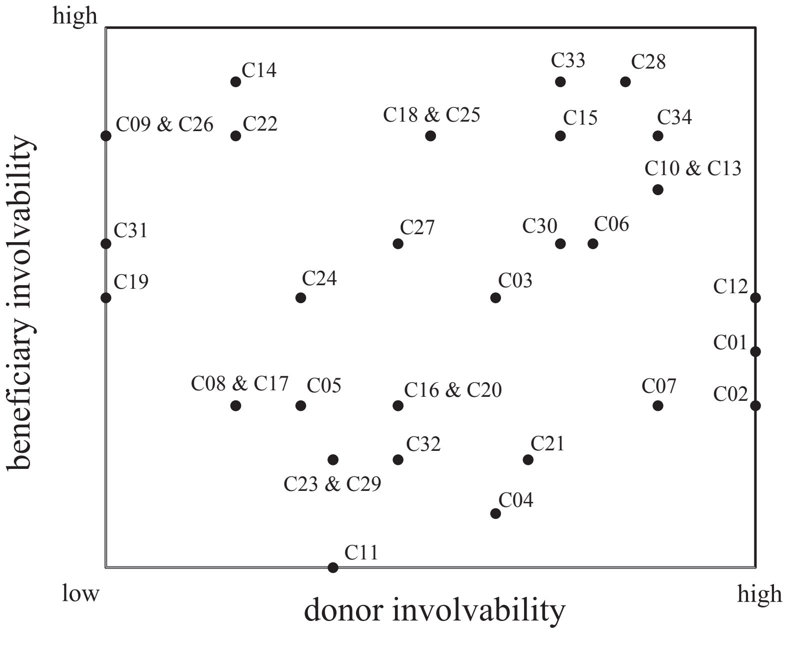
Managing Stakeholder Involvability

Based on this understanding of stakeholder involvability, we developed a scoring protocol to graphically map the involvability of the donors and beneficiaries in all of our 34 cases[23]. Figure 1 presents a scatterplot illustrating the combination of beneficiary and donor involvability for each case.

[23] The scoring protocol can be found in appendix C.

As can be observed, the degree of involvability of a PO's stakeholders differs considerably. When the stakeholder involvability of donors is higher than of beneficiaries, the PO is likely to have a bias in favor of serving donor needs. Conversely, when beneficiary involvability is higher than donor involvability, a PO may be more inclined to favor beneficiary needs. Hence differential degrees of stakeholder involvability in POs create a dispositional tendency for imbalance.

FIGURE 1
Scatterplot of donor and beneficiary involvability



We also found that POs feature a variety of organizational practices that augment or restrict the involvement of stakeholders and thereby either aggravate or correct a given PO's dispositional imbalance. Table 4 provides a number of examples of practices that either aggravate or remedy such imbalances. The first part of the table lists examples of aggravating and correcting organizational practices in POs where beneficiary involvability is higher than donor involvability. In the second part of the table we provide examples of aggravating and correcting organizational practices in POs where donor involvability is higher than beneficiary involvability. Because POs are dual-objective organizations whose economic function is to mediate the needs and interests of beneficiaries and donors, correcting possible imbalances is a core corporate governance challenge for POs. Hence:

Proposition 5: *The core corporate governance challenge of POs is to balance the interests of donors and beneficiaries in organizational decision-making and accountability practices*.

A Typology of POs

Based on our analyses, we have conceived POs as dual-objective organizations whose economic function is to mediate between its donors and beneficiaries, whose core governance challenge is to balance the needs and interests of these two primary stakeholder groups. Because donors and beneficiaries often differ with respect to their involvability in organizational processes, we have predicted that this balance tends to be tipped in favor of one of the two as a matter of fact. We now zoom in on the subtly different governance challenges that different types of PO are confronted with. Using the notion of stakeholder involvability as the underlying theoretical dimension we develop a typology that articulates how different types of POs face different governance challenges (see Figure 2). We denote each type of PO with a name that is intended to capture its distinctive governance challenges.

Caregivers

The POs located in the top-left cell are organizations with high beneficiary involvability and low donor involvability, making their organizational processes prone to being beneficiary-centered. We therefore denote these types of POs as 'Caregivers'. The most important governance challenge of Caregivers is to avoid the over-representation of beneficiary needs such that the PO delivers

TABLE 4

Organizational practices that aggravate or remedy PO’s dispositional tendencies for imbalance

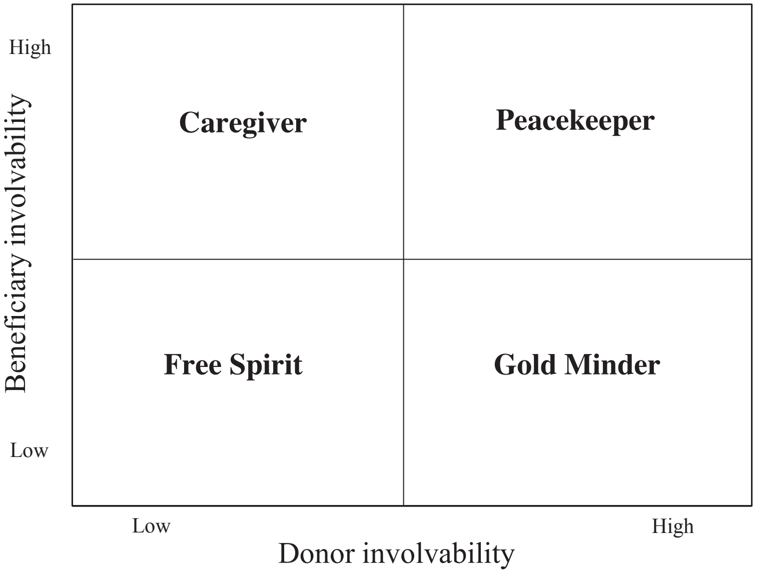
		Aggravating imbalance		Correcting imbalance
Beneficiary involvability > donor involvability	C18	This PO builds houses nearby hospitals where parents of sick children can stay during their child's treatment. The involvability of the beneficiaries, i.e. the guests of the houses, is high. For each house a separate foundation is established where volunteers are responsible for acquiring donations and maintaining the house. Because these volunteers are in very close contact with the beneficiaries, they tend to use the donations to fund whatever it is that they believe the beneficiaries need, irrespective of whether it is in line with the PO's objectives. Such practices lead to excessive beneficiary representation in decision-making.	C22	This PO has a long-term and close relationship with its beneficiaries, while its donors are highly dispersed and sometimes unknown to the PO. The CEO attempts to correct for this imbalance by putting significant effort to have face-to-face contact with donors, for example by organizing in-house days and gatherings. The CEO said: "one of the things I make sure I do is to remember by heart who my donors are, what they do, what they want, where they are. [...], you try to build some kind of personal relationship with those people because that gives them a sense of openness and transparency".
	C26	This is a grant-making foundation that received its endowment almost 400 years ago. Since the original donor passed away, donor involvability is extremely low. In such cases the PO is only accountable to the Dutch government because of the tax exemption it receives. Even though this PO is one of the largest endowments funds in our sample, it is one of the few POs that does not publish a public annual report. Such lack of transparency aggravates the under-representation of donors in accountability practices.	C24	This is a large hybrid grant-making organization that derives its income from an endowment as well as from street fundraising, lotteries, and donor advised funds. Donor involvability is therefore low. The PO's beneficiaries are cultural institutions located in The Netherlands with whom the PO has close contact through its local offices. The respondent talked about the PO's intention to adopt a new approach: "we actually want to move more in the direction of becoming a broker between our donors and the cultural institutions". The PO is now accepting donor advised funds where the donor specifies exactly to which cultural institutions the donations must go. The respondent explained that in this situation: "they [the donors] take care of the funding, and we [the PO] provide the back office. We take care of the financial management of the funds because they don't know how to do that." This approach allows for much more donor representation in the PO's grant-making decisions.
	C33	This PO offers volunteering opportunities for people that have been unemployed for a long time due to minor physical or mental problems or language barriers. Through volunteering the PO helps them to obtain valuable work experiences and skills to integrate in society. It is a very small and locally operating PO that is primarily driven by serving the needs of its beneficiaries. The relative under-representation of donor interests in decision-making and accountability is enhanced by the fact that the CEO was not aware of the existence of the Dutch Fundraising Office, and also never applied for a certificate of good governance.		

TABLE 4 (*continued*)

Organizational practices that aggravate or remedy PO's dispositional tendencies for imbalance

		Aggravating imbalance		Correcting imbalance
Beneficiary involvability < donor involvability	C12	This is a corporate foundation working in the area of healthcare, whose sole donor is a company. Donor dominance in decision-making is aggravated in this PO by the fact that when it receives grant applications that concern healthcare for children, it immediately rejects it because the company is a liquor producer. The respondent explained: "I already notice with certain grant applications, for example for babies or neonatal nursing... because if you engage with school children.. then we are already extremely reserved, it doesn't matter how young they are [...] we just don't want to enter a grey area where people can accuse us of some kind of promotion of [brand name] to youngsters."	C02	This PO is a Dutch family foundation that was established less than ten years ago. Donor involvability is therefore high. The PO supports a very wide range of activities of which beneficiary involvability varies per project. While in the initial years the whole family was strongly involved in designing and managing the PO, now that the key focus areas have been identified, only the son of the family has formal power as the chairman of the PO's board, which reduced the PO's tendency to favor donor interests over beneficiary interests in organizational processes and corrects imbalance.
	C21	This is an association that protects natural reserves in The Netherlands. The respondent explained that the goose population has been growing so rapidly that it is causing problems to other natural reserves and that therefore, it might be better to kill a number of these geese. He said "So this topic has been raised in the last years and we talk about it with the General Assembly. We talk about it intensely; not once, but I believe three times, before we make a decision. If the General Assembly says 'hell no!', then we are not going to do it." This example shows how much weight the PO gives to donor preferences in decision-making. Such practices aggravate imbalance by favoring donor preferences rather than beneficiary needs in decision-making.	C07	This is an animal rescue and protection organization, and because its beneficiaries are animals, their involvability is extremely low. The PO is an association with many local offices across the country, each operated by volunteers. Donor involvement became excessive as volunteers just started doing what they saw fit rather than following the specific goals and activities outlined by the association. The PO corrected for the over-representation of donors by reducing the number of local offices from 100 to 20 and staffing each local office with an employee who manages the volunteers.
			C11	This is an environment protection organization that due to its target group, i.e. nature and animals, faces low beneficiary involvability. To avoid the over-representation of donors in organizational practices the PO chose not to accept donations from powerful donors. On their website they explicitly state that: "[PO name] is independent. So we do not accept donations from companies or subsidies from governments." Such practices reduce donor representation in governance processes and correct imbalance.

FIGURE 2
A typology of POs



services that beneficiaries are keen on receiving but donors are not willing to fund. C22 is exemplary in this respect. This PO lends music instruments to talented musicians who do not have the resources to buy these instruments themselves. Its employees are in close contact with its beneficiaries and are highly knowledgeable about both the music instruments and the classical music industry. The respondent of C22 explained that for the first time they see their waiting list shortening as the demand for instruments decreases. They are also noticing, however, that musicians are in increasing need of advice on how to manage their careers, and that oftentimes they seek this advice from the PO's employees because of their unique expertise. C22 is now faced with a dilemma of whether to satisfy the remaining demand for instruments and then continue to operate as a simple collection conservator, or to act upon this emerging need and start delivering advisory services to beneficiaries to help them further their musical careers. To avoid that the decision will only reflect beneficiary needs, the PO's director intensively discusses this dilemma with the board of directors. He acknowledges that he is "just a director on a payroll", and that the board, the founder, and the donors will have an important say. Well-governed Caregivers, hence, are POs that guard against the over-representation of beneficiary needs in organizational processes by adopting governance practices that reduce beneficiary involvement or enhance donor involvement.

Gold Minders

The POs located in the bottom-right cell have the exact opposite features. These POs are predisposed to be more donor-centered in their organizational processes as their donor involvability is higher than their beneficiary involvability. Since these POs tend to be concerned mostly with securing their resources, we call them 'Gold Minders'. The most important risk that these POs face is that the interests of donors may dominate organizational processes such that such POs find themselves delivering services that donors are keen on supporting, but beneficiaries are not served by receiving, a phenomenon known as philanthropic particularism (Salamon, 1987). A respondent from a Gold Minder in the development aid sector (C32) coined the term 'money-driven behavior', and said that: "Personally, I think that programs and content should always be leading. [However] a very big stumbling block for many organizations in The Netherlands is that we have become money-driven. […] [For example;] the EU says that there is money available for the Great Lake area, and there we go! All of them [i.e. POs] start developing programs for the Great Lake area. And this is not because they first made an assessment of where the needs are most pressing, or where their added value lies, cause that might very well be in another area." The main governance challenge of Gold Minders is therefore to avoid the excessive donor involvement. C32 attempts to accomplish this by broadening its financial donor portfolio and decreasing its dependence on any single or small group of donors. Large multinational POs (e.g. C23 & C29) are able to reduce donor involvement by locating the program division in the international headquarters, while country offices are charged with fundraising, which is an effective way to remedy excessive donor involvement.

Peacekeepers

The stakeholders of POs located in the top-right cell tend to be highly involved in organizational processes. As a consequence, these POs always find themselves involved in complex negotiations and compromises. We therefore denote these POs as 'Peacekeepers'. Theoretically, these POs might be considered to be subject to the most favorable governance conditions as both beneficiaries and donors can be relatively easily involvable in organizational processes. In practice, however, Peacekeepers perceive their challenges to be particularly pressing, not only because beneficiaries and donors often place conflicting claims on the PO, but also because of the difficulty related to managing the decision-making process. C13 is an association that coaches people going through a difficult time. It relies on 13.000 volunteers to provide these coaching services, who are managed by 84 local offices, which are supervised by 5 district offices. When we asked the respondent about their main governance challenge, she said: "Decision-making… that it takes so much time. Especially if you want to be decisive, or sometimes, you have to be responsive, you have to go through all those layers. And also, with such a democratic form, you always end up making compromises and this not always the best thing for the organization because it makes us lose focus and strength." Since key stakeholders are easily involvable in the organization, Peacekeepers do not need governance practices compensating for the lack of involvement. Rather, they must adopt practices that remedy possible over-involvement of both stakeholder groups so as to enable more efficient and swift decision-making. C34 is similar to C13 in terms of structure, and is seen by many respondents as a best practice organization. C34 reduced the involvement of donors and beneficiaries by changing its structure; while initially it was an association of small local associations and foundations, it is now one large association that oversees local offices. Because the local offices are no longer autonomous legal entities, the association has more control over their activities.

Free Spirits

The beneficiaries and donors of POs located in the bottom-left of the matrix are only limitedly involvable in the organization. As a result, these types of POs tend to act as ‘Free Spirits’. Although theoretically Free Spirits are subject to the worse corporate governance conditions, respondents from these types of POs did not perceive their corporate governance challenges to be all that pressing. We explain this finding by the fact that, in stark contrast to Peacekeepers, whose decisions are constantly challenged by different stakeholders, the decisions of Free Spirits are in fact under-challenged. Hence, the most important risk of Free Spirits is that they become unresponsive to the needs and interest of their primary stakeholders. To avoid this, Free Spirits must self-discipline and proactively search for ways to remedy for the lack of donor and beneficiary involvement. C05 is an endowment fund and an exemplary Free Spirit. Its beneficiaries are young children in developing countries, and the PO goes out of its way to collect knowledge on beneficiary needs and incorporate it in strategic decisions; “We consult with the operational organizations that we fund, we also consult with researchers, with international organizations like the WHO or the Worldbank and other experts in the field who are not home to us in any kind of way, so they don’t have grants from us. We go through all the strategic planning work like this. Then we go to the countries, do the same thing all over again, country-level data, baseline research, talking with people from the countries who may or may not have grants from us, but are engaged in early childhood.” C05’s donor is a Dutch philanthropist who passed away many years ago. Although the donor cannot be involved in the PO anymore, the CEO feels a strong moral responsibility to be transparent and accountable to the general public. Among the Dutch grant-making organizations, C05 is considered to be a pioneer in transparency, performance evaluation, and impact measurement, and the CEO proactively advocates more transparency in the sector. Collectively, these governance practices attempt to remedy the PO’s tendency to under-represent both donor and beneficiary needs.

Having distinguished four types of POs based on their different degrees of donor and beneficiary involvability and the resulting dispositional imbalance in their primary stakeholder relationships, we articulate our final proposition about PO governance practices:

> ***Proposition 6:*** *The corporate governance of POs consists of involvement enhancing and involvement restricting practices that correct for the potential over- or under-representation of donors and beneficiaries in the PO's organizational processes.*

Conclusion and Discussion

This study has *theoretically* defined POs as formal organizations without owners that produce goods or services for one stakeholder group that are predominately paid for by another stakeholder group, and that hence do not have a single, stakeholder group whose interests are leading in organizational governance. Using a comparative case study research design on an analytic sample of 34 Dutch POs, it has then *empirically* developed the foundational tenets of a general theory of PO governance on this theoretical foundation.

This theory understands POs as organizational intermediaries between donor and beneficiary interests, which in the absence of a market for philanthropic goods or services are not spontaneously aligned by the market. The core prediction of the theory is that due to the differential degree in which the donors and beneficiaries are involvable in organizational practices, different types of POs will feature different dispositional tendencies to incorporate donor and beneficiary interests in organizational processes. After developing a typology showing how different types of POs face subtly different governance challenges, we have shown how involvement enhancing or restricting governance practices may functionally contribute to meeting the core PO governance challenge of mediating and balancing the interests of a POs primary stakeholder groups. We now outline how our nascent theory of PO governance may contribute to research on corporate governance, the role stakeholder theory in corporate governance, and on the governance of social enterprises.

Broadening the Scope of Corporate Governance Research

Our theory contributes first and foremost to the corporate governance literature in which agency theory has long functioned as a field-defining theoretical framework (Dalton et al., 2007). The dominance of agency theory in corporate governance research can to a large part be attributed to the fact that the separation of ownership and control in public firms came to serve as an "exemplar" (Kuhn, 1970: postscript) for the theory's application (Shleiffer & Vishny, 1997), but the unique fit between agency theory and the empirical context of public firms also explains why agency theory is less suitable for guiding research on other forms of ownership and enterprise organization (Hansmann, 1996). Although modified forms of agency theory have been applied to other organizational forms, such as family firms (Schulz, Lubatkin, Dino & Buchholtz, 2001), research has shown that family firm governance may also be fruitfully guided by a more context specific theory, such as the socio-emotional wealth maximization approach (Gomez-Mejia, *et al*. 2011), for example.

Aiming to develop a context specific theory of PO governance, our study shows, first, that even organizations that have no owners face daunting corporate governance challenges, and that these challenges are more comprehensive than those faced by public firms. This is, second, because in the absence of a market for philanthropic goods or services, the governance challenges of POs simultaneously involve decision-making and accountability practices, which broadens the focus of most governance research on accountability practices. Third, by showing that the core governance challenge of POs is to mediate and balance the interests of its two primary stakeholder groups, this study demonstrates *how* governance research may fruitfully broaden the explanatory focus away from any particular stakeholder group, such as shareholders for example, or from any specific objective function, such as shareholder value maximization (Jensen, 2002), to a broader array of corporate constituencies, organizational objectives and organizational forms. As such, our study heeds to recent calls to expand the explanatory focus of corporate governance research to include the variety of existing organizational forms and the complex stakeholder environments in which contemporary organizations operate (Starbuck, 2014; Tihanyi, Graffin & George, 2014).

Although our nascent theory was developed specifically to guide and refocus empirical research on PO governance, it may also contribute to governance research on other organizational forms, such as social enterprises, or to the development of other theories guiding corporate governance research, such as stakeholder theory, for example. We now explore possible contributions of our theory to these academic fields of interest.

An Exemplar for the Use of Stakeholder Theory in Corporate Governance Research

Because we found that the economic function and core governance challenge of POs is to mediate and balance the interests of its two primary stakeholder groups, our theory seems uniquely suited to contribute to the development of stakeholder theory (Laplume, Sonpar & Litz, 2008). POs are an exemplar for the further development of stakeholder theory in corporate governance research, because they involve a paradigmatic application of stakeholder theory (Kuhn, 1970), similar to how the separation of ownership and control in public firms came to serve as an exemplar for the application of agency theory in corporate governance research. We see two contributions to stakeholder theory that demonstrate the fruitfulness of POs as a research context.

Although the notion that firms must balance the interests of its stakeholders to optimally create value is central to stakeholder theory (Freeman, 1984), surprisingly little is known about *how* this balancing takes place. An important reason for this is that existing research has mostly studied the outcomes of stakeholder management rather than stakeholder management as a governance process. Specifically, the bulk of empirical work on stakeholder theory has either investigated the organizational consequences (Barnett & Salomon, 2012; and Jones, Willness & Madey, 2014) or antecedents (e.g Darnall, Henriques & Sadorsky, 2010; Murillo-Luna, Garces-Ayerbe & Rivera-Torres, 2008) of different levels of stakeholder management activities, while only few studies (e.g.

Reynolds, Schultz, & Hekman, 2006; Delmas & Toffel, 2008) have researched the process of managing and balancing the often conflicting interests of multiple stakeholder groups.

This study sheds some light into the black box of stakeholder management as a governance practice by showing that stakeholder management is to an important degree about managing the involvability of different stakeholder groups in organizational decision-making and accountability processes. Like the POs in this study, organizations can balance the interests of their stakeholders by adopting governance practices that either restrict, or remedy for the lack of stakeholder involvement in organizational processes, in order to secure an optimal balance between stakeholder interests. We urge future research to zoom in on the governance practices through which firms manage the involvability of their stakeholders.

More specifically, our findings speak to the stakeholder theory literature on stakeholder identification and salience. A prominent view is that a stakeholder group is salient to managers when it possesses three attributes; power, legitimacy and urgency (Mitchell, Agle & Wood, 2001). The two main stakeholders of POs tend to possess only two of these attributes. Beneficiaries are legitimate stakeholders that often have urgent claims but typically do not have the power to impose these claims on the PO. Donors, on the other hand, are both powerful and legitimate stakeholders but their demands are typically not urgent. Mitchell and colleagues' predict that stakeholders that possess two attributes are more salient to managers than stakeholders who possess only one attribute, but less salient than stakeholders who possess all three. Their theory, however, does not answer the question which stakeholder is more salient when two or more stakeholders possess the same number of attributes, as is characteristically the case for POs.

By introducing the notion of stakeholder involvability, our study may contribute to resolving this issue. Stakeholder involvability captures the extent to which it *would* be possible for an organization to involve a given stakeholder group in its governance processes. When stakeholders are individually identifiable, physically approachable and capable of effective and meaningful communication with mangers, it is easier for managers to learn about the stakeholders' interests and involve these in organizational processes. Thus, based on our research we predict that when two or more stakeholders possess the same number of stakeholder attributes, decision-makers tend to prioritize the interests of that stakeholder group whose voice is most easily heard. This finding implies that aside from the specific attributes of a particular stakeholder group, stakeholder salience also depends on the attributes of the relationship between the stakeholder and the organization, and specifically on how easy it is to engage with a given stakeholder group.

Natural Extensions of our Theory: The Governance of Social Enterprises and Hybrids

Although the theory outlined in this study was developed specifically for POs, it can be extended to the governance of all organizations having a non-paying stakeholder group that is critical for performing its economic function. Social enterprises are an obvious case in point, as they typically serve both clients who pay for the goods or services delivered, as well as beneficiaries who are non-paying third party stakeholders who consume the goods or services produced by the social enterprise. Seen from the perspective of our theory, the core governance challenge of social enterprises is to ensure that the interests of their clients and beneficiaries are mediated and well-balanced through organizational governance practices.

Recent findings in the emerging literature on hybrid organizations can be seen to provide empirical support for the core predictions of our theory (Battilana & Dorado, 2010; Pache & Santos, 2010; Pache & Santos, 2013). Social enterprises are hybrid organizations because they combine organizational practices resulting from both the commercial and social institutional logics that shape their mission. Battilana and Dorado (2010), for example, studied microfinance organizations and concluded that to be sustainable, these organizations must "strike a balance between the logics they combine" (p. 1419). They also document that microfinance organizations face the risk of mission drift because they have a tendency to prioritize "the banking logic over the development one" (p. 1423).

This is finding echoes a similar tendency we found to characterize the Gold Minder type of POs we describe.

Likewise, Pache and Santos (2013) studied work integration social enterprises and present empirical evidence consistent with the imbalance correcting governance practices we describe in this study. They found that in order to gain legitimacy in the work integration field, for profit social enterprises adopt the majority of the practices enacting the social welfare logic rather than the commercial logic. Seen from the governance theory developed in this study, such practices may also serve to enhance beneficiary involvement while restricting client involvement, and thereby contribute to correcting the dispositional tendency for imbalance between client and beneficiary interests that burden social enterprises.

Our nascent theory can even be extended to audit firms, who in advanced market economies provide third party assurance in respect to the financial disclosures of public firms (Healy & Palepu, 2001). Similar to the POs and social enterprises, audit firms create value for *one* stakeholder group that is critical for performing its economic function, i.e. investors, but are paid for by *another* primary stakeholder group, i.e. the public firms whose disclosures audit firms serve to verify. Like POs and social enterprises, audit firms have been found to prioritize the needs and interests of their paying clients over those of its other primary stakeholders, and even over the interests of society at large, as is evidenced by the recurrent gatekeeper failures and the severe economic crises that these failures have contributed to (Coffee, 2002; Partnoi, 2006; Sikka, 2009). Our nascent theory may not only help us to further understand the governance challenges and practices of gatekeeper firms in general, but may ultimately also contribute to shaping the governance practices of such firms in order to reduce the chance of gatekeeper failures in the future.

References

Anheier, H.K. 2005. ***Nonprofit Organizations: Theory, management, Policy***, London, UK: Routledge.

Arrow, K.J. 1974. ***The Limits of Organization***. John Brockman Associates, New York.

Baber, W.R., Daniel, P.L. & Roberts, A.A. 2002. Compensation to managers of charitable organizations: An empirical study of the role of accounting measures of program activities. ***Accounting Review***, 77(3): 679-693.

Bansal, T. 2013. Inducing frame-breaking insights through qualitative research. ***Corporate Governance: An International Review***, 21(2): 127-130.

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.

Battilana, J. & Dorado, S. 2010. Building sustainable hybrid organizatins: The case of commercial microfinance organizations. ***Academy of Management Journal***, 53(6): 1419-1440.

Bolton, P. & Mehran, H. 2006. An introduction to the governance and taxation of not-for-profit organizations. ***Journal of Accounting and Economics***, 41(3): 293-305.

Brody, E. 1996. Agents without principals: The economic convergence of the nonprofit and for-profit organizational forms. ***New York Law School Law Review***, 40(3): 457-536.

Brown, E. & Slivinski, A. 2006. Nonprofit organizations and the market. In W.W. Powell & R. Steinberg (Eds.), ***The Non-Profit Sector: A Research Handbook***: 140-158. New Haven & London: Yale University Press.

Bureau of Labor Statistics, accessed via http://www.bls.gov/bdm/entrepreneurship/bdm_chart3.htm

CBF, 2010. Centraal Bureau voor Fondsenwervende Instellingen, website: http://www.cbf.nl/Cijfers/verdeling-sector.php. Accessed September 7 2012.

Coffee, J. C. 2002. Understanding Enron: "It's about the gatekeepers, stupid". ***Business Lawyer***, 57(4): 1403-1420.

Cornforth, C. 2012. Nonprofit governance research: Limitations of the focus on boards and suggestions for new directions. ***Nonprofit and Voluntary Sector Quarterly***, 41(6): 1116-1135.

Dalton, D. R., Hitt, M. A., Certo, S., & Dalton, C. 2007. The fundamental agency problem and its mitigation; Independence, Equity, and the Market for Corporate Control ***The Academy of Management Annals***, 1(1): 1-64.

Darnall, N., Henriques, I. & Sadorsky, P. 2010. Adopting proactive environmental strategy: The influence of stakeholders and firm size. ***Journal of Management Studies***, 47(6): 1072-1094.

Delmas, M.A. & Toffel, M.W. 2008. Organizational responses to environmental demands: opening the black box. ***Strategic Management Journal***, 29(10): 1027-1055.

Donaldson, T. & Preston, L.E. 1995. The stakeholder theory of the corporation: Concepts, evidence and implications. ***Academy of Management Review***, 20(1): 65-91.

Eisenhardt, K.M. 1989. Building theories from case study research. ***Academy of Management Review***, 14(4): 532-550.

Eisenhardt, K.M. & Graebner, M.E. 2007. Theory building from cases: Opportunities and challenges. ***Academy of Management Journal***, 50(1): 25-32.

Fama, E.F. & Jensen, M.C. 1983a. Agency problems and residual claims. ***Journal of Law & Economics***, 26: 327-349.

Fama, E.F. & Jensen, M.C. 1983b. Separation of ownership and control. ***Journal of Law & Economics***, 26: 301-325.

Fremont-Smith, M. & Kosaras, A. 2003. Wrongdoing by officers and directors of charities: A survey of press reports 1995-2002. ***Exempt Organization Tax Review***, 42: 25-51.

Freeman, R.E. 1984. ***Strategic Management: A Stakeholder Approach***. Boston: Pitman.

Gibbert, M., Ruigrok, W. & Wicki, B. 2008. What passes as a rigorous case study? ***Strategic Management Journal***, 29: 1465-1474.

Gomez-Mejia, L.R., Cruz, C., Berrone, P., & Castro, J. de 2011. The bind that ties: Socioemotional wealth preservation in family firms. ***Academy of Management Annals***, 5(1): 653-707.

Graebner, M.E., Martin, J.A. & Roundy, P.T. 2012. Qualitative data: cooking without a recipe. ***Strategic Organization***, 10(3): 276-284.

Hallock, K.F. 2002. Managerial pay and governance in American nonprofits. ***Industrial Relations***, 41(3): 377-406.

Hanlon, G. 1996. “Casino capitalism” and the rise of the “commercialised” service class – an examination of the accountant. ***Critical Perspectives on Accounting***, 7: 339-363.

Hansmann, H. 1980. The Role of Nonprofit Enterprise. ***Yale Law Journal****,* 89(5): 835-902.

Hansmann, H. 1987. Economic theories of nonprofit organization. In W.W. Powell (Ed.), ***The Nonprofit Sector: A Research Handbook****,* Yale University Press, New Haven, Connecticut.

Hansmann, H. 1996. ***The Ownership of Enterprise***, New York: Belknap Harvard.

Hansmann, H. & Kraakman, R. 2000. The essential role of organizational law. ***Yale Law Journal***, 110(3): 387-440.

Healy P.M. & Palepu, K.G. 2001. Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. ***Journal of Accounting and Economics****,* 31(1-3): 405–440.

Hyndman, N. 1990. Charity accounting: An empirical study of the information needs of contributes to UK fund raising charities. ***Financial Accountability and Management***, 6(4): 295-307.

Jegers, M. 2009. “Corporate” governance in nonprofit organizations: A nontechnical review of the economic literature. ***Nonprofit Management & Leadership***, 20(2): 143-164.

Jensen, M.C. 2002. Value maximization, stakeholder theory, and the corporate objective function. ***Business Ethics Quarterly*¸**12(2): 235-256.

Jensen, M. C. & Meckling, W. H. 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure. ***Journal of Financial Economics***, 3: 305-360.

Jick, T.D. 1979. Mixing qualitative and quantitative methods: Triangulation in action. ***Administrative Science Quarterly***, 24:602-611.

Jones, D.A., Willness, C.R. & Madey, S. 2014. Why are job seekers attracted by corporate social performance? Experimental and field tests of three signal-based mechanisms. ***Academy of Management Journal***, 57(2): 383-404.

Keating, E.K. & Frumkin, P. 2003. Reengineering nonprofit financial accountability: Toward a more reliable foundation of regulation. ***Public Administration Review***, 63(1): 3-15.

Kuhn, T. S. 1970. ***The Structure of Scientific Revolutions***., 2nd edn., Chicago: University of Chicago Press.

Laplume, A.O, Sonpar, K. & Litz, R.A. 2008. Stakeholder theory: reviewing a theory that moves us. ***Journal of Management***, 34(6): 1152-1189.

Lincoln, Y.S. & Guba, E.G. 1985. ***Naturalistic inquiry.*** Newbury Park, CA: Sage publications.

Manne, G.A. 1999. Agency costs and the oversight of charitable organizations, ***Wisconsin Law Review***, 227: 230-252.

Manning, P.K. 1982. Analytic induction. In P.K. Manning & R.B. Smith (Eds.), ***A Handbook of Social Science Methods***: 273-302. Cambridge: Ballinger.

Mehan, H. 1979. ***Learning Lessons***. Cambridge: Harvard University Press.

Merton, R.K. & Kendall, P.L. The focused interview. ***American Journal of Sociology***, 41(6): 541-557.

Miller, J.L. 2002. The board as a monitoring organizational activity: The applicability of agency theory to nonprofit boards. ***Nonprofit Management & Leadership***, 12(4): 429-450.

Mitchell, R.K., & Agle, B.R. & Wood, D.J. 1997. Toward a theory of stakeholder identification and salience: defining the principle of who and what really counts. ***Academy of Management***

Review, 22(4): 853-886.
Morgan, D.L. 1993. Focus groups as qualitative research. Thousand Oaks, CA: Sage.
Murillo-Luna, J.L., Garces-Ayerbe, C. & Rivera-Torres, P. 2008. Why do patterns of environmental response differ? A stakeholders' pressure approach. ***Strategic Management Journal***, 29(11): 1225-1240.
National Center for Charitable Statistics. Accessed via: http://nccsdataweb.urban.org/knowledgebase/detail.php?linkID=174&category=118&xrefID=3269.
Ostrower, F. & Stone, M.M. 2006. Governance: Research trends, gaps, and future prospects. In W.W. Powell & R. Steinberg (Eds.), ***The Non-Profit Sector: A Research Handbook***: 612-624. New Haven & London: Yale University Press.
Pache, A-C & Santos, F. 2010. When worlds collide: The internal dynamics of organizational responses to conflicting institutional demands. ***Academy of Management Review***, 35(3): 455-476.
Pache, A-C & Santos, F. 2013. Inside the hybrid organization: Selective coupling as a response to competing institutional logics. ***Academy of Management*** Journal, 56(4): 972-1001.
Partnoy, F. 2006. ***How and why credit rating agencies are not like other gatekeepers***. Working paper no. 07-46, University of San Diego School of Law, San Diego, CA.
Patton, M.Q. 2002. ***Qualitative Research & Evaluation Methods***. Thousand Oaks, CA: Sage Publications.
Pierce, J.L., Kostova, T., & Dirks, K.T. 2001. Toward a theory of psychological ownership in organizations. ***Academy of Management Review***, 26(2): 298-310.
Ploeg, T.J. van der 2010. Nonprofit organizations in the Netherlands. In K.J. Hopt & T. von Hippel (Eds.), ***Comparative Corporate Governance of Non-Profit Organizations****: 73-125*. Cambridge: Cambridge University Press.
Przeworski, A. & Teune, H. 1970. ***The Logic of Comparative Social Inquiry***. New York: John Wiley.
Puyvelde, S. van, Caers, R., Bois, C. du, & Jegers, M. 2012. The Governance of nonprofit organizations: integrating agency theory with stakeholder and stewardship theories. ***Nonprofit and Voluntary Sector Quarterly***, 41(3): 431-451.
Reynolds, S.J., Schultz, F.C. & Hekman, D.R. 2006. Stakeholder theory and managerial decision-making: constraints and implications of balancing stakeholder interests. ***Journal of Business Ethics***, 64(3): 285-301.
Robinson, W.S. 1951. The logical structure of analytic induction. ***American Sociological Review***, 16: 812-818.
Salamon, L.M. 1987. Of market failure, voluntary failure, and third-party government: toward a theory of government-nonprofit relations in the modern welfare state. ***Nonprofit and Voluntary Sector Quarterly***, 16(1-2): 29-49.
Salamon, L.M., Sokolowski, W. & Associates 2004. ***Global Civil Society: Dimensions of the Nonprofit Sector***. Johns Hopkins Comparative Nonprofit Sector Project. Bloomfield, CT: Kumarian Press.
Schulz, W.S., Lubatkin, M.H., Dino, R.N. & Buchholtz, A.K. 2001. Agency relationships in family firms: theory and evidence. ***Organization Science***, 12(2): 99-116.
Shleifer, A. & Vishny, R.W. 1997. A survey of corporate governance. ***Journal of Finance***, 52(2): 737-783.
Starbuck, W. H. 2014. Why Corporate Governance Deserves Serious and Creative Thought. ***The Academy of Management Perspectives***, 28(1): 15-21.
Steinberg, R. 2010. Principal-agent theory and nonprofit accountability. In K.J. Hopt & T. von Hippel (Eds.), ***Comparative Corporate Governance of Non-Profit Organizations****: 73-125*. Cambridge: Cambridge University Press.
Sikka P. 2009. Financial crisis and the silence of the auditors. ***Accounting, Organizations and***

Society, 34(6–7): 868–873.
Tihanyi, L., Graffin, S., & George, G. 2014. Rethinking Governance in Management Research. ***Academy of Management Journal***, 57(6): 1535-1543.
Weisbrod, B.A. 1977. ***The Voluntary Nonprofit Sector***. Lexington, Mass.: D.C. Health & Co.
Yin, R.K. 1981. The case study crisis: Some answers. ***Administrative Science Quarterly*** ¸26: 58-65.
Yin, R.K. 1994. ***Case study research: Design and Methods***. Newbury Park, CA: Sage publications.
Znaniecki, F. 1934. ***The method of sociology***. New York: Farrar & Rinehart.

Appendix C

Scoring Protocol Stakeholder Involvability

Donors

	Are they identifiable?		**Are they approachable?**		**Are they able to communicate effectively?**
0:	Donors are highly dispersed.	0:	PO does not rely on any volunteers.	0:	Donors are not alive anymore.
1:	Donors are volunteers and/or association members, but mostly financial donors.	1:	Donors are located far away from the PO.	1:	PO is a multinational organization where the international headquarter makes all decisions.
2:	Donors are mostly volunteers and/or association members.	1,5	PO relies on some volunteers.	2:	Donors are too numerous.
		2:	Donors are located close by the PO.	3:	Donors are only a few.
3:	Donor is a single family or corporation.	3:	PO relies strongly on volunteers.	3,5:	PO is an association where members have decision-making control.
				4:	Donors are alive and fully run the PO.

Beneficiaries

	Are they identifiable?		**Are they approachable?**		**Are they able to communicate meaningfully?**
0:	PO delivers an aggregate service. Beneficiaries aren't individually identifiable.	0:	Beneficiaries are located in multiple countries abroad.	0:	Beneficiaries are animals or nature.
1:	Most beneficiaries are not individually traceable.	1:	Beneficiaries are located in one country or a few countries abroad.	1:	Beneficiaries are not able to meaningfully communicate.
2:	Beneficiaries are individually traceable but it is difficulty for the PO to do so.	2:	Beneficiaries are located within the same country as the PO.	2:	Beneficiaries are mixed: some are able to communicate meaningfully and some are not.
3:	PO has an individual and formalized relationship with beneficiaries.	3:	Beneficiaries are located within the same city/region as the PO.	3:	Beneficiaries are able to communicate meaningfully but they are not knowledgeable enough to provide useful feedback.
				4:	Beneficiaries are able to communicate meaningfully.

Thesis Summary

This PhD thesis lies at the intersection of stakeholder theory and corporate governance research. Stakeholder theory proposes that firms are best understood as a set of relationships among groups that have a stake in the activities of the firm. Corporate governance research, on the other hand, has almost exclusively focused on the owners of firms as it deals with the question of how decision-making structures and accountability practices should be designed within organizations, such that owners can ensure themselves of getting a return on their investment. By adopting a stakeholder theory lens to corporate governance, I seek to broaden the theoretical and empirical scope of corporate governance such that various stakeholder groups can be included in the analysis of the corporate governance of organizations.

A good example that illustrates the necessity of a broader stakeholder approach to corporate governance is the recent emission-scandal by Volkswagen. A majority of Volkswagen's shareholders as well as its supervisory board consisted of insiders; members of the Porsche family, and representatives of both Volkswagen's workforce and the state of Lower Saxony (the home state of Volkswagen). The latter two groups obviously shared a common goal: protecting jobs at Lower Saxony's biggest employer. With a lack of independent and external scrutiny by other shareholders, regulators or consumers, growth, employment and profits became the dominant metrics that governed Volkswagen. When Volkswagen discovered that its diesel engines were not able to pass US emission tests, it decided to attach cheat devices to its vehicles and prioritize production gains over environmental sustainability and public health. The Volkswagen debacle illustrates that the primacy of shareholder interests in corporate governance certainly does not always lead to an optimal outcome for other stakeholders, as is typically assumed in the economic literature. In fact, excessively pursuing the interests of one stakeholder group might strongly damage the interests of another stakeholder group. This PhD thesis focuses on exactly this problem: How can organizations balance, the often conflicting, interests of multiple stakeholders in corporate governance? I attempt to answer this question by conducting three empirical studies that each focus on a specific stakeholder-balancing problem.

The first empirical study is about Corporate Social Responsibility (CSR). Firms that invest in CSR are firms that allocate more resources to satisfy the needs and demands of their stakeholders than would be necessary by law. Conventional economic theory tells us that the sole purpose of firms is to maximize profits for shareholders, and that such extralegal activities are damaging to shareholders. I challenge this proposition and study how CSR investments affect the financial performance of firms. I conducted a meta-analysis, which is a method that aggregates empirical findings of other research papers to draw overall conclusions about a given relationship. I found that CSR has a positive effect on firm performance, and I identified four specific strategic advantages of CSR to firms. That is, CSR may boost a firm's reputation, enhance its endorsement by stakeholders, reduce its risk exposure, and improve its innovative capacity. Thus, this study illustrates that if firms succeed to reap strategic benefits from stakeholder management, it is certainly possible to create value for both stakeholders as well as shareholders.

Study 2 focuses on what I refer to as Corporate Social Irresponsibility (CSI) or, in others words, corporate acts of misconduct. The goal of this study is to research how much firms are financially punished for their CSI, and how corporate governance plays a role in reducing the prevalence of CSI. Most corporate governance practices are designed to ensure shareholders that managers will take decisions that improve the share value of the firm. These practices can be grouped into practices that enhance the monitoring of managers and practices that financially incentivize managers. I investigated whether these practices, which are designed to protect shareholder interests, also serve to protect the interests of non-shareholding stakeholders. I conducted another meta-analysis. Overall, the findings show that CSI has a negative but modest effect on firm financial performance. In addition, I found that corporate governance practices that enhance monitoring also reduce CSI, while corporate governance practices that offer financial incentives, actually enhance CSI. This implies that certain practices commonly adopted to protect shareholder interests may result in managerial actions that damage the interests of non-shareholding stakeholders.

While Study 1 and 2 are based on publicly listed, for profit organizations, Study 3 looks at a completely different type of organization: the Philanthropic Organization (PO). POs are an ideal type organization to study stakeholder management because they are organizations with no formal ownership. Unlike for-profit firms, POs do not have an ultimate stakeholder group such as shareholders whose interests are leading in decision-making and accountability. Instead, POs have multiple primary stakeholder groups who each have a legitimate claim on the organization. Through a qualitative study, I sought to understand how POs govern for stakeholders. By means of a typology I theorize that the balancing of donor and beneficiary interests in corporate governance represents the key governance challenge of POs. I illustrate that different types of POs face a subtly different governance challenge. While one might be inclined to over-involve donors at the expense of beneficiaries in corporate governance, others have a tendency to under-involve donors and over-involve beneficiaries. Different types of POs must therefore adopt different governance practices to strike a balance between the extent of involvement of the two stakeholders in corporate governance.

The three empirical studies in this thesis examine three specific stakeholder-balancing problems. Study 1 and 2 focused on the tension between shareholders and non-shareholding stakeholders of firms. While Study 1 showed that it is possible to pursue a stakeholder strategy without compromising shareholder profits, Study 2 revealed that it is unlikely that firms that pursue shareholder profits are able to do so without compromising stakeholders' interests. This interesting asymmetry is a novel insight to the stakeholder management literature. Study 3 brings POs as an organizational form on the radar of stakeholder management scholars and reveals the dynamics that determine which stakeholder interests are prioritized in corporate governance when there are no shareholders.

Even though there is a growing consensus among scholars that the currently dominant shareholder-centered understanding of corporate governance needs rethinking, very few researchers have actually attempted to empirically explore the intricacies of a stakeholder-centered approach to corporate governance. This PhD Thesis puts 'the finger on the sore spot' and empirically investigates *how* organizations balance the interests of stakeholders in corporate governance by studying three distinct stakeholder-balancing problems in organizations. Theoretically, this thesis offers novel insights that contribute to a closer integration of stakeholder theory and corporate governance research, and practically, it inform managers about the potential consequences of their stakeholder management decisions and policymakers in the development of corporate governance reforms.

Samenvatting (Dutch Summary)

Dit proefschrift ligt op het snijpunt van stakeholder theorie en corporate governance research. Volgens stakeholder theorie kunnen organisaties het beste gezien worden als een reeks relaties tussen groepen die allen een belang hebben in de activiteiten van de organisatie. Corporate governance daarentegen, richt zich bijna uitzonderlijk op de eigenaren van organisaties. De kernvraag in deze literatuur is dan ook hoe besluitvorming en de verantwoording daarover in organisaties het beste vormgegeven dienen te worden zodat eigenaren een redelijk rendement op hun investering kunnen bewerkstelligen. Door een stakeholder perspectief toe te passen op corporate governance, probeer ik zowel de theoretische als empirische scope van corporate governance te verbreden zodat meerdere stakeholders in acht genomen kunnen worden in de analyse van de corporate governance van organisaties.

Het belang van een stakeholder perspectief op corporate governance wordt duidelijk geïllustreerd door het recente emissieschandaal van Volkswagen. De meerderheid van zowel de aandeelhouders als van de raad van commissarissen van Volkswagen bestond uit insiders: de familie Porsche, en vertegenwoordigers van Volkswagen werknemers en van de Duitse deelstaat Nedersaksen (de thuisbasis van Volkswagen). De laatste twee groepen hadden een duidelijk gemeenschappelijk doel: de banen beschermen van de grootste werkgever van Nedersaksen. Door een gebrek aan onafhankelijk of extern toezicht door andere aandeelhouders, klanten of de overheid, werden groei, werkgelegenheid en winst de dominante maatstaven waarmee Volkswagen werd gegoverned. Toen Volkswagen erachter kwam dat hun dieselmotoren de Amerikaanse emissietesten niet konden behalen, besloot het sjoemelsoftware te installeren aan de motoren. Hiermee verkoos Volkswagen productie voordelen boven het milieu en volksgezondheid. Het Volkswagen debacle laat zien dat voorrang geven aan de belangen van aandeelhouders in corporate governance zeker niet altijd leid tot een optimaal resultaat voor andere stakeholders, zoals vaak veronderstelt wordt in de economische theorie. Sterker nog, het overmatig nastreven van de belangen van een bepaalde stakeholder groep kan

sterke negatieve gevolgen hebben voor de belangen van een andere stakeholder groep. Dit proefschrift focust zich precies op dit soort probleemstukken: Hoe kunnen organisaties de belangen van verschillende stakeholders balanceren in corporate governance? Ik probeer deze vraag te beantwoorden met behulp van drie empirische studies die zich richten op een specifiek stakeholder management probleem.

De eerste empirische studie gaat over Maatschappelijk Verantwoord Ondernemen (MVO). Organisaties die investeren in MVO zijn organisatie die meer middelen toewijzen aan het nakomen van stakeholder belangen dan wettelijk is voorgeschreven. Veel klassieke economische literatuur beweert dat de enige doelstelling van organisaties is om winsten te creëren voor aandeelhouders. Hieruit volgt dat MVO schadelijk zou kunnen zijn. Studie 1 is een meta-analyse naar de relatie tussen MVO en de winstgevendheid van bedrijven bedoeld om deze propositie te testen. Een meta-analyse is een methode waarbij de bevindingen van andere onderzoeken worden geaggregeerd om een algehele conclusie te trekken over een relatie. Mijn resultaten wijzen op een positieve relatie tussen investeringen in MVO en bedrijfsresultaat. Ook onderscheid ik vier specifieke manieren waarbij organisaties MVO op een strategische wijze kunnen inzetten; om hun reputatie te verbeteren, om instemming van stakeholders te verkrijgen, om blootstelling aan risico's te verminderen, en om de innovatiecapaciteit te vergroten. Deze resultaten laten zien dat wanneer organisaties hun stakeholders strategisch managen, het wel degelijk mogelijk is om waarde te creëren voor zowel stakeholders als aandeelhouders.

Studie 2 is een onderzoek naar wat ik noem Maatschappelijk Onverantwoord Ondernemen (MOO), of met andere woorden, misdragingen door organisaties. Het doel van dit onderzoek is bestuderen hoe streng bedrijven financieel worden gestraft voor MOO en hoe corporate governance een rol speelt in het verminderen van MOO. De meeste bestaande corporate governance praktijken zijn bedoeld om aandeelhouders ervan te verzekeren dat managers hun belangen in acht nemen bij het runnen van de organisatie. Deze praktijken kunnen onderverdeeld worden in praktijken die leiden tot meer toezicht op managers, en praktijken die financiële prikkels bieden aan managers. Ik onderzoek of deze praktijken, naast het beschermen van de belangen van aandeelhouders, ook de belangen van niet-aandeelhoudende stakeholders kunnen beschermen. Op basis van een andere meta-analyse vind ik dat MOO een negatief, maar bescheiden effect heeft op de winstgevendheid van organisaties. Bovendien laten de resultaten zien dat praktijken die leiden tot meer toezicht op managers, ook MOO verminderd, terwijl praktijken die managers financieel prikkelen, MOO juist versterkt. Hieruit blijkt dus dat sommige corporate governance praktijken die de belangen van eigenaren beschermen, de belangen van andere stakeholders juist kunnen schaden.

Terwijl Studie 1 en 2 gebaseerd zijn op de beursgenoteerde, commerciële onderneming, gaat Studie 3 over een compleet andere organisatievorm: de Filantropische Organisatie (FO). FOs zijn een ideale type organisatie om stakeholder management te onderzoeken omdat het een organisatievorm is die formeel geen eigenaarschap kent. In tegenstelling tot bedrijven hebben FOs zonder eigenaren geen ultieme stakeholder groep wiens belangen een leidraad vormen in besluitvorming en verantwoording. FOs hebben juist meerdere primaire stakeholders waarvan ieder een legitieme claim (kan) hebben op de organisatie. Door middel van een kwalitatieve studie probeer ik een beter begrip te krijgen van hoe FOs de belangen van deze verschillende stakeholdergroepen tegen elkaar afwegen. Op basis van de bevindingen ontwikkel ik een typologie waarin ik theoretiseer dat de voornaamste governance uitdaging van FOs is om de belangen van donoren en begunstigden evenwichtig te balanceren in besluitvorming en verantwoording. Terwijl de ene type FO de neiging heeft om donoren veel meer te betrekken in corporate governance dan begunstigden, kan de andere type juist geneigd zijn begunstigden veel meer te betrekken. Verschillende typen FOs moeten dus verschillende soorten praktijken toepassen om de belangen van stakeholders op een evenwichtige manier te behartigen.

De drie empirische studies in dit proefschrift bestuderen een specifiek stakeholder management probleem. Study 1 en 2 focussen zich op het spanningsveld tussen aandeelhouders en niet-aandeelhoudende stakeholders. Terwijl Studie 1 laat zien dat het mogelijk is om een stakeholder strategie te volgen zonder daarbij aandeelhouders te benadelen, laat Studie 2 juist zien dat bedrijven die voornamelijk winsten voor aandeelhouders nastreven, dit in veel gevallen niet kunnen doen zonder stakeholders te benadelen. Deze asymmetrie brengt een nieuwe en interessante dynamiek in stakeholder management voor het voetlicht. Studie 3 zet FOs als organisatievorm op de radar van managementwetenschappers en identificeert de variabelen die verklaren welke stakeholder groep geprioriteerd worden in de corproate governance.

Hoewel de consensus onder wetenschappers groeit dat het dominante corporate governance model waarin aandeelhouders centraal staan toe is aan vernieuwing, hebben nog maar weinig wetenschappers geprobeerd empirisch te onderzoeken hoe dan precies een corporate governance model waarin stakeholders centraal staan eruit ziet. Dit proefschrift legt de vinger op de zere plek en onderzoekt empirisch *hoe* organisaties de belangen van verschillende stakeholders met elkaar afwegen in corporate governance in drie specifieke stakeholder management settings. Bij elkaar genomen levert dit proefschrift nieuwe theoretische aanknopingspunten om stakeholder theorie en corporate governance beter met elkaar te integreren. In meer praktische zin helpt dit proefschrift managers beter begrijpen wat de consequenties zijn van bepaalde stakeholder management praktijken en beslissingen, en informeert het beleidsmakers in de ontwikkeling van corporate governance hervormingen.

About the Author

Pushpika Vishwanathan (Colombo, Sri Lanka, 1986), currently Assistant Professor at the Amsterdam Business School, University of Amsterdam, first joined ERIM in 2007 as an MPhil student. She obtained her MSc in Philosophy & Business Research with distinction, and started as a PhD Candidate in December 2009. Pushpika's PhD research was conducted within ERIM, at the Business-Society Management Department of RSM, as well as the Erasmus Center for Strategic Philanthropy. Her research centers on the interplay between strategy and ethics, with a particular focus on corporate governance, stakeholder management, and organizational design. Her research has been featured in numerous international conferences including the Academy of Management Annual Meeting, European Group for Organization Studies Colloquium, Academy of International Business, and the Alliance for Research on Corporate Sustainability. Two of her papers have been published in the Academy of Management's Best Paper Proceedings, and one paper was runner-up for the Best Paper Award at the European Academy of Management. In 2011, Pushpika received the Best Reviewer Award in the Social Issues in Management division of the Academy of Management. One of Pushpika's dissertation chapters has received an R&R from the Journal of Management Studies, and another chapter is currently in the third round of review at the Strategic Management Journal. Next to her academic activities, Pushpika was the Chair of the ERIM MPhil Council, and a member of the organizing committee of the PREBEM Conference in Rotterdam. She also participated in the open consultation of the 2014 Review of the OECD Principles of Corporate Governance.

Author portfolio

PROCEEDINGS

Vishwanathan, P. 2010. The Elusive Relationship between Corporate Social and Financial Performance: Meta-Analyzing Four Decades of Misguided Evidence. **Published in *Academy of Management Best Papers Proceedings***, 2010, Montreal, Canada.

Vishwanathan, P. 2014. Theoretically Meaningful but Economically Unsustainable: The Case of Political CSR. **Published in *Academy of Management Best Papers Proceedings***, 2014, Philadelphia, U.S.

SELECTED WORK IN PROGRESS

Vishwanathan, P., Heugens, P.P.M.A.R., Essen, M. van & Oosterhout, J. van 2016. Assessing the 'Mechanisms Turn' in Corporate Social and Financial Performance Studies: A Meta-Analysis. **Third round of R&R at *Strategic Management Journal*.**

Heugens, P.P.M.A.R., Vishwanathan, P., Essen, M. van & Oosterhout, J. van. 2011. Is Irresponsible Unsustainable? A Meta-analysis on the Corporate Social Irresponsibility – Performance Relationship. **First round of R&R at *Journal of Management Studies.***

Vishwanathan, P. & Oosterhout, J. van. 2016. Stakeholder Management and Corporate Governance in Philanthropic Organizations. **In preparation for submission at *Academy of Management Journal.***

ACADEMIC ACHIEVEMENTS

2014: Submission featured in the Best Paper Proceedings, Academy of Management Meeting, Social Issues in Management Division (top ≈ 10 percent of submissions)

2013: Nominated for PhD of the Year Award by EPAR (Erasmus PhD Association Rotterdam)

2012: Finalist for Best Paper Award by EURAM (European Academy of Management)

2011: Best Reviewer Social Issues in Management Division, Academy of Management

2010: Submission featured in the Best Paper Proceedings, Academy of Management Meeting, Social Issues in Management Division (top ≈ 10 percent of submissions)

FOCAL CONFERENCE PRESENTATIONS

2015: *Governance without Ownership: A Qualitative Study of the Corporate Governance of Philanthropic Organizations*. European Research Network on Philanthropy Conference, ESSEC Business School, Paris, France.

2015: *Governance without Ownership: A Qualitative Study of the Corporate Governance of Philanthropic Organizations*. EGOS (European Group of Organization Studies) Colloquium, Athens, Greece.

2014: *Governance without Ownership: A Qualitative Study of the Corporate Governance of Philanthropic Organizations*. International Association for Business & Society, Sydney, Australia.

2014: *Theoretically Meaningful but Economically Unsustainable: The Case of Political CSR*. Academy of Management Annual Meeting, Philadelphia, U.S.

2013: *Governance without Ownership: A Qualitative Study of the Corporate Governance of Philanthropic Organizations*. Academy of Management Annual Meeting, Orlando, U.S.

2013: *Theoretically Meaningful but Economically Unsustainable: The Case of Political CSR*. Ivey/ARCS 6th annual PhD Sustainability Academy, 2013, Richard Ivey Business School, Canada.

2011: *Institutional Contingencies in the Corporate Social and Financial Relationship: A Meta-Analysis*. Academy of International Business, Nagoya, Japan.

2011: *Is Irresponsible Unsustainable? A Meta-analysis on the Corporate Social Irresponsibility – Performance Relationship*. Third Annual Alliance for Research on Corporate Sustainability (ARCS) Conference, Wharton School, U.S.

2010: *Is Irresponsible Unsustainable? A Meta-analysis on the Corporate Social Irresponsibility – Performance*

Relationship. *Society for the Advancement of Management Studies*, Journal of Management Studies Special Issue Conference, Loughborough University, United Kingdom.

2010: *The Elusive Relationship between Corporate Social and Financial Performance: Meta-Analyzing Four Decades of Misguided Evidence*. Academy of Management Annual Meeting, Montreal, Canada.

OUTREACH

2014: Participated in the open consultation of the 2014 Review of the OECD Principles of Corporate Governance.

2011 – 2014: Presented my research on a number of practitioner events of philanthropic organizations.

2010 – 2011: Co-organized the 12th PREBEM Conference on Business Economics and Management.

2010 – present: Reviewed for Academy of Management annual meetings, International Association for Business & Society, Nonprofit & Voluntary Sector Quarterly.

TEACHING

2014: Lecturer & Coordinator, Undergraduate course: Academic Writing. Student evaluation: 4.7 out of 5.

2014: Guest Lecturer, Graduate course: The Corporate Governance of Nonprofit Organizations. Student evaluation: 4.4 out of 5.

2014: Guest Lecturer, Graduate course: Stakeholder Management and Corporate Governance. Student evaluation: 4.1 out of 5.

2013: Lecturer, Graduate course: The Corporate Governance of Enterprise Organization. Student evaluation: 3.9 out of 5.

2013: Workshop Lecturer, Undergraduate course: Organization Theory & Dynamics. Student evaluation: 4.0 out of 5.

2011: Guest Lecturer, Executive education: The Corporate Governance Challenges of Philanthropic Organizations. Student evaluation: 4.1 out of 5.

PH.D COURSES

Hierarchical Multiple Regression Analysis
Fuzzy Sets/Qualitative Comparative Analysis
Behavioral Foundations
Economic Foundations
Management Foundations
Research Methodology & Measurement
Qualitative Methods
Statistical Methods
Philosophy of Science
Publishing Strategy
Presentation Skills
Advanced Survey Methods
Advanced Statistical Methods
Advanced Topics in Organizational Theory
Behavioral Decision Theory
Advanced Qualitative Methods
Managerial Economics

LANGUAGE CERTIFICATION

Cambridge English Proficiency (CPE): A Level

ERASMUS RESEARCH INSTITUTE OF MANAGEMENT (ERIM)

ERIM PH.D. SERIES

RESEARCH IN MANAGEMENT

The ERIM PhD Series contains PhD dissertations in the field of Research in Management defended at Erasmus University Rotterdam and supervised by senior researchers affiliated to the Erasmus Research Institute of Management (ERIM). All dissertations in the ERIM PhD Series are available in full text through the ERIM Electronic Series Portal: http://repub.eur.nl/pub. ERIM is the joint research institute of the Rotterdam School of Management (RSM) and the Erasmus School of Economics at the Erasmus University Rotterdam (EUR).

DISSERTATIONS LAST FIVE YEARS

Abbink, E.J., *Crew Management in Passenger Rail Transport*, Promotor(s): Prof.dr.L.G. Kroon & Prof.dr. A.P.M. Wagelmans, EPS-2014-325-LIS, http://repub.eur.nl/pub/76927

Acar, O.A., *Crowdsourcing for Innovation: Unpacking Motivational, Knowledge and Relational Mechanisms of Innovative Behavior in Crowdsourcing Platforms*, Promotor(s):Prof.dr.ir. J.C.M. van den Ende, EPS-2014-321-LIS, http://repub.eur.nl/pub/76076

Akin Ates, M., *Purchasing and Supply Management at the Purchase Category Level:strategy, structure and performance*, Promotor(s): Prof.dr. J.Y.F. Wynstra & Dr. E.M.van Raaij, EPS-2014-300-LIS, http://repub.eur.nl/pub/50283

Akpinar, E., *Consumer Information Sharing*, Promotor(s): Prof.dr.ir. A. Smidts, EPS-2013-297-MKT, http://repub.eur.nl/pub/50140

Alexander, L., *People, Politics, and Innovation: A Process Perspective*, Promotor(s):Prof.dr. H.G. Barkema & Prof.dr. D.L. van Knippenberg, EPS-2014-331-S&E, http://repub.eur.nl/pub/77209

Almeida e Santos Nogueira, R.J. de, *Conditional Density Models Integrating Fuzzy andProbabilistic Representations of Uncertainty*, Promotor(s): Prof.dr.ir. U. Kaymak & Prof.dr. J.M.C. Sousa, EPS-2014-310-LIS, http://repub.eur.nl/pub/51560

Bannouh, K., *Measuring and Forecasting Financial Market Volatility using High-frequency Data*, Promotor(s): Prof.dr. D.J.C. van Dijk, EPS-2013-273-F&A, http://repub.eur.nl/pub/38240

Ben-Menahem, S.M., *Strategic Timing and Proactiveness of Organizations*, Promotor(s): Prof.dr. H.W. Volberda & Prof.dr.ing. F.A.J. van den Bosch, EPS-2013-278-S&E, http://repub.eur.nl/pub/39128

Benning, T.M., *A Consumer Perspective on Flexibility in Health Care: Priority Access Pricing and Customized Care*, Promotor(s): Prof.dr.ir. B.G.C. Dellaert, EPS-2011-241-MKT, http://repub.eur.nl/pub/23670

Benschop, N, *Biases in Project Escalation: Names, frames & construal levels*, Promotors: Prof.dr. K.I.M. Rhode, Prof.dr. H.R. Commandeur, Prof.dr. M.Keil & Dr. A.L.P. Nuijten, EPS-2015-375-S&E, hdl.handle.net/1765/79408

Berg, W.E. van den, *Understanding Salesforce Behavior using Genetic Association Studies*, Promotor(s): Prof.dr. W.J.M.I. Verbeke, EPS-2014-311-MKT, http://repub.eur.nl/pub/51440

Betancourt, N.E., *Typical Atypicality: Formal and Informal Institutional Conformity,Deviance, and Dynamics*, Promotor(s): Prof.dr. B. Krug, EPS-2012-262-ORG, http://repub.eur.nl/pub/32345

Bliek, R. de, *Empirical Studies on the Economic Impact of Trust*, Promotor(s): Prof.dr.J. Veenman & Prof.dr. Ph.H.B.F. Franses, EPS-2015-324-ORG, http://repub.eur.nl/pub/78159

Blitz, D.C., *Benchmarking Benchmarks*, Promotor(s): Prof.dr. A.G.Z. Kemna & Prof.dr.W.F.C. Verschoor, EPS-2011-

225-F&A, http://repub.eur.nl/pub/22624

Boons, M., *Working Together Alone in the Online Crowd: The Effects of Social Motivationsand Individual Knowledge Backgrounds on the Participation and Performance of Members of Online Crowdsourcing Platforms*, Promotor(s): Prof.dr. H.G. Barkema & Dr. D.A. Stam, EPS-2014-306-S&E, http://repub.eur.nl/pub/50711

Brazys, J., *Aggregated Marcoeconomic News and Price Discovery*, Promotor(s): Prof.dr. W.F.C. Verschoor, EPS-2015-351-F&A, http://repub.eur.nl/pub/78243

Burger, M.J., *Structure and Cooptition in Urban Networks*, Promotor(s): Prof.dr. G.A. van der Knaap & Prof.dr. H.R. Commandeur, EPS-2011-243-ORG, http://repub.eur.nl/pub/26178

Byington, E., *Exploring Coworker Relationships: Antecedents and Dimensions of Interpersonal Fit,Coworker Satisfaction, and Relational Models*, Promotor(s): Prof.dr. D.L. van Knippenberg, EPS-2013-292-ORG, http://repub.eur.nl/pub/41508

Camacho, N.M., *Health and Marketing: Essays on Physician and Patient Decision-Making*, Promotor(s): Prof.dr. S. Stremersch, EPS-2011-237-MKT, http://repub.eur.nl/pub/23604

Cancurtaran, P., *Essays on Accelerated Product Development*, Promotor(s): Prof.dr. F.Langerak & Prof.dr.ir. G.H. van Bruggen, EPS-2014-317-MKT, http://repub.eur.nl/pub/76074

Caron, E.A.M., *Explanation of Exceptional Values in Multi-dimensional Business Databases*, Promotor(s): Prof.dr.ir. H.A.M. Daniels & Prof.dr. G.W.J. Hendrikse, EPS-2013-296-LIS, http://repub.eur.nl/pub/50005

Carvalho, L. de, *Knowledge Locations in Cities: Emergence and Development Dynamics*,Promotor(s): Prof.dr. L. Berg, EPS-2013-274-S&E, http://repub.eur.nl/pub/38449

Cox, R.H.G.M., *To Own, To Finance, and To Insure - Residential Real Estate Revealed*,Promotor(s): Prof.dr. D. Brounen, EPS-2013-290-F&A, http://repub.eur.nl/pub/40964

Deichmann, D., *Idea Management: Perspectives from Leadership, Learning, and Network Theory*, Promotor(s): Prof.dr.ir. J.C.M. van den Ende, EPS-2012-255-ORG, http://repub.eur.nl/pub/31174

Deng, W., *Social Capital and Diversification of Cooperatives*, Promotor(s): Prof.dr. G.W.J. Hendrikse, EPS-2015-341-ORG, http://repub.eur.nl/pub/77449

Desmet, P.T.M., *In Money we Trust? Trust Repair and the Psychology of Financial Compensations*, Promotor(s): Prof.dr. D. de Cremer, EPS-2011-232-ORG, http://repub.eur.nl/pub/23268

Dollevoet, T.A.B., *Delay Management and Dispatching in Railways*, Promotor(s):Prof.dr. A.P.M. Wagelmans, EPS-2013-272-LIS, http://repub.eur.nl/pub/38241

Doorn, S. van, *Managing Entrepreneurial Orientation*, Promotor(s): Prof.dr. J.J.P.Jansen, Prof.dr.ing. F.A.J. van den Bosch, & Prof.dr. H.W. Volberda, EPS-2012-258-STR, http://repub.eur.nl/pub/32166

Douwens-Zonneveld, M.G., *Animal Spirits and Extreme Confidence: No Guts, No Glory?*Promotor(s): Prof.dr. W.F.C. Verschoor, EPS-2012-257-F&A, http://repub.eur.nl/pub/31914

Duca, E., *The Impact of Investor Demand on Security Offerings*, Promotor(s): Prof.dr.A. de Jong, EPS-2011-240-F&A, http://repub.eur.nl/pub/26041

Duyvesteyn, J.G. *Empirical Studies on Sovereign Fixed Income Markets*, Promotor(s): Prof.dr P.Verwijmeren & Prof.dr. M.P.E. Martens, EPS-2015-361-F&A, hdl.handle.net/1765/79033

Duursema, H., *Strategic Leadership: Moving Beyond the Leader-Follower Dyad*, Promotor(s): Prof.dr. R.J.M. van Tulder, EPS-2013-279-ORG, http://repub.eur.nl/pub/39129

Eck, N.J. van, *Methodological Advances in Bibliometric Mapping of Science*, Promotor(s): Prof.dr.ir. R. Dekker, EPS-2011-247-LIS, http://repub.eur.nl/pub/26509

Elemes, A, *Studies on Determinants and Consequences of Financial Reporting Quality*, Promotor: Prof.dr. E.Peek, EPS-2015-354-F&A, http://hdl.handle.net/1765/79037

Ellen, S. ter, *Measurement, Dynamics, and Implications of Heterogeneous Beliefs in Financial Markets*, Promotor(s): Prof.dr. W.F.C. Verschoor, EPS-2015-343-F&A, http://repub.eur.nl/pub/78191

Eskenazi, P.I., *The Accountable Animal*, Promotor(s): Prof.dr. F.G.H. Hartmann, EPS-2015-355-F&A, http://repub.eur.nl/pub/78300

Essen, M. van, *An Institution-Based View of Ownership*, Promotor(s): Prof.dr. J. van Oosterhout & Prof.dr. G.M.H. Mertens, EPS-2011-226-ORG, http://repub.eur.nl/pub/22643

Evangelidis, I., *Preference Construction under Prominence*, Promotor(s): Prof.dr. S.M.J. van Osselaer, EPS-2015-340-MKT, http://repub.eur.nl/pub/78202

Faber, N., *Structuring Warehouse Management*, Promotor(s): Prof.dr. MB.M. de Koster, Prof.dr. Ale Smidts, EPS-2015-336-LIS, http://repub.eur.nl/pub/78603

Fernald, K., *The Waves of Biotechnological Innovation in Medicine: Interfirm Cooperation Effects and a Venture Capital Perspective*, Promotor(s): Prof.dr. E.Claassen, Prof.dr. H.P.G.Pennings & Prof.dr. H.R. Commandeur, EPS-2015-371-S&E, http://hdl.handle.net/1765/79120

Fourne, S.P., *Managing Organizational Tensions: A Multi-Level Perspective on Exploration, Exploitation and Ambidexterity*, Promotor(s): Prof.dr. J.J.P. Jansen & Prof.dr.S.J. Magala, EPS-2014-318-S&E, http://repub.eur.nl/pub/76075

Gharehgozli, A.H., *Developing New Methods for Efficient Container Stacking Operations*, Promotor(s): Prof.dr.ir. M.B.M. de Koster, EPS-2012-269-LIS, http://repub.eur.nl/pub/37779

Gils, S. van, *Morality in Interactions: On the Display of Moral Behavior by Leaders and Employees*, Promotor(s): Prof.dr. D.L. van Knippenberg, EPS-2012-270-ORG, http://repub.eur.nl/pub/38027

Ginkel-Bieshaar, M.N.G. van, *The Impact of Abstract versus Concrete Product Communications on Consumer Decision-making Processes*, Promotor(s): Prof.dr.ir. B.G.C.Dellaert, EPS-2012-256-MKT, http://repub.eur.nl/pub/31913

Gkougkousi, X., *Empirical Studies in Financial Accounting*, Promotor(s): Prof.dr.G.M.H. Mertens & Prof.dr. E. Peek, EPS-2012-264-F&A, http://repub.eur.nl/pub/37170

Glorie, K.M., *Clearing Barter Exchange Markets: Kidney Exchange and Beyond*, Promotor(s): Prof.dr. A.P.M. Wagelmans & Prof.dr. J.J. van de Klundert, EPS-2014-329-LIS, http://repub.eur.nl/pub/77183

Hekimoglu, M., *Spare Parts Management of Aging Capital Products,* Promotor: Prof.dr.ir. R. Dekker, EPS-2015-368-LIS, http://hdl.handle.net/1765/79092

Heij, C.V., *Innovating beyond Technology. Studies on how management innovation, co-creation and business model innovation contribute to firm's (innovation) performance*, Promotor(s): Prof.dr.ing. F.A.J. van den Bosch & Prof.dr. H.W. Volberda, EPS-2012-370-STR, http://repub.eur.nl/pub/78651

Heyde Fernandes, D. von der, *The Functions and Dysfunctions of Reminders*, Promotor(s): Prof.dr. S.M.J. van Osselaer, EPS-2013-295-MKT, http://repub.eur.nl/pub/41514

Heyden, M.L.M., *Essays on Upper Echelons & Strategic Renewal: A Multilevel Contingency Approach*, Promotor(s): Prof.dr.ing. F.A.J. van den Bosch & Prof.dr. H.W.Volberda, EPS-2012-259-STR, http://repub.eur.nl/pub/32167

Hoever, I.J., *Diversity and Creativity*, Promotor(s): Prof.dr. D.L. van Knippenberg,EPS-2012-267-ORG, http://repub.eur.nl/pub/37392

Hogenboom, A.C., *Sentiment Analysis of Text Guided by Semantics and Structure*, Promotor(s):Prof.dr.ir. U.Kaymak & Prof.dr. F.M.G. de Jong, EPS-2015-369-LIS, http://hdl.handle.net/1765/79034

Hogenboom, F.P., *Automated Detection of Financial Events in News Text*, Promotor(s): Prof.dr.ir. U. Kaymak & Prof.dr. F.M.G. de Jong, EPS-2014-326-LIS, http://repub.eur.nl/pub/77237

Hollen, R.M.A., *Exploratory Studies into Strategies to Enhance Innovation-Driven International Competitiveness in a Port Context: Toward Ambidextrous Ports*, Promotor(s) Prof.dr.ing. F.A.J. Van Den Bosch & Prof.dr. H.W.Volberda, EPS-2015-372-S&E, hdl.handle.net/1765/78881

Hoogendoorn, B., *Social Entrepreneurship in the Modern Economy: Warm Glow, Cold Feet*, Promotor(s): Prof.dr. H.P.G. Pennings & Prof.dr. A.R. Thurik, EPS-2011-246-STR, http://repub.eur.nl/pub/26447

Hoogervorst, N., *On The Psychology of Displaying Ethical Leadership: A Behavioral Ethics Approach*, Promotor(s): Prof.dr. D. de Cremer & Dr. M. van Dijke, EPS-2011-244-ORG, http://repub.eur.nl/pub/26228

Hout, D.H. van, *Measuring Meaningful Differences: Sensory Testing Based Decision Making in an Industrial Context; Applications of Signal Detection Theory and Thurstonian Modelling*, Promotor(s): Prof.dr. P.J.F. Groenen & Prof.dr. G.B. Dijksterhuis, EPS-2014-304-MKT, http://repub.eur.nl/pub/50387

Houwelingen, G.G. van, *Something To Rely On*, Promotor(s): Prof.dr. D. de Cremer & Prof.dr. M.H. van Dijke, EPS-2014-335-ORG, http://repub.eur.nl/pub/77320

Hurk, E. van der, *Passengers, Information, and Disruptions*, Promotor(s): Prof.dr. L.G. Kroon & Prof.mr.dr. P.H.M. Vervest, EPS-2015-345-LIS, http://repub.eur.nl/pub/78275

Hytonen, K.A., *Context Effects in Valuation, Judgment and Choice: A Neuroscientific Approach*, Promotor(s): Prof.dr.ir. A. Smidts, EPS-2011-252-MKT, http://repub.eur.nl/pub/30668

Iseger, P. den, *Fourier and Laplace Transform Inversion with Applications in Finance*, Promotor(s): Prof.dr.ir. R. Dekker, EPS-2014-322-LIS, http://repub.eur.nl/pub/76954

Jaarsveld, W.L. van, *Maintenance Centered Service Parts Inventory Control*, Promotor(s): Prof.dr.ir. R. Dekker, EPS-2013-288-LIS, http://repub.eur.nl/pub/39933

Jalil, M.N., *Customer Information Driven After Sales Service Management: Lessons from Spare Parts Logistics*, Promotor(s): Prof.dr. L.G. Kroon, EPS-2011-222-LIS, http://repub.eur.nl/pub/22156

Kappe, E.R., *The Effectiveness of Pharmaceutical Marketing*, Promotor(s): Prof.dr. S. Stremersch, EPS-2011-239-MKT, http://repub.eur.nl/pub/23610

Karreman, B., *Financial Services and Emerging Markets*, Promotor(s): Prof.dr. G.A.van der Knaap & Prof.dr. H.P.G. Pennings, EPS-2011-223-ORG, http://repub.eur.nl/pub/22280

Khanagha, S., *Dynamic Capabilities for Managing Emerging Technologies*, Promotor(s): Prof.dr. H.W. Volberda, EPS-2014-339-S&E, http://repub.eur.nl/pub/77319

Kil, J., *Acquisitions Through a Behavioral and Real Options Lens*, Promotor(s): Prof.dr. H.T.J. Smit, EPS-2013-298-F&A, http://repub.eur.nl/pub/50142

Klooster, E. van 't, *Travel to Learn: the Influence of Cultural Distance on Competence Development in Educational Travel*, Promotor(s): Prof.dr. F.M. Go & Prof.dr. P.J. van Baalen, EPS-2014-312-MKT, http://repub.eur.nl/pub/51462

Koendjbiharie, S.R., *The Information-Based View on Business Network Performance: Revealing the Performance of Interorganizational Networks*, Promotor(s): Prof.dr.ir. H.W.G.M. van Heck & Prof.mr.dr. P.H.M. Vervest, EPS-2014-315-LIS, http://repub.eur.nl/pub/51751

Koning, M., *The Financial Reporting Environment: The Role of the Media, Regulators and Auditors*, Promotor(s): Prof.dr. G.M.H. Mertens & Prof.dr. P.G.J. Roosenboom, EPS-2014-330-F&A, http://repub.eur.nl/pub/77154

Konter, D.J., *Crossing Borders with HRM: An Inquiry of the Influence of Contextual Differences in the Adoption and Effectiveness of HRM*, Promotor(s): Prof.dr. J. Paauwe & Dr. L.H. Hoeksema, EPS-2014-305-ORG, http://repub.eur.nl/pub/50388

Korkmaz, E., *Bridging Models and Business: Understanding Heterogeneity in Hidden Drivers of Customer Purchase Behavior*, Promotor(s): Prof.dr. S.L. van de Velde & Prof.dr. D. Fok, EPS-2014-316-LIS, http://repub.eur.nl/pub/76008

Kroezen, J.J., *The Renewal of Mature Industries: An Examination of the Revival of the Dutch Beer Brewing Industry*, Promotor(s): Prof.dr. P.P.M.A.R. Heugens, EPS-2014-333-S&E, http://repub.eur.nl/pub/77042

Kysucky, V., *Access to Finance in a Cros-Country Context*, Promotor(s): Prof.dr. L. Norden, EPS-2015-350-F&A, http://repub.eur.nl/pub/78225

Lam, K.Y., *Reliability and Rankings*, Promotor(s): Prof.dr. Ph.H.B.F. Franses, EPS-2011-230-MKT, http://repub.eur.nl/pub/22977

Lander, M.W., *Profits or Professionalism? On Designing Professional Service Firms*, Promotor(s): Prof.dr. J. van Oosterhout & Prof.dr. P.P.M.A.R. Heugens, EPS-2012-253-ORG, http://repub.eur.nl/pub/30682

Langhe, B. de, *Contingencies: Learning Numerical and Emotional Associations in an Uncertain World*, Promotor(s): Prof.dr.ir. B. Wierenga & Prof.dr. S.M.J. van Osselaer, EPS-2011-236-MKT, http://repub.eur.nl/pub/23504

Legault-Tremblay, P.O., Corporate Governance During Market Transition: Heterogeneous responses to Institution Tensions in China, Promotor: Prof.dr. B. Krug, EPS-2015-362-ORG, http://repub.eur.nl/pub/78649

Lenoir, A.S. *Are You Talking to Me? Addressing Consumers in a Globalised World*, Promotor(s) Prof.dr. S. Puntoni & Prof.dr. S.M.J. van Osselaer, EPS-2015-363-MKT, , http://hdl.handle.net/1765/79036

Leunissen, J.M., *All Apologies: On the Willingness of Perpetrators to Apologize*, Promotor(s): Prof.dr. D. de Cremer & Dr. M. van Dijke, EPS-2014-301-ORG, http://repub.eur.nl/pub/50318

Li, D., *Supply Chain Contracting for After-sales Service and Product Support*, Promotor(s): Prof.dr.ir. M.B.M. de Koster, EPS-2015-347-LIS, http://repub.eur.nl/pub/78526

Li, Z., *Irrationality: What, Why and How*, Promotor(s): Prof.dr. H. Bleichrodt, Prof.dr. P.P. Wakker, & Prof.dr. K.I.M. Rohde, EPS-2014-338-MKT, http://repub.eur.nl/pub/77205

Liang, Q.X., *Governance, CEO Identity, and Quality Provision of Farmer Cooperatives*, Promotor(s): Prof.dr. G.W.J. Hendrikse, EPS-2013-281-ORG, http://repub.eur.nl/pub/39253

Liket, K., *Why 'Doing Good' is not Good Enough: Essays on Social Impact Measurement*, Promotor(s): Prof.dr. H.R. Commandeur & Dr. K.E.H. Maas, EPS-2014-307-STR, http://repub.eur.nl/pub/51130

Loos, M.J.H.M. van der, *Molecular Genetics and Hormones: New Frontiers in Entrepreneurship Research*, Promotor(s): Prof.dr. A.R. Thurik, Prof.dr. P.J.F. Groenen, & Prof.dr. A. Hofman, EPS-2013-287-S&E, http://repub.eur.nl/pub/40081

Lovric, M., *Behavioral Finance and Agent-Based Artificial Markets*, Promotor(s): Prof.dr. J. Spronk & Prof.dr.ir. U. Kaymak, EPS-2011-229-F&A, http://repub.eur.nl/pub/22814

Lu, Y., *Data-Driven Decision Making in Auction Markets*, Promotor(s): Prof.dr.ir. H.W.G.M. van Heck & Prof.dr. W. Ketter, EPS-2014-314-LIS, http://repub.eur.nl/pub/51543

Manders, B., *Implementation and Impact of ISO 9001*, Promotor(s): Prof.dr. K. Blind, EPS-2014-337-LIS, http://repub.eur.nl/pub/77412

Markwat, T.D., *Extreme Dependence in Asset Markets Around the Globe*, Promotor(s): Prof.dr. D.J.C. van Dijk, EPS-2011-227-F&A, http://repub.eur.nl/pub/22744

Mees, H., *Changing Fortunes: How China's Boom Caused the Financial Crisis*, Promotor(s): Prof.dr. Ph.H.B.F. Franses, EPS-2012-266-MKT, http://repub.eur.nl/pub/34930

Mell, J.N., *Connecting Minds: On The Role of Metaknowledge in Knowledge Coordination*, Promotor: Prof.dr.D.L. van

Knippenberg, EPS-2015-359-ORG, http://hdl.handle.net/1765/78951

Meuer, J., *Configurations of Inter-firm Relations in Management Innovation: A Study in China's Biopharmaceutical Industry*, Promotor(s): Prof.dr. B. Krug, EPS-2011-228-ORG, http://repub.eur.nl/pub/22745

Micheli, M.R., *Business Model Innovation: A Journey across Managers' Attention and Inter-Organizational Networks*, Promotor(s): Prof.dr. J.J.P. Jansen, EPS-2015-344-S&E, http://repub.eur.nl/pub/78241

Mihalache, O.R., *Stimulating Firm Innovativeness: Probing the Interrelations between Managerial and Organizational Determinants*, Promotor(s): Prof.dr. J.J.P. Jansen, Prof.dr.ing. F.A.J. van den Bosch, & Prof.dr. H.W. Volberda, EPS-2012-260-S&E, http://repub.eur.nl/pub/32343

Milea, V., *News Analytics for Financial Decision Support*, Promotor(s): Prof.dr.ir. U. Kaymak, EPS-2013-275-LIS, http://repub.eur.nl/pub/38673

Naumovska, I., *Socially Situated Financial Markets: A Neo-Behavioral Perspective on Firms, Investors and Practices*, Promotor(s): Prof.dr. P.P.M.A.R. Heugens & Prof.dr. A. de Jong, EPS-2014-319-S&E, http://repub.eur.nl/pub/76084

Nielsen, L.K., *Rolling Stock Rescheduling in Passenger Railways: Applications in short term planning and in disruption management*, Promotor(s): Prof.dr. L.G. Kroon, EPS-2011-224-LIS, http://repub.eur.nl/pub/22444

Nuijten, A.L.P., *Deaf Effect for Risk Warnings: A Causal Examination applied to Information Systems Projects*, Promotor(s): Prof.dr. G.J. van der Pijl, Prof.dr. H.R. Commandeur & Prof.dr. M. Keil, EPS-2012-263-S&E, http://repub.eur.nl/pub/34928

Osadchiy, S.E., *The Dynamics of Formal Organization: Essays on bureaucracy and formal rules*, Promotor(s): Prof.dr. P.P.M.A.R. Heugens, EPS-2011-231-ORG, http://repub.eur.nl/pub/23250

Ozdemir, M.N., *Project-level Governance, Monetary Incentives, and Performance in Strategic R&D Alliances*, Promotor(s): Prof.dr.ir. J.C.M. van den Ende, EPS-2011-235-LIS, http://repub.eur.nl/pub/23550

Peers, Y., *Econometric Advances in Diffusion Models*, Promotor(s): Prof.dr. Ph.H.B.F. Franses, EPS-2011-251-MKT, http://repub.eur.nl/pub/30586

Peters, M., *Machine Learning Algorithms for Smart Electricity Markets*, Promotor(s): Prof.dr. W. Ketter, EPS-2014-332-LIS, http://repub.eur.nl/pub/77413

Porck, J., *No Team is an Island: An Integrative View of Strategic Consensus between Groups*, Promotor(s): Prof.dr. P.J.F. Groenen & Prof.dr. D.L. van Knippenberg, EPS-2013-299-ORG, http://repub.eur.nl/pub/50141

Porras Prado, M., *The Long and Short Side of Real Estate, Real Estate Stocks, and Equity*, Promotor(s): Prof.dr. M.J.C.M. Verbeek, EPS-2012-254-F&A, http://repub.eur.nl/pub/30848

Poruthiyil, P.V., *Steering Through: How organizations negotiate permanent uncertainty and unresolvable choices*, Promotor(s): Prof.dr. P.P.M.A.R. Heugens & Prof.dr. S.J. Magala, EPS-2011-245-ORG, http://repub.eur.nl/pub/26392

Pourakbar, M., *End-of-Life Inventory Decisions of Service Parts*, Promotor(s): Prof.dr.ir. R. Dekker, EPS-2011-249-LIS, http://repub.eur.nl/pub/30584

Pronker, E.S., *Innovation Paradox in Vaccine Target Selection*, Promotor(s): Prof.dr.H.J.H.M. Claassen & Prof.dr. H.R. Commandeur, EPS-2013-282-S&E, http://repub.eur.nl/pub/39654

Protzner, S. *Mind the gap between demand and supply: A behavioral perspective on demand forecasting*, Promotor(s): Prof.dr. S.L. van de Velde & Dr. L. Rook, EPS-2015-364-LIS, *http*://repub.eur.nl/pub/79355

Pruijssers, J.K., *An Organizational Perspective on Auditor Conduct*, Promotor(s): Prof.dr. J. van Oosterhout & Prof.dr. P.P.M.A.R. Heugens, EPS-2015-342-S&E, http://repub.eur.nl/pub/78192

Retel Helmrich, M.J., *Green Lot-Sizing*, Promotor(s): Prof.dr. A.P.M. Wagelmans, EPS-2013-291-LIS, http://repub.eur.nl/pub/41330

Rietveld, N., *Essays on the Intersection of Economics and Biology*, Promotor(s): Prof.dr. A.R. Thurik, Prof.dr. Ph.D. Koellinger, Prof.dr. P.J.F. Groenen, & Prof.dr. A. Hofman, EPS-2014-320-S&E, http://repub.eur.nl/pub/76907

Rijsenbilt, J.A., *CEO Narcissism: Measurement and Impact*, Promotor(s): Prof.dr. A.G.Z. Kemna & Prof.dr. H.R. Commandeur, EPS-2011-238-STR, http://repub.eur.nl/pub/23554

Rösch, D. *Market Efficiency and Liquidity*, Promotor: Prof.dr. M.A. van Dijk, EPS-2015-353-F&A, http://hdl.handle.net/1765/79121

Roza-van Vuren, M.W., *The Relationship between Offshoring Strategies and Firm Performance: Impact of innovation, absorptive capacity and firm size*, Promotor(s): Prof.dr. H.W. Volberda & Prof.dr.ing. F.A.J. van den Bosch, EPS-2011-214-STR, http://repub.eur.nl/pub/22155

Rubbaniy, G., *Investment Behaviour of Institutional Investors*, Promotor(s): Prof.dr. W.F.C. Verschoor, EPS-2013-284-F&A, http://repub.eur.nl/pub/40068

Schoonees, P. *Methods for Modelling Response Styles*, Promotor: Prof.dr P.J.F. Groenen, EPS-2015-348-MKT, http://repub.eur.nl/pub/79327

Shahzad, K., *Credit Rating Agencies, Financial Regulations and the Capital Markets*, Promotor(s): Prof.dr. G.M.H. Mertens, EPS-2013-283-F&A, http://repub.eur.nl/pub/39655

Sousa, M.J.C. de, *Servant Leadership to the Test: New Perspectives and Insights*, Promotor(s): Prof.dr. D.L. van Knippenberg & Dr. D. van Dierendonck, EPS-2014-313-ORG, http://repub.eur.nl/pub/51537

Spliet, R., *Vehicle Routing with Uncertain Demand*, Promotor(s): Prof.dr.ir. R. Dekker, EPS-2013-293-LIS, http://repub.eur.nl/pub/41513

Staadt, J.L., *Leading Public Housing Organisation in a Problematic Situation: A Critical Soft Systems Methodology Approach*, Promotor(s): Prof.dr. S.J. Magala, EPS-2014-308-ORG, http://repub.eur.nl/pub/50712

Stallen, M., *Social Context Effects on Decision-Making: A Neurobiological Approach*, Promotor(s): Prof.dr.ir. A. Smidts, EPS-2013-285-MKT, http://repub.eur.nl/pub/39931

Tarakci, M., *Behavioral Strategy: Strategic Consensus, Power and Networks*, Promotor(s): Prof.dr. D.L. van Knippenberg & Prof.dr. P.J.F. Groenen, EPS-2013-280-ORG, http://repub.eur.nl/pub/39130

Teixeira de Vasconcelos, M., *Agency Costs, Firm Value, and Corporate Investment*, Promotor(s): Prof.dr. P.G.J. Roosenboom, EPS-2012-265-F&A, http://repub.eur.nl/pub/37265

Troster, C., *Nationality Heterogeneity and Interpersonal Relationships at Work*, Promotor(s): Prof.dr. D.L. van Knippenberg, EPS-2011-233-ORG, http://repub.eur.nl/pub/23298

Tsekouras, D., *No Pain No Gain: The Beneficial Role of Consumer Effort in Decision-Making*, Promotor(s): Prof.dr.ir. B.G.C. Dellaert, EPS-2012-268-MKT, http://repub.eur.nl/pub/37542

Tuijl, E. van, *Upgrading across Organisational and Geographical Configurations*, Promotor(s): Prof.dr. L. van den Berg, EPS-2015-349-S&E, http://repub.eur.nl/pub/78224

Tuncdogan, A., *Decision Making and Behavioral Strategy: The Role of Regulatory Focus in Corporate Innovation Processes*, Promotor(s): Prof.dr.ing. F.A.J. van den Bosch, Prof.dr. H.W. Volberda, & Prof.dr. T.J.M. Mom, EPS-2014-334-S&E, http://repub.eur.nl/pub/76978

Uijl, S. den, *The Emergence of De-facto Standards*, Promotor(s): Prof.dr. K. Blind, EPS-2014-328-LIS, http://repub.eur.nl/pub/77382

Vagias, D., *Liquidity, Investors and International Capital Markets*, Promotor(s): Prof.dr. M.A. van Dijk, EPS-2013-294-

F&A, http://repub.eur.nl/pub/41511

Veelenturf, L.P., *Disruption Management in Passenger Railways: Models for Timetable, Rolling Stock and Crew Rescheduling*, Promotor(s): Prof.dr. L.G. Kroon, EPS-2014-327-LIS, http://repub.eur.nl/pub/77155

Venus, M., *Demystifying Visionary Leadership: In search of the essence of effective vision communication*, Promotor(s): Prof.dr. D.L. van Knippenberg, EPS-2013-289-ORG, http://repub.eur.nl/pub/40079

Vermeer, W., *Propagation in Networks:The impact of information processing at the actor level on system-wide propagation dynamics,* Promotor: Prof.mr.dr. P.H.M.Vervest, EPS-2015-373-LIS, http://repub.eur.nl/pub/79325

Visser, V.A., *Leader Affect and Leadership Effectiveness:How leader affective displays influence follower outcomes*, Promotor(s): Prof.dr. D.L. van Knippenberg, EPS-2013-286-ORG, http://repub.eur.nl/pub/40076

Vlam, A.J., *Customer First? The Relationship between Advisors and Consumers of Financial Products*, Promotor(s): Prof.dr. Ph.H.B.F. Franses, EPS-2011-250-MKT, http://repub.eur.nl/pub/30585

Waltman, L., *Computational and Game-Theoretic Approaches for Modeling Bounded Rationality*, Promotor(s): Prof.dr.ir. R. Dekker & Prof.dr.ir. U. Kaymak, EPS-2011-248-LIS, http://repub.eur.nl/pub/26564

Wang, T., *Essays in Banking and Corporate Finance*, Promotor(s): Prof.dr. L. Norden & Prof.dr. P.G.J. Roosenboom, EPS-2015-352-F&A, http://repub.eur.nl/pub/78301

Wang, Y., *Information Content of Mutual Fund Portfolio Disclosure*, Promotor(s): Prof.dr. M.J.C.M. Verbeek, EPS-2011-242-F&A, http://repub.eur.nl/pub/26066

Wang, Y., *Corporate Reputation Management: Reaching Out to Financial Stakeholders*, Promotor(s): Prof.dr. C.B.M. van Riel, EPS-2013-271-ORG, http://repub.eur.nl/pub/38675

Weenen, T.C., *On the Origin and Development of the Medical Nutrition Industry*, Promotor(s): Prof.dr. H.R. Commandeur & Prof.dr. H.J.H.M. Claassen, EPS-2014-309-S&E, http://repub.eur.nl/pub/51134

Wolfswinkel, M., *Corporate Governance, Firm Risk and Shareholder Value*, Promotor(s): Prof.dr. A. de Jong, EPS-2013-277-F&A, http://repub.eur.nl/pub/39127

Yang, S., *Information Aggregation Efficiency of Prediction Markets*, Promotor(s): Prof.dr.ir. H.W.G.M. van Heck, EPS-2014-323-LIS, http://repub.eur.nl/pub/77184

Zaerpour, N., *Efficient Management of Compact Storage Systems*, Promotor(s): Prof.dr.ir. M.B.M. de Koster, EPS-2013-276-LIS, http://repub.eur.nl/pub/38766

Zhang, D., *Essays in Executive Compensation*, Promotor(s): Prof.dr. I. Dittmann, EPS-2012-261-F&A, http://repub.eur.nl/pub/32344

Zwan, P.W. van der, *The Entrepreneurial Process: An International Analysis of Entry and Exit*, Promotor(s): Prof.dr. A.R. Thurik & Prof.dr. P.J.F. Groenen, EPS-2011-234-ORG,http://repub.eur.nl/pub/23422

Erasmus Research Institute of Management - ERiM

GOVERNING FOR STAKEHOLDERS

HOW ORGANIZATIONS MAY CREATE OR DESTROY VALUE FOR THEIR STAKEHOLDERS

Pushpika Vishwanathan (Colombo, Sri Lanka, 1986), currently Assistant Professor at the Amsterdam Business School, University of Amsterdam, first joined ERIM in 2007 as an MPhil student. She obtained her MSc in Philosophy & Business Research with distinction, and started as a PhD Candidate in December 2009. Pushpika's PhD research was conducted within ERIM, at the Business-Society Management Department of RSM, as well as the Erasmus Center for Strategic Philanthropy. Her research centers on the interplay between strategy and ethics, with a particular focus on corporate governance, stakeholder management, and organizational design. Her research has been featured in numerous international conferences including the Academy of Management Annual Meeting, European Group for Organization Studies Colloquium, Academy of International Business, and the Alliance for Research on Corporate Sustainability. Two of her papers have been published in the Academy of Management's Best Paper Proceedings, and one paper was runner-up for the Best Paper Award at the European Academy of Management. In 2011, Pushpika received the Best Reviewer Award in the Social Issues in Management division of the Academy of Management. One of Pushpika's dissertation chapters has received an R&R from the Journal of Management Studies, and another chapter is currently in the third round of review at the Strategic Management Journal. Next to her academic activities, Pushpika was the Chair of the ERIM MPhil Council, and a member of the organizing committee of the PREBEM Conference in Rotterdam. She also participated in the open consultation of the 2014 Review of the OECD Principles of Corporate Governance.

ERiM

The Erasmus Research Institute of Management (ERIM) is the Research School (Onderzoekschool) in the field of management of the Erasmus University Rotterdam. The founding participants of ERIM are the Rotterdam School of Management (RSM), and the Erasmus School of Economics (ESE). ERIM was founded in 1999 and is officially accredited by the Royal Netherlands Academy of Arts and Sciences (KNAW). The research undertaken by ERIM is focused on the management of the firm in its environment, its intra- and interfirm relations, and its business processes in their interdependent connections.

The objective of ERIM is to carry out first rate research in management, and to offer an advanced doctoral programme in Research in Management. Within ERIM, over three hundred senior researchers and PhD candidates are active in the different research programmes. From a variety of academic backgrounds and expertises, the ERIM community is united in striving for excellence and working at the forefront of creating new business knowledge.

ERIM PhD Series
Research in Management

Erasmus Research Institute of Management - ERiM
Rotterdam School of Management (RSM)
Erasmus School of Economics (ESE)
Erasmus University Rotterdam (EUR)
P.O. Box 1738, 3000 DR Rotterdam,
The Netherlands

Tel. +31 10 408 11 82
Fax +31 10 408 96 40
E-mail info@erim.eur.nl
Internet www.erim.eur.nl

Design & layout: B&T Ontwerp en advies (www.b-en-t.nl) Print: Haveka (www.haveka.nl)