THEORETICALLY MEANINGFUL BUT ECONOMICALLY UNSUSTAINABLE: THE CASE OF POLITICAL CSR

Abstract

Using advanced meta-analytic techniques on a sample of 105 primary studies performed in 23 different countries, this study provides an empirical analysis of the institutional contingencies that shape the CSR-CFP relationship. After identifying three different types of institutional pressures on CSR—i.e. instrumental, political and isomorphic pressures—we find that firms only experience positive financial returns in institutional contexts where CSR serves either strategic or legitimizing purposes. In contrast, firms engaging in CSR in institutional contexts that elicit a more political approach suffer significantly negative performance consequences. Ironically, these findings both support the conceptual distinction of political CSR as a separate type of CSR, and question its longer-term sustainability as a corporate strategy.

Keywords: corporate citizenship, financial performance, institutions, political CSR.

INTRODUCTION

What kind of institutional context best rewards socially responsible practices of firms? That is the central questions this paper seeks to answer. While a vast and growing amount of research exists on the relationship between Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP) that has identified a host of firm level factors as relevant contingencies explaining why some firms are more able than other firms to achieve financial benefits from their CSR (e.g. Russo & Fouts, 1997; Berman, Wicks, Kotha & Jones, 1999; Hull & Rothenberg, 2008), we currently know very little about how country level institutional factors condition the CSR-CFP relationship. At the same time however, the notion that institutional characteristics matter in understanding CSR is increasingly emphasized by the recent rise of the comparative institutional perspective on CSR (cf. Doh & Guay, 2006; Aguilera, Rupp, Williams & Ganapathi, 2007; Campbell, 2007; Matten & Moon, 2008; Scherer & Palazzo, 2011). In this emerging stream of literature, scholars observe that forms of social responsibility differ between countries and can potentially be explained by different institutional contexts providing different motivations for firms to engage in CSR. A key question, therefore, is how the institutional context shapes firm level CSR policies and how this affects the CSR-CFP relationship.

Building on the comparative institutional literature on CSR, this study identifies three different institutional environments that are likely to influence the CSR-CFP relationship because they provide different opportunities and motivations for firms to pursue CSR. In the first context that we identify, firms are subject to instrumental institutional pressures to act socially responsibly. Firms in this context practice CSR because it is beneficial to them, for example because it allows them to follow a differentiation strategy and improve their competitive position (McWilliams & Siegel, 2001; Porter & Kramer, 2006), or because it helps them to build a reservoir of goodwill to protect against potential reputation damages

(Schnietz & Epstein, 2005; Godfrey, 2005; Peloza, 2006). The discourse on the business case for CSR typically deals with such instrumental forms of CSR (for reviews, see Margolis & Walsh, 2003 and Orlitzky, Schmidt, & Rynes, 2003). In the second type of institutional context firms are subject to political institutional pressures and engage in CSR because it is beneficial to society at large. Firms in this context assume a state-like-role and engage in self-regulation to fill governance gaps that national governments have left behind in their efforts to privatize, liberalize and deregulate their increasingly global economies (Matten & Moon, 2008; Scherer & Palazzo, 2011; Brammer, Jackson & Matten, 2012). Firms, however, do not always adopt management practices because they have some degree of functional value, but also engage in certain behaviors as a response to strong pressures of institutional isomorphism (DiMaggio & Powell, 1983; Crouch, 2005). The third context that we identify, therefore, induces socially cohesive motivations and opportunities for CSR (Kang & Moon, 2012). Firms in this context act socially responsibly because it enables them to maintain or enhance their legitimacy (Matten & Moon, 2008; van Oosterhout & Heugens, 2008). Even though the theoretical logics underlying each of these institutional pressures for CSR are rather different, all three of their corresponding bodies of literature either implicitly or explicitly assume that these CSR activities improve a firm's financial performance. The main aim of this paper is to assess to what extent these assumptions are actually true.

To unveil how the institutional environment conditions the CSR-CFP relationship is most likely to prevail, we perform a meta-analysis because it offers the opportunity to combine the results of "multiple single-country studies into one multi-country study" (van Essen, van Oosterhout & Heugens, 2013: 531). We collected the partial correlations of the CSR and CFP relationship reported in 105 primary studies and conducted a Meta-Analytical Regression Analysis (MARA: Lipsey & Wilson, 2001). In contrast to regular regression analyses where the dependent variable is a score on a single variable, in MARA the dependent variable is a partial correlation between two variables, and this allows us to interpret the independent variables in the analysis as moderators of the focal relationship. Another advantage of MARA is that it provides the opportunity to supplement our dataset with archival data and create variables that were not part of any of the primary studies in our meta-analysis. We identified seven institutional characteristics, each linked to one of three institutional contexts identified above, and collected additional secondary data on them. By studying the moderating effect of these institutional variables on the focal relationship, we were able to test which kind of institutional context mostly rewards socially responsible practices of firms.

Our findings show that institutional characteristics of countries are important moderators of the CSR-CFP relationship. We find that the focal relationship tends to be positive and significant in institutional environments that induce instrumental motivations and opportunities for CSR. We also find that when CSR is triggered by coercive isomorphic pressures the CSR-CFP relationship tends to be significant and positive as well. When CSR is 'explicit' (Matten & Moon, 2008), however, and firms engage in socially responsible behavior to fill governance gaps, the focal relationship is significantly negative. These findings reveal an interesting paradox. The concept of CSR grew out of a discontent with the strong focus on shareholder value maximization, and it was introduced to bring the needs and demands of other stakeholders into the picture that are also affected by the firm's operations (Donaldson & Preston, 1995; Freeman, 1984). However, when organizations actually pursue CSR activities in an institutional context where they matter most and can create the greatest value for these stakeholders, CSR activities are not rewarded by higher financial performance. Instead, companies only benefit from CSR financially when it is used as a strategic or legitimizing tool. Our findings hence suggest that political CSR is counterproductive for firms and therefore raise doubts on the sustainability of private corporations acting as providers of public goods.

THEORY & HYPOTHESES

The search for contingencies that explain the heterogeneity in both the direction and the strength of the CSR-CFP relationship is certainly not an underexplored research avenue. In fact, unpacking the causal mechanisms, or the 'black box', underlying the CSR-CFP relationship has occupied scholars for a good part of the last two decades. Stakeholder salience (Peloza & Papania, 2008), stakeholder relations (Jones, 1995; Choi & Wang, 2009), stakeholder influence capacity (Barnett, 2007), industry growth rate (Russo & Fouts, 1997), extent of R&D spending (McWilliams & Siegel, 2001), and reputation building (Godfrey, Merrill & Hansen, 2009) are just some examples of the proposed underlying mechanisms. These findings however, have not succeeded to offer a conclusive understanding of the factors that condition the CSR-CFP relationship. Since existing literature has primarily focused on firm-level and industry-level contingencies, we believe that the search for institutional moderators might be more fruitful.

In the following section we will discuss three different types of institutional pressures that could influence the CSR-CFP relationship; instrumental pressures, political pressures and isomorphic pressures. To test their moderating effects we identified specific country-level variables that capture these different institutional pressures and formulate hypotheses on their expected effect on the focal relationship.

Instrumental Institutional Pressures

As the name suggests, instrumental institutional pressures appeal to the understanding of firms and their members as self-interested and rational actors that pursue superior outcomes (Blaug, 1992; Mueller, 2004). CSR, hence, is practiced because it is seen as strategically valuable to overcome certain organizational challenges. Reviewing the existing CSR-CFP literature we identify two strategic applications of CSR that have received significant theoretical attention as well as empirical support; CSR as a competitive advantage (McWilliams & Siegel, 2001; McWilliams, Siegel & Wright, 2006; Porter & Kramer, 2006), and CSR as a reservoir of goodwill (Schnietz & Epstein, 2005; Godfrey, 2005; Peloza, 2006; Godfrey et al., 2009). Respectively, we propose that the extent of competition and the degree of civic activism in a country represent two instrumental institutional pressures that encourage the strategic use of CSR.

When firms operate in countries where the level of domestic and foreign competition is very high, they have to search for inventive ways to maintain their competitive position in the marketplace. CSR offers such an opportunity because it is a popular means of achieving product differentiation (McWilliams & Siegel, 2001; Porter & Kramer, 2006). By investing in R&D organizations can develop product and process innovations that are in some way linked to CSR, such as for example non-animal tested cosmetics or fair-trade coffee. When such initiatives are successfully marketed it allows firms to ask premium prices for their products (McWilliams & Siegel, 2001), increase customer satisfaction and loyalty (Luo & Bhattacharya, 2006), and penetrate new but related markets (Porter & Kramer, 2006). Since such a differentiation strategy is found to increase the financial performance of firms, we expect that in highly competitive countries the CSR-CFP relationship tends to be more positive because the competitive context promotes a strategic use of CSR.

Next to a means of differentiation, CSR is also found to have ‘insurance-like’ properties. By engaging in CSR organizations generate positive moral capital among their stakeholders (Godfrey, 2005), which in times of reputational crises has been found to buffer them against financial losses (Schnietz & Epstein, 2005; Godfrey et al., 2009). Firms suffer reputational damage when negative events are publicized, but whether such publicity turns into a crisis typically depends on the general public's response to it. Schnietz and Epstein (2005), for example, studied the 1999 Seattle WTO meeting where the problem of environmental and labor abuse by multinationals was discussed. The WTO meeting attracted the attention of tens and thousands of protestors who ended up in violent demonstrations against retailers such as Nike and Gap. Around the time of these events, many organizations experienced significantly negative abnormal returns (Schnietz & Epstein, 2005). We therefore expect that the extent of civic activism, which refers to the extent to which a country has a strong civic culture of political engagement and participation, predicts the use of CSR as a reservoir of goodwill (Campbell, 2007). Since firms that invest in building a CSR-based safety net are less prone to financial risks (Schnietz & Epstein, 2005; Godfrey et al., 2009), we hypothesize that the CSR-CFP relationship is positively moderated by the extent of civic activism in a country:

Hypothesis 1a: The CSR-CFP relationship is more positive in an institutional context where the level of competition is high.

Hypothesis 1b: The CSR-CFP relationship is more positive in an intuitional context where the level of civic activism is high.

Political Institutional Pressures

The political conception of CSR is premised on the notion that under conditions of globalization, where borders and jurisdictions become increasingly ambiguous and the division of labor between private and public actors blurs, the ability of nation states to control and regulate companies diminishes (Matten and Crane, 2005; van Oosterhout, 2010; Scherer & Palazzo, 2011). This decline of government authority has led to greater insecurity and increased social costs as global governance gaps emerge (Scherer, Palazzo & Matten, 2009; Gjølberg, 2009). Through political CSR, companies actively assume a state-like role by defining, implementing and providing global public goods and filling the regulatory vacuum (Scherer & Palazzo, 2011). Political CSR, therefore, represents a functional response of companies to the societal problems that result from globalization.

Besides its value for society, political CSR is also argued to create value for the organization itself (Scherer & Palazzo, 2012). Industry self-regulation, for example, may provide financial benefits to firms by decreasing their risk exposure and enhancing their trustworthiness. With respect to environmental performance for example, an incident by a poor performer can lead to reputational damage to the entire industry due to spillover effects, and result in costly regulatory interventions by the state (King & Lenox, 2000). Industry self-regulation, on the other hand, can mitigate such threats (Campbell, 2007). In addition, self-regulation or voluntary certification reveals information to stakeholders such as potential buyers and suppliers about organizational behaviors which otherwise would have been hidden (King, Lenox & Terlaak, 2005). By reducing such information asymmetries firms can signal superior environmental performance and enhance their trustworthiness. Political CSR, therefore, is likely to positively affect a firm's financial performance.

Political forms of CSR, however, do not take place in any institutional environment but are rather triggered by certain institution-level factors. First, since political CSR is closely coupled with the rapid pace of economic globalization and the resulting 'post-Westphalian' order (Scherer, Palazzo & Matten, 2009), we expect that political CSR occurs primarily in countries with a high level of globalization. Second, since political CSR involves filling the voids in global governance, and environmental externalities of firms are typical examples of global governance problems (Hart, 2005; Marcus & Fremeth, 2009), we also expect that countries with a big ecological footprint induce stronger incentives for firms to engage in political CSR. We thus hypothesize that socially responsible behavior of firms is more likely to advance CFP in institutional contexts that provide stronger incentives and create greater opportunities for political CSR:

Hypothesis 2a: The CSR-CFP relationship is more positive in an institutional context where the level of globalization is high.

Hypothesis 2b: The CSR-CFP relationship is more positive in an intuitional context with a big ecological footprint.

Isomorphic Institutional Pressures

The adoption of management and governance practices by firms is traditionally conceived of as a rational act and their prevalence is typically explained by their ability to minimize costs and maximize value creation. Aguilera and Jackson (2003) have aptly argued however, that institutional embeddedness, which results from conformance to constraints and expectations of institutions, also plays an important role in predicting organizational behavior. The institutional approach has proven to be very insightful in understanding CSR and the cross-country differences in socially responsible behavior more specifically. Working from the notion that the different institutional environments render organizations normatively inclined towards different behaviors, scholars have argued that firms operating in countries with strong institutions for the social embedding of the economy, also face strong isomorphic pressures for the social embedding of their own activities (Doh & Guay, 2006; Matten & Moon, 2008; Gjølberg, 2009). We expect that the CSR behaviors prompted by such isomorphic pressures positively affect firm financial performance through the increased legitimacy that these activities help to acquire (Deephouse, 1996; Heugens & Lander, 2009). More specifically, since CSR activities strengthen the social bonds between the organization, its employees, and its local community, it provides companies with a unique opportunity to integrate into the social fabric of its environment (Gardberg & Fombrun, 2006). Firms that are institutionally well embedded, and thus, are more legitimate, have a stronger reputation (Suchman, 1995), enjoy easier access to critical resources (Parsons, 1960), are better able to procure strategic advantages (Dacin, Oliver & Roy, 2007), and in the case of multinationals, are able to overcome their liability of foreignness (Gardberg & Fombrun, 2006). Hence, firms that practice CSR in an institutional context with strong isomorphic pressures for CSR enhance their legitimacy and consequently, are able to achieve higher CFP.

We propose that two forms of institutional isomorphic pressures are relevant to CSR: coercive and mimetic isomorphic pressures. Coercive isomorphism results from both formal institutions, such as political regulation, and informal institutions, such as cultural expectations (DiMaggio & Powell, 1983). A popular classification in CSR research of the degree of regulation in national systems is the variety of capitalisms approach (e.g. Matten & Moon, 2008; Gjølberg, 2009; Kang & Moon, 2012). This approach distinguishes between two modes of coordination; liberal market economies, where relations between firms and other actors are coordinated through competitive markets, and coordinated market economies, where firms engage in strategic long-term interactions with trade unions, suppliers of finance, and other actors (Hall & Soskice, 2001). Because coordinated market economies have more formal policies and more active enforcement of issues relevant to CSR (e.g. environmental protection, health and safety and labor standards) than liberal market economies, CSR tends to be more coercively institutionalized in these countries and organizations tend to face stronger coercive isomorphic pressures to engage in CSR.

Similarly, national cultures can also induce coercive isomorphic pressures (DiMaggio & Powell, 1983). The most commonly studied cultural dimension is the extent of individualism vs. collectivism (Earley & Gibson, 1998). In an individualistic culture more importance is ascribed to individual freedom and achievement whereas in a collectivist culture collective achievement, cohesiveness and loyalty are central values (Hofstede, 1980). A recent study by Waldman and colleagues (2006) showed that in countries high on institutional collectivism, managers recognize that they have duties and obligations to society at large and therefore assign greater value to CSR in their decision-making. Collectivism, thus, also represents an important coercive pressure for firms to engage in CSR. Taken together, we propose that in an institutional context characterized by strong coercive isomorphic pressures to engage in CSR, the CSR-CFP relationship is more positive because compliance with these pressures increases the firm's legitimacy, and consequently, its financial performance. We hypothesize that:

Hypothesis 3a: The CSR-CFP relationship is more positive in an institutional context that resembles a coordinated market economy.

Hypothesis 3b: The CSR-CFP relationship is more positive in an intuitional context with a strong collectivist national culture.

We also expect mimetic isomorphic pressures to induce CSR practices. Under conditions of uncertainty organizations oftentimes mimic the activities of other organizations that they perceive to be more legitimate or successful (DiMaggio & Powell, 1983). CSR certainly represents an uncertain endeavor since a comprehensive and definite understanding of the actual costs and benefits of CSR to organizations is still lacking (Orlitzky et al., 2003). A relatively easy and low risk example of CSR is voluntary social disclosure. With the rise of the Global Reporting Initiative (GRI), which is an organization that provides global standards for voluntary sustainability reporting, the number of companies issuing GRI sustainability reports has skyrocketed and now more than 60 percent of the Global 1000 corporations disclose GRI reports (Reynolds & Yuthas, 2008). The extent of GRI endorsement in a given institutional environment is therefore likely to induce mimetic isomorphic pressures on firms to engage in CSR. Since the conformance to such pressures demonstrates socially the fitness of an organization to its environment, it has high ceremonial value and will also result in high financial performance through enhanced organizational legitimacy (Meyer & Rowan, 1977; Heugens & Lander, 2009). Hence, our final hypothesis states that:

Hypothesis 3c: The CSR-CFP relationship is more positive in an intuitional context with widespread adoption of the GRI reporting guidelines.

METHODS

Sample and Coding

To be included in our meta-analysis a primary study must meet the following criteria; 1) report a measure of CSR, 2) report a measure of CFP, 3) measure the effect of CSR on CFP (and *not* the other way around), and 4) provide enough effect size information for us to calculate a partial correlation between CSR and CFP. We searched for primary studies using five search strategies. First, we consulted ten prior review and meta-analytical studies on the CSR-CFP relationship (e.g. Allouche & Laroche, 2005; Margolis et al., 2007; Wu, 2006[i]). Second, we searched six electronic databases: ABI/INFORM Global, Business Source Premier, JSTOR, Google Scholar, ECONLIT, and SSRN to retrieve published and unpublished papers using 14 search terms such as for example 'corporate social responsibility', 'corporate citizenship', 'stakeholder', and 'environmental performance'. Third, we conducted a manual search of 12 relevant journals in the field of management, including: *Academy of Management Journal*, *Journal of Business Ethics, Journal of Management Studies and Strategic Management Journal.* Fourth, we corresponded via email with 121 authors whose work was already identified as relevant to our meta-analysis, and asked them to send us other related (unpublished) papers.. This strategy yielded an additional 13 studies. Finally, we scanned through all the reference lists of the articles identified so far, and searched all studies that cited the articles to identify any other primary study that we could have missed. Our search resulted in a final sample of 105 primary studies, published between 1980 and 2012 and representing a cumulative sample of 1,862,946 firm-year observations[ii].

After reading the articles, we developed a coding protocol. We used the partial correlation coefficient as our primary source of effect size information. We rely on partial correlations rather than on the Pearson product-moment correlation (e.g. Orlitzky et al., 2003) because the prior controls for the influence of other factors and hence offers a more precise estimate of the focal effect (Doucouliagos & Ulubaşoğlu, 2008). We constructed our dataset by converting *t*-statistics, derived from regression coefficients or univariate group comparisons, into partial corrrelations using the relevant formula[iii]. Oftentimes primary studies contained multiple measurements of the focal effect, for example when multiple regression models were estimated or multiple operationalizations of CSR or CFP were used, in such cases we followed current conventions in meta-analytical research and coded all reported effect sizes in each study (cf. Carney, Gedajlovic, Heugens, van Essen & van Oosterhout, 2011; van Essen, van Oosterhout, & Heugens, 2013). Along with the *t*-statistics, we also coded study-specific characteristics such as the stakeholder group that is addressed by the CSR measure, the industry and the country in which the study was conducted, the specific operationalization used for CSR and CFP, study design characteristics, and the variables included in model specifications (Lipsey & Wilson, 2001).

Meta-Analytical Procedures

We used two types of meta-analytical procedures for our analyses. To obtain a first impression of the strength of the CSR-CFP relationship across the countries included in our study, we used Hedges Olkin-type meta-analysis (HOMA; Hedges & Olkin, 1985) to measure the magnitude, expressed by the mean ρ,) and the variability, expressed by the homogeneity statistic Q (Cochran, 1954) of the relationship across countries. We subjected all collected effect sizes to a Fisher's (1928) Zr transformation to correct for skew in the distribution[iv]. We followed procedures similar to van Essen and colleagues (2013) and performed a random effects HOMA in which effect sizes are corrected for sampling error as well as a randomly distributed value which represents other sources of variability (Lipsey and Wilson, 2001). To account for the differences in sample size of primary studies we also weighted effect sizes by the inverse variance w (Hedges and Olkin, 1985)[v]. Using the Zr-transformed, w- weighted effect sizes estimates, we calculated the mean ρ, its standard error, and the corresponding confidence interval[vi].

To test our hypotheses we used MARA (meta-analytical regression analysis) which is similar to multiple regression analysis, but differs in that the individual effect size estimates serve as the dependent variable and therefore the independent variables represent moderators of the focal relationship (Lipsey & Wilson, 2001). These independent variables are estimated simultaneously to examine the extent to which they account for heterogeneity in the effect size distribution (Lipsey & Wilson, 2001). MARA, hence, is uniquely suitable for testing moderating hypotheses. As recommended by Geyskens, Krishnan, Steenkamp and Cunha (2009), we used random effects estimation methods in our analyses.

Variables

A valuable benefit of MARA is that it enables us to include variables in the analysis which were not part of the primary studies in our dataset. Based on the country from which each primary sample was drawn, we added archival country-specific data to test our hypotheses. A detailed description of all additionally included data is provided in Table 1. We measured national competition (Hypothesis 1a) by computing the weighted average of a country's level of domestic and foreign competition. We used ISD's (Indices of Social Development) measure of civic activism, which measures the use of media and protest behavior in a country, to test Hypothesis 1b. A country's level of globalization (Hypothesis 2a) was measured by the total export as well as the total stock of inward and outward foreign direct investments (FDI). We retrieved data on the ecological footprint of countries (Hypothesis 2b) from the Global Footprint Network. We test Hypothesis 3a based on the coordination index provided by Hall and Gingerich (2004). Because Hall and Gingerich (2004) calculated this index only for OECD countries, while our sample includes also non-OECD countries, we constructed our own coordination index and followed the procedures in the original index as closely as possible. A country's extent of collectivism (Hypothesis 3b) was measured by the inverse of Hofstede's (1980) individualism index. And finally, for testing Hypothesis 3c, we collected data on the share of publicly listed companies in a country that publishes a GRI report.

Insert Table 1 about here

We also included a number of control variables in our regression models. First, we controlled for the rule of law in a country since we expect that the presence of a basic formal institutional environment is a prerequisite for CSR (Matten & Moon, 2006). We obtained this data from Kaufmann, Kraay and Mastruzzi's (2009) governance indicators. Second, since existing research shows that the particular stakeholder group targeted by an organization's CSR activities matter (Clarkson, 1995; Mitchell, Agle & Wood, 1997; Hillman & Keim, 2001), we also controlled for the stakeholder type. We included 'shareholders', 'employees', 'customers', 'natural environment', and 'local communities' as dummy variables, and used 'mixed stakeholders' as the reference category. Finally, we also expect that industry type is a potential moderator of the CSR-CFP relationship. Since each industry is characterized by a task environment that differs in terms of munificence, complexity and dynamism, firms are likely to experience different opportunities and constraints in achieving financial performance depending on the industry in which they operate (Dess & Beard, 1984). We included 11 industry classifications in our model and used 'mixed industry' as our reference category.

We also created a number of methodological control variables to account for the potential confounding effect of study specific methodological characteristics. Since CSR has been measured in numerous ways we coded whether the primary study applied an 'archival measure of CSR' (e.g. pollution indices, ISO certification), a 'third party audit measure of CSR' (e.g. KLD indices, Fortune Reputation rankings), or a survey-based measure of CSR (the latter was used as a reference category). To control for the operationalization used for CFP we included a dummy variable which measures whether CFP was an accounting-based (1) or market-based (0) measure. Finally, following other meta-analytical research (van Essen, Heugens, Otten & van Oosterhout, 2012) we also controlled for whether the primary study was published (1) or not (0), whether the effect size was based on panel data (1) or cross-sectional data (0), whether the primary study controlled for the endogeneity of firm performance on CSR (1) or not (0), and the median year of the sample window. Finally, since our effect sizes were based on partial correlations and the variables controlled for in these partial correlations differ across studies, we also included a number of dummy variables capturing whether certain common control variables such as firm size, leverage, and R&D intensity, were included (1) or not (0).

RESULTS

HOMA Results

Table 2 reports our HOMA results. We first report the mean ρ ($mean_{\rho}$) for the CSP-CFP relationship, and subsequently grouped the dataset according to the different countries from which primary samples were drawn. In addition to the meta-analytical mean, we also report 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 meta-analytic mean, and the chi-square (Q: Hedges & Olkin, 1985[vii]).

Insert Table 2 about here

We find that the overall mean effect size of the CSR-CFP relationship is 0.04 (k = 1,241) and given that the confidence interval does not include zero, the effect size is significant. Note that our mean effect size is much weaker than the effect sizes found in previous meta-analyses (Orlizky et al. (2003): $mean_{\rho}$ = 0.18; Margolis et al. (2007): $mean_{\rho}$ = 0.13). This might be explained by the fact that our meta-analysis uses more refined meta-analytic techniques (MARA), more precise (unidirectional) effect size information and is based on significantly more effect sizes than these prior meta-analyses. Our HOMA results demonstrate that the CSP-CFP relationship is generally positive across the different countries in our sample with the exception of Brazil (-0.07). The strength of the relationship, however, differs considerably across countries. Effect sizes drawn from South Africa and China show a relatively stronger CSP-CFP relationship (0.38 and 0.25, respectively) than more conventional studies conducted in the United States and the United Kingdom (0.04 and 0.06, respectively). We also observe that large heterogeneity exists within continents. While in Asian countries such as China, Singapore and South Korea the focal relationship is strongly positive, in India, Hong Kong, and Thailand no such significant effect is found. Similarly, in European countries such as United Kingdom, Spain, and Belgium the CSP-CFP relationship is significant and positive, while in Ireland, Norway, and France the relationship is insignificant.

MARA Results

In Table 3 we report the results of our MARA. Model 1 includes only the moderating variables for instrumental institutional pressures, Model 2 for only political institutional pressures, Model 3 for only isomorphic institutional pressures, and Model 4 includes all institutional moderating variables. Overall, the models fit the data well (Model 1 $R^2 = 0.17$; Model 2 $R^2 = 0.15$; Model 3 $R^2 = 0.16$; Model 4 $R^2 = 0.20$) and the model component of the Q statistic is highly significant for all four models ($p < 0.001$).

Insert Table 3 about here

We use Model 4 to test our hypotheses. Our results show that both the extent of competition in a country (Hypothesis 1a) as well as the strength of the civil society of a country (Hypothesis 1b) are positive and significant moderators of the CSR-CFP relationship. Hence, in line with Hypothesis 1a and 1b, we find that CSR tends to result in higher financial performance in institutional contexts characterized by strong instrumental pressures for CSR. This finding is consistent with the large body of existing empirical research on the CSR-CFP relationship (for reviews see: Margolish et al., 2003; Orlitzky et al., 2003). Surprisingly however, we find that when organizations practice CSR in an institutional context with strong political pressures, no such positive effect exists. In fact, the CSR-CFP relationship tends to be more negative in countries with a high level of globalization (Hypothesis 2a) and a large ecological footprint (Hypothesis 2b). So even though political CSR allows organizations to "react to NGO pressure, to close gaps in regulation, and to reduce complexity" (Scherer & Palazzo, 2011: 903), these benefits do not appear to translate into enhanced CFP. Finally, our results provide partial support for the moderating effect of isomorphic institutional pressures. We find that firms subject to coercive institutional pressures, exerted by the extent of market coordination (Hypothesis 3a) and the level of collectivism (Hypothesis 3b), experience a more positive CSR-CFP relationship, while organizations subject to mimetic institutional pressures, measured by the adoption of GRI-reporting standards (Hypothesis 3c), face a more negative CSR-CFP relationship. GRI-certified reporting however is only weakly significant (p-value = 0.08). This finding suggests that coercive institutional pressures play a more important role than mimetic institutional pressures in influencing the CSR-CFP relationship, and that in some cases simply mimicking other firms' CSR practicing might even be counterproductive.

Robustness Check and Control Variables

Since a large majority of the primary studies included in our meta-analysis were conducted in the US, and that as a consequence, the bulk of our effect sizes (496 out of 1,241) as well as the underlying firm-year observations (553,417 out of 1,862,946) are US-based, we performed a robustness test to assess the generalizability of our results (cf. Heugens, van Essen & van Oosterhout, 2009). We created a separate dummy variable coded as '1' if a given effect size was drawn from a US context and as '0' if otherwise and estimated a separate MARA including all independent variables of Model 4 in Table 3. We found that the US-based effect sizes did not bias our results as all institutional moderating variables remained almost unchanged in terms of their absolute value as well as their significance level.

Table 3 also includes a large number of control variables. Interestingly, we find that stakeholder group, which empirically as well as theoretically is frequently used as a classification scheme for CSR (Clarkson, 1995; Mitchell et al., 1997; Berman et al., 1999 Hillman & Keim, 2001), does not significantly influence the strength of the focal relationship. This observation is robust for all types of stakeholder groups and in all four regression models. Also the effect of industry type on the CSR-CFP relationship is weaker than expected. The common contention that CSR has greater financial benefits in polluting industries (Konar & Cohen, 2001) is only weakly supported by our findings because from the polluting industries included in our data, only the mining industry has a significant and consistent negative effect. Rule of law on the other hand, does show significant results. In contrast to our expectations, however, our findings illustrate that organizations are better able to reap financial benefits from CSR when they operate in an institutional context with relatively weak formal institutions and rule of law. The results of these three control variables combined allow us to make an interesting observation; when institutional factors are accounted for, other commonly proposed contingency effects of firm-level (i.e. stakeholder group) and organizational field-level (i.e. industry type) variables seem to disappear. The search for institutional moderators of the CSR-CFP relationship therefore appears to be a fruitful endeavor.

Finally, we find that differences across primary studies regarding the measurement of focal constructs, the methodology employed, and the specification of regression models, significantly affect the associational strength of the CSR-CFP relationship. According to

Table 3, the use of an archival measure for CSR and an accounting-based measure for CFP reduces the main effect. Reported effect sizes also tend to be smaller in published journal articles than in working papers, in studies adopting a panel design rather than cross-sectional design, and when endogeneity in the model is controlled for. In terms of model specification biases, we find that whether or not firm size, firm age, leverage, beta, R&D intensity, advertising intensity, institutional ownership, and blockholders are included in the model specification of primary studies, significantly influences the strength as well as the direction of the CSR-CFP relationship. This finding is strongly in line with early critics on model specification in empirical CSR-CFP research (McWilliams & Siegel, 2000).

CONCLUSION & DISCUSSION

There are only a few relationships in management research that received more research attention than the relationship between social responsibility and financial performance. Carroll's three-dimensional model of corporate performance (1979) arguably provided the initial impetus for CSR-CFP research, and while early empirical tests used somewhat rudimentary proxies for CSR and collected data exclusively from the US, in the last decade increasingly more complex and diverse measures have been used in studies increasingly drawing from non-US samples. In this paper we aggregated the available evidence of three decades of CSR-CFP research and leveraged on the multifaceted nature of this impressive body of work. By using advanced meta-analytical techniques, we were able to complement the findings of existing primary studies with new archival data and address research questions that have not been empirically tested until now.

The goal of our paper was to uncover the institutional contingencies that moderate the CSR-CFP relationship. Working from the notion that different institutional contexts give rise to different forms of CSR (Matten & Moon, 2008), we distinguished among three types of institutional pressures; instrumental, political and isomorphic institutional pressures, and tested whether the socially responsible behaviors elicited by these pressures differentially contribute to CFP. Our findings suggest that they do. CSR activities lead to higher financial performance only under institutional conditions where 1) the presence of strong civil society groups and the pressing need for competitive excellence necessitates the instrumental use of CSR, or where 2) the presence of political traditions and cultural norms of coordination and cooperation makes CSR an institutionally embedded requirement for businesses. Firms, however, experience negative financial consequences of CSR when they operate in a context where the increasing globalization of business conduct and the transnational spread of negative externalities induce them to act as corporate citizens. Hence, our meta-analysis illustrates that CSR pays when organizations use it as strategic or as legitimizing tool, but harms when it is used as a political tool. Overall, these findings strongly support the comparative institutional approach to CSR (Matten & Moon, 2008; Scherer & Palazzo, 2011; Brammer, Jackson & Matten, 2012), and illustrate that the search for institution-level moderators of the CSR-CFP relationship is more fruitful than the search for firm-level moderators such as stakeholder type or industry type.

The intended contribution of this paper is twofold. First, we have argued that the three institutional contexts identified in this study promote three different forms of CSR; instrumental, isomorphic and political CSR, and since the latter type of CSR was found to have a significant and opposite effect on firm financial performance than the prior two forms, our findings suggests that political CSR might be conceptually different. This observation, as we will explain next, makes an important contribution to the conceptual clarification of the CSR concept. Second, we provide empirical and quantitative findings to a theory that has mostly been supported by anecdotal evidence (e.g. Doh & Guay, 2006; Matten & Moon, 2008; Kang & Moon, 2012). Our results suggest that political CSR has a negative effect on

CFP and therefore raises questions about the economic sustainability of organizations involved with such practices. In the next section we discuss these contributions in further detail and make suggestions for future research.

A Contribution toward Conceptual Clarification

In an early attempt to outline the theoretical problems in CSR research, van Oosterhout and Heugens (2008) provided a highly relevant conceptual critique on CSR. They argue that CSR is epiphenomenal as a concept since it “can be reduced without loss of meaning to economizing and legitimizing perspectives on business and society” (p.211). Economizing and legitimizing conceptual frameworks constitute the two main theoretical pillars in management and organization research (Baum & Dobin, 2000), and they differ fundamentally in their explanation of human and organizational behavior. While the economizing framework is premised on the understanding that human action is motivated by the rational pursuit of self-interest (e.g. Blaug, 1992; Mueller, 2004), the legitimizing framework argues that human action is guided by interpretive and legitimizing schemes provided by institutionalized expectations (e.g. Meyer, Boli, Thomas & Ramirez, 1997). Admittedly, the kind of organizational behaviors that we label as instrumental CSR are behaviors that can be fully explained by the economizing theoretical lens, and the kind of organizational behaviors referred to as isomorphic CSR, are essentially behaviors already accounted for by the legitimizing framework. The fact that these behaviors have some dimension of “contributing to community” can then be seen as a by-product. That is, social reality has changed in a way that we have become a more globalized and informed society in which the organizational behaviors necessary to obtain superior performance and maintain legitimacy require, next to playing by the rules of the game, also some degree of community involvement (Newell, 2000; Gjølberg, 2009). We therefore follow van Oosterhout and Heugens (2008), and claim that instrumental and isomorphic CSR are organizational behaviors that do not merit conceptual innovation.

If we then dispose of that 'fraction' of CSR that captures economizing and legitimizing organizational behaviors, what we are left with political CSR and the crucial question then is; does political CSR present a theoretical novelty? We believe that it does. A particularly challenging issue in the development of the CSR concept has been the relationship between the intensional and extensional definitions of CSR (van Oosterhout, 2005; van Oosterhout & Heugens, 2008; Gond & Crane, 2008). An intensional definition specifies the conjunction of attributes that make up a concept, while an extensional definition points out the empirical instances that the concept refers to (Santori, 1970). Intensional and extensional definitions, hence, are two sides of the same coin and should be related as close as possible in research and theory development. Political CSR, defined as an "extended model of governance with business firms contributing to global regulation and providing public goods" (Scherer & Palazzo, 2011: 901), has two core intensional attributes; it is first, about private actors, and second, about providing public goods. A real-life phenomenon that is captured by the concept of political CSR is for example Heineken's decision to set up a charitable foundation with the purpose of improving access to basic medical care in Sub-Saharan Africa (van Cranenburgh & Arenas, 2013). Heineken, being a large publicly listed beer brewer, is an example of a private actor that is actively involved in the provision of a public good, and therefore we can conclude that at least for this example, a strong fit exists between political CSR's intensional and extensional definition.

The Heineken Africa Foundation, with a company-funded endowment of 20 million euros, has supported projects ranging from anti-malaria campaigns to medical staff training, to building and equipping all-round mobile health clinics (van Cranenburgh & Arenas, 2013).

How can we explain such corporate initiatives? Certainly not through economizing frameworks as the foundation's activities cannot, in any way, contribute to cost advantages or sales increases for the firm. Also the legitimizing perspective falls short of explanatory value since, to be seen as legitimate, it would suffice to show commitment to actively avoiding negative externalities to community members. We propose that political CSR is the most appropriate framework for making sense of this kind of Heineken's behavior in this regard. The political CSR literature has drawn our attention to the process of globalization in which the diminishing power of national authorities and the growing misery and discontent in social life has posed a new set of challenges on businesses (Scherer, Palazzo & Matten, 2009). While some firms choose to respond to these challenges in a economizing or legitimizing fashion (i.e. instrumental or isomorphic CSR), others choose to take a more explicit and philanthropic approach to dealing with these problems (i.e. political CSR). By fleshing out these underlying mechanisms, political CSR sheds light on not only the factors that cause its prevalence, but even more so on the intended consequences of these actions, which is not to enhance financial performance, but rather, to contribute to solving societal problems.

The field of CSR research has been characterized as being in a "continuing state of emergence" (Lockett, Moon & Visser, 2006: 133), and with the lack of strong theoretical foundations as well as empirical validity the paradigmatic status of CSR is threatened to be lost (Gond & Crane, 2010). The cause of this development is that from its inception on, there has been a mismatch between intensional and extensional definitions of CSR (van Oosterhout & Heugens, 2008). We propose that political CSR represents a fruitful way forward for future research for three reasons. First, the concept of political CSR emerged from a positivist ambition to understand and explain empirically observed business behaviors (Matten & Crane, 2005; Crane & Matten, 2005; van Oosterhout, 2010), while the broader CSR concept evolved predominantly from the normative question of whether organizations have a social responsibility over and above their economic self-interest (Matten, Crane & Chapple, 2003). Second, political CSR is anchored in corporate citizenship theory and political theory more broadly, and by identifying forces of globalization, liberalization, and privatization as key antecedents, this framework is explanatorily more informing. Third, and most importantly, because political CSR as a concept is intensionally defined in a less unambiguous and more focused way, it excludes the extensional set of instrumental and isomorphic CSR behaviors. It is the conceptual and empirical mingling of these different kinds of behaviors that has misguided CSR research to date, and by focusing only on political CSR we believe that the paradigm can be saved. We therefore suggest that future research discards the all-embracing use of CSR research and from now on only employs the more specific, political understanding of CSR.

The Economic Sustainability of Political CSR

The emerging comparative institutional perspective on CSR as well the literature on corporate citizenship has sparked significant interest and is increasingly endorsed by the CSR community (Brammer et al., 2012), but what we find to be a serious omission in this literature, is the question of why organizations should take on a quasi-governmental role to begin with (van Oosterhout, 2005). After three decades of CSR-CFP research scholars have developed an aversion to the instrumental approach to CSR (e.g. Brammer et al., 2012), and have come to even disqualify it as a useful framework because it presumably still builds on the strict separation of political and economic domains (Scherer & Palazzo, 2010). We agree that most of the research produced by the economic and instrumental approach to CSR is misguiding but not because it fails to account for the blurring boundaries between the public and private realms, but rather, because it concerns conceptually different forms of behaviors (see our previous point). We do believe however that studying the economic consequences of political CSR is relevant and necessary, for firms can only act as corporate citizens if doing so does not cripple them in their pursuit of competitive survival.

Ironically, the evidence provided by our meta-analysis suggests that political CSR negatively affects financial performance, and hence, might not be an economically sustainable strategy for firms to pursue. A meta-analysis however, relies on highly aggregated data and is limited in its ability to offer insights into fine-grained causal mechanisms. We therefore strongly encourage future research to uncover these mechanisms by qualitatively and quantitatively studying political forms of CSR and uncovering their *specific* effects on organizational outcomes. Although theoretically there is little reason to expect that political CSR will significantly enhance financial performance, more fine grained analyses conducted on newly collected primary data might reveal that in specific cases political CSR may not significantly harm CFP.

A second issue that warrants future research is the actual societal effects of political CSR. To what extent do political CSR initiatives actually contribute to achieving their intended purpose of solving societal problems? The reason why public goods have been provided by governments and nonprofit organizations in the first place is because of the collective action problems that burden their provision (van Oosterhout, 2005). How do corporations overcome this challenge? Heineken, for example, 'outsourced' their political CSR activities to their foundation which is a separate and independent legal entity but nevertheless, continued facing dilemmas about the boundaries of private and public responsibilities (van Cranenburgh & Arenas, 2013). Such operational insights on how political CSR can be performed most effectively are extremely valuable for scholars and practitioners alike. That is, since political CSR does not have financial value for the firm itself, let us at least make sure that it has added value for society.

REFERENCES

Aguilera, R.V. and Jackson, G. (2003). 'The cross-national diversity of corporate governance: dimensions and determinants'. *Academy of Management Journal*, **28**: 447-465.

Aguilera, R.V., Rupp, D., Williams, C.A. and Ganapathi, J. (2007). 'Putting the S back in corporate social responsibility: a multi-level theory of social change in organizations'. *Academy of Management Review*, **32**, 836-863.

Allouche, J. and Laroche, P. (2005). 'A meta-analytical examination of the link between corporate social and financial performance'. *Revenue de Gestion des Ressources Humaines,* 57, 8-41.

Arlow, P. and Gannon, M.J. (1982). 'Social responsiveness, corporate structure, and economic performance'. *Academy of Management Review,* **7**, 235-241.

Barnett, M.L. (2007). 'Stakeholder influence capacity and the variability of financial returns to corporate social responsibility'. *Academy of Management Review*, **32**, 794-816.

Baum, J. and Dobbin, F. (2000). *Economics meets sociology in strategic management*. JAI Press Stamford, Conn.

Berman, S.L., Wicks, A.C., Kortha, 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**, 488-506.

Beurden, P. van and Gossling, T. (2008). 'The worth of values – a literature review on the relation between corporate social and financial performance'. *Journal of Business Ethics,* **82**, 407-424.

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

Blaug, M. (1992). *The Methodology of Economics: Or How Economists Explain*. New York: Cambridge University Press.

Brammer, S., Jackson, J. and Matten, D. (2012). 'Corporate social responsibility and institutional theory: new perspectives on private governance'. *Socio-Economic Review*, **10**, 3-28.

Campbell, J.L. (2007). 'Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility'. *Academy of Management Review*, **32**, 946-967.

Carney, M., Gedajlovic, E.R., Heugens, P.P.M.A.R., van Essen, M. and van Oosterhout J. (2011). 'Business group affiliation, performance, context and strategy: a meta-analysis'. *Academy of Management Journal*, **54**, 437-460.

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

Choi, J. and Wang, H. (2009). 'Stakeholder relations and the persistence of corporate financial performance'. *Strategic Management Journal*, **30**, 895-907.

Clarkson, M.B.E. (1995). 'A stakeholder framework for analyzing and evaluating corporate social performance'. *The Academy of Management Review*, **20**, 92-117.

Crane, A. and Matten, D. (2005). 'Corporate citizenship: missing the point or missing the boat?' *Academy of Management Review*, **30**, 681-684.

Crouch, C. (2005). 'Complementarities and fit in the study of comparative capitalism'. In Morgan, G., Whitely, R. and Moen, E. (Eds.), *Changing Capitalism: Internationalization, Institutional Change, and Systems of Economic Performance*. New York, Oxford University Press, 167-189.

Deephouse, D.L. (1996). 'Does isomorphism legitimate?' *Academy of Management Journal*, **39**, 1024-1039.

Dess, G.G. and Beard, D.W. 1984. 'Dimensions of organizational task environments'. *Administrative Science Quarterly*, **29**, 52-73.

DiMaggio, P.J. and Powell, W.W. (1983). 'The iron cage revisited: intuitional isomorphism and collective rationality in organizational fields'. *American Sociological Review*, **48**, 147-160.

Dacin, M.T., Oliver, C. and Roy, J.-P. (2007). 'The legitimacy of strategic alliances: an institutional perspective'. *Strategic Management Journal*, **28**, 169-187.

Doh, J.P. and Guay, T.R. (2006). 'Corporations social responsibility, public policy, and NGO activism in Europe and the United States: an institutional-stakeholder perspective'. *Journal of Management Studies*, **43**, 47-73.

Donaldson, T. and Preston, L.E. (1995). 'The stakeholder theory of the corporation: concepts, evidence, and implications'. *Academy of Management Review*, **20**, 65-91.

Doucouliagos, H. and Ulubaşoğlu, M.A. (2008). 'Democracy and economic growth: a meta-analysis'. *American Journal of Political Sciences,* **52**, 61-83.

Earley, P.C. and Gibson, C.B. (1998). 'Taking stock in our progress on individualism collectivism: 100 years of solidarity and community'. *Journal of Management*, **24**, 265-304.

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

Gardberg, N.A. and Fombrun, C.J. (2006). 'Corporate citizenship: creating intangible assets across institutional environments. *Academy of Management Review*, **31**, 329-346.

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**, 393-419.

Gjølberg, M. (2009). 'The origin of corporate social responsibility: global forces or national legacies. *Socio-Economic Review*, **7**, 605-637.

Godfrey, P.C. (2005). 'The relationship between corporate philanthropy and shareholder wealth: A risk management perspective'. *Academy of Management Review*, **30**, 777-798.

Godfrey, P.C., Merrill, C.B. and 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**, 425-445.

Gond, J-P. and Crane, A. (2010). 'Corporate social performance disoriented: saving the lost paradigm?' *Business Society*, **49**, 677-703.

Griffin, J.J. and Mahon, J.F. (1997). 'The corporate social performance and corporate financial performance debate: twenty-five years of incomparable research'. *Business and Society,* **36**, 5-31.

Hall, P.A. and Gingerich, D.W. (2004). *Varieties of capitalism and institutional complementarities in the macroeconomy an empirical analysis.* MPIfG Discussion Paper 04/5, Max Planck Institute for the Study of Societies, Germany.

Hall, P.A. and Soskice, D. (2001). *Varieties of Capitalism*. Oxford: Oxford University Press.

Hart, S.L. (2005). *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World's Most Difficult Problems*. Upper Saddle River, NJ: Wharton School.

Hedges, L.V. and Olkin, I. (1985). *Statistical Methods for Meta-Analysis.* Orlando, FL: Academic Press.

Heugens, P.P.M.A.R. and Lander, M.W. 2009. 'Structure! Agency! (And other quarrels): a meta-analysis of institutional theories of organization.' *Academy of Management Journal*, **52**, 61-85.

Hillman, A.J. and Keim, G.D. 2001. 'Shareholder value, stakeholder management, and social issues: what's the bottom line?' *Strategic Management Journal*, **22**, 125-139.

Hofstede, 1980. *Culture's consequences: International Differences in Work Related Values*. CA: Beverly Hills, Sage.

Hull, C.E. and Rothenberg, S. (2008). 'Firm performance: the interactions of corporate social performance with innovation and industry differentiation'. *Strategic Management Journal,* **29**, 781-789.

Jones, T.M. (1995). 'Instrumental stakeholder theory: A synthesis of ethics and economics'. *Academy of Management Review*, **20**, 404-437.

Kang, N. and Moon, J. 2012. 'Institutional complementarity between corporate governance and corporate social responsibility: a comparative institutional analysis of three capitalisms'. *Socio-Economic Review*, **10**, 85-108.

Kaufmann, D., Kraay, A. and Mastruzzi M. (2009). *Governance matters VIII: governance indicators for 1996-2008.* World Bank Policy Research Working Paper.

King, A. and Lenox, M. (2002). 'Exploring the locus of profitable pollution reduction'. *Management Science*, **48**, 289-299.

King, A., Lenox, M. and Terlaak, A. (2005). 'The strategic use of decentralized institutions: exploring certification with the ISO 14001 management standards.' *Academy of Management Journal*, **48**, 1091-1106.

Konar, S. and Cohen, M.A. (2001). 'Does the market value environmental performance?' *Review of Economics and Statistics*, **83**, 281-289.

Lipsey, M.W. and Wilson, D.B. (2001). *Practical Meta-Analysis.* Thousand Oaks, CA: Sage.

Lockett, A., Moon, J. and Visser, W. (2006). 'Corporate social responsibility in management research: focus, nature, salience and sources of influence'. *Journal of Management Studies*, **43**, 115-136.

Luo, X. and Bhattacharya, C.B. (2006). 'Corporate social responsibility, customer satisfaction, and market value'. *Journal of Marketing*, **70**, 1-18.

Margolis, J.D., Elfenbein, H.A. and Walsh, J.P. (2007). *Does it pay to be good? A meta-analysis and redirection of research on the relationship between corporate social and financial performance.* Unpublished working paper.

Margolis, J.D. and Walsh, J.P. (2003). 'Misery loves companies: rethinking social initiatives by business'. *Administrative Science Quarterly,* **48**, 268-305.

Marcus, A.G. and Fremeth, A.R. (2009). 'Green management matters regardless'. *Academy of Management Perspective*, **23**, 17-26.

Matten, D. and Crane, A. (2005). 'Corporate citizenship: towards an extended theoretical conceptualization'. *Academy of Management Review*, **30**, 166-179.

Matten, D., Crane, A. and Chapple, W. (2003). 'Behind the maskL revealing the true face of corporate citizenship'. *Journal of Business Ethics*, **45**, 109-120.

Matten, D. and Moon, J. (2008). '"Implicit" and "explicit" CSR: a conceptual framework for a comparative understanding of corporate social responsibility'. *Academy of Management Review*, **33**, 404-424.

McWilliams, A. and Siegel, D. (2000). 'Corporate social responsibility and financial performance: correlation or misspecification?' *Strategic Management Journal*, **21**, 603-609.

McWilliams, A. and Siegel, D. (2001). 'Corporate social responsibility: A theory of the firm perspective'. *The Academy of Management Review*¸ **26**, 117-127.

McWilliams, A., Siegel, D.S. and Wright, P.M. (2006). 'Guest editors' introduction corporate social responsibility: strategic implications'. *Journal of Management Studies*, **43**, 1-18.

Meyer, J.W., Boli, J., Thomas, G.M. and Ramirez, F.O. (1997). 'Institutionalized organizations: formal structure as myth and ceremony'. *American Journal of Sociology*, **103**, 144-181.

Meyer, J.W. and Rowan, B. (1977). 'Institutionalized organizations: formal structure as myth and ceremony'. *American Journal of Sociology*, **83**: 340-363.

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**, 853-886.

Mueller, D (2004). ‘Models of man: neoclassical, behavioral and evolutionary’. *Politics, Philosophy & Economics*, **3**, 59-76.

Newell, P. (2000). ‘Gloablisation and the new politics of sustainable development’. In Bendell, J. (Ed.), *Terms for Endearment. Business, NGOs and Sustainable Development*. Greenleaf Publishing, Sheffield, 31-39.

North, D. (1990). *Institutions, Institutional Change, and Economic Performance*. Cambridge: Cambridge University Press.

Orlitzky, M., Schmidt, F.L. and Rynes, S.L. (2003). ‘Corporate social and financial performance: a meta-analysis’. *Organizational Studies*, **24**, 403-441.

Parsons, T. (1960). *Structure and Process in Modern Societies*. New York: Free Press.

Peloza, J. (2006). ‘Using corporate social responsibility as insurance for financial performance’. *California Management Review*, **48,** 52-72.

Peloza, J. and Papania, L. (2008). ‘The missing link between corporate social responsibility and financial performance: stakeholder salience and identification’. *Corporate Reputation Review*, **11**, 169-181.

Porter, M.E. and Kramer, M.R. (2006). ‘Strategy and society: the link between competitive advantage and corporate social responsibility’. *Harvard Business Review*, **84**, 78-92.

Reynolds, M. and Yuthas, K. (2008). ‘Moral discourse and corporate social responsibility reporting’. *Journal of Business Ethics*, **78**: 47-64.

Roman, R.M., Hayibor, S. and Agle, B.R. (1999). ‘The relationship between social and financial performance: repainting a portrait’. *Business & Society,* **38**,109-125.

Russo, M.V. and Fouts, P.A. (1997). ‘A resource-based perspective on corporate environmental performance and profitability’. *Academy of Management Journal,* **40**, 534-559.

Santori, G. (1970). ‘Concept misinformation in comparative politics’. *American Political Science Review*¸ **64**, 1033-1053.

Scherer, A.G. and Palazzo, G. (2011). ‘The new political role of business in a globalized world: a review of a new perspective on CSR and its implications for the firm, governance, and democracy. *Journal of Management Studies*, **48**, 899-931.

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**, 327-347.

Schnietz, K.E. and Epstein, M.J. (2005). ‘Exploring the financial value of a reputation for corporate social responsibility during a crisis’. *Corporate Reputation Review*, **7**, 327-345.

Suchman, M.C. (1995). ‘Managing legitimacy: strategic and institutional approaches’. *Academy of Management Review*, **20**, 571-610.

Ullman, A.A. (1985). ‘Data in search of a theory: a critical examination of the relationships among social performance, social disclosure, and economic performance of US firms’. *Academy of Management Review,* **10**, 540-557.

Van Cranenburgh, K.A. and Arenas, D. (2013). ‘Strategic and moral dilemmas of corporate philanthropy in developing countries: Heineken in Sub-Saharan Africa’. *Journal of Business Ethics*, doi: 10.1007/s10551-013-1776-1.

Van Essen, M., Heugens, P.P.M.A.R., Otten, J. and van Oosterhout, J. 2012. ‘An institution-based view of executive compensation: a multilevel meta-analytic test’. *Journal of International Business Studies*, **43**, 396-423.

Van Essen, M., van Oosterhout, J. and Heugens, P.P.M.R. (2013). 'Competition and cooperation in corporate governance: the effects of labor institutions on blockholder effectiveness in 23 European countries'. *Organization Science*, **24**, 530-551.

Van Oosterhout, J. (2005). 'Corporate citizenship: an idea whose time has not yet come'. *Academy of Management Review*, **30**, 677-684.

Van Oosterhout, J. (2010). 'The role of corporations in shaping the global rules of the game: in search of new foundations'. *Business Ethics Quarterly*, **20**, 253-264.

Van Oosterhout, J. and Heugens, P.P.M.R. (2008). 'Much ado about nothing, a conceptual critique on CSR'. In Crane, A., McWilliams, A., Matten, D., Moon, J. and Siegel, D. (Eds.), *The Oxford Handbook of Corporate Social Responsibility*. Oxford: Oxford University Press, 197-224.

Walman, D.A., Luque, M.S. de, Washburn, N. and House, R.J. (2006). 'Cultural and leadership predictors of corporate social responsibility values of top management: a GLOBE study of 15 countries'. *Journal of International Business Studies*, **37**, 823-837.

Wu, M.L. (2006). 'Corporate social performance, corporate financial performance, and firm size: a meta-analysis'. *Journal of American Academy of Business*, **8**, 163-171.

NOTES

[i] Ullman, 1985; Arlow & Gannon, 1982; Griffin & Mahon, 1997; Roman, Hayibor, & Agle, 1999; Margolis & Walsh, 2003; Orlitzky et al., 2003; Allouche & Laroche, 2005; Wu, 2006; Margolis et al., 2007; Beurden & Gossling, 2008.

[ii] The list of studies included in the meta-analysis is available from the authors upon request.

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

[iv] 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.

[v] *w* is calculated as follows: $w_i = \frac{1}{se_i^2 + \hat{v}_\theta}$, where SE is the stand 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 $\hat{v}_\theta = \frac{Q_T - k - 1}{\sum w - \left(\frac{\sum w^2}{\sum w}\right)}$.

[vi] 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: $Lower = \overline{ES} - 1.96(se_{\overline{ES}})$, $Upper = \overline{ES} + 1.96(se_{\overline{ES}})$.

[vii] 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.

TABLES

Table 1. Description of Variables

Variable	Description
Competition	Competition is measured by the weighted average of domestic competition and foreign competition. Domestic competition is determined by, amongst others, intensity of competition, extent of market dominance, effectiveness of anti-monopoly policy, and total tax rate. Foreign competition is determined by, amongst, others, prevalence of trade barriers, trade tariffs, prevalence of foreign ownership, and imports as a percentage of GDP. Source: sixth pillar of the Global Competitiveness Index, 2006.
Civic activism	Civic activism is measured by citizens' engagement in civic activities such as signing petitions or joining peaceful demonstrations, the organization and effectiveness of civil society, access to sources of media information, levels of civic awareness and information of political matters and concerns, and the extent to which civil society organizations are connected to broader, international networks of civic activity. Source: International Institute of Social Studies, Indices of social development, 2005.
Globalization	A country's total export of goods and services as well as its total stocks of inward and outward foreign direct investments were measured as a share of the country's GDP. Source: United Nations Conference on Trade & Development, 2006.
Ecological footprint	Ecological footprint measures the pressure that human society places on nature by determining the area required to produce the biological resources a country uses and to absorb its wastes, and compares it with the area available to the country. This area is reported in global hectares per capita. The more global hectares per capita, the bigger the ecological footprint of a country, and hence, the bigger its impact on the environment. Source: Global Footprint Network, 2010.
Coordination index	The extent of coordination of a given market economy was measured using four components: the degree of investor protection (Source: World Bank, Doing Business, 2006), ownership of the ten largest nonfinancial domestic firms by large shareholders (Source: La Porta et al., 1999), total market capitalization (Source: CIA, the world factbook), and the extent of labor market regulation (Source: Gwartney, Lawson & Norton, 2008; Economic Freedom of the World, 2008 annual report). These measures were standardized and a weighted average of all four components was calculated to obtain the coordination index.
Collectivism	Collectivism was measured as the reverse of Hofstede's individualism index.
GRI-certified reporting	The total number of publicly listed organizations that publish a GRI report was measured as a share of the total number of publicly listed organizations in a country. Source: Global Reporting Initiative, Sustainability Disclosure Database.

Table 2. Results of HOMA[a]

Predictor	**K**	***N***	**Mean**	**SD_ρ**	**CI 95%**	**Q test**
CSP - CFP relationship	1,241	1,862,946	**0.04***	0.06	0.04 / 0.05	5,718.21 (0.00)
North America						
United States	745	1,309,529	**0.04***	0.05	0.03 / 0.04	3,632.80 (0.00)
Canada	30	10,673	0.00	0.08	-0.03 / 0.03	60.57 (0.00)
South America						
Brazil	32	6,235	**-0.07***	0.09	-0.11 / -0.04	53.92 (0.01)
Europe						
United Kingdom	101	22,594	**0.06***	0,11	0.03 / 0.09	278.46 (0.00)
Ireland	4	888	0.08	0.21	-0.16 / 0.31	39.91 (0.00)
Norway	2	1,796	0.05	0.04	-0.02 / 0.13	2.65 (0.10)
Finland	1	276	0.27	-	-	-
Belgium	5	1,671	**0.09***	0.04	0.04 / 0.13	2.48 (0.65)
France	15	1,434	0.03	0.16	-0.12 / 0.05	34.41 (0.00)
Italy	6	367,314	**0.01***	0.00	0.01 / 0.01	4.69 (0.45)
Spain	3	226	**0.18***	0.03	0.04 / 0.30	0.23 (0.89)
Asia						
China	48	5,808	**0.25***	0.11	0.22 / 0.28	62.12 (0.07)
Hong Kong	2	120	0.04	0.08	0.14 / 0.22	0.70 (0.40)
South Korea	42	25,552	**0.12***	0.08	0.09 / 0.14	149.62 (0.00)
Japan	69	46,418	**0.04***	0.10	0.02 / 0.07	426.42 (0.00)
Taiwan	88	59,209	**0.03***	0.06	0.02 / 0.05	0.37 (0.98)
Indonesia	1	220	0.28	-	-	-
Thailand	2	240	0.14	0.08	-0.01 / 0.29	1.45 (0.23)
Malaysia	1	100	0.23	-	-	-
Singapore	22	1,324	**0.22**	0.09	0.16 / 0.27	9.28 (0.99)
India	1	50	-0.23	-	-	-
Australia	18	1,056	-0.01	0.28	-0.15 / 0.12	78.56 (0.00)
Africa						
South Africa	3	213	**0.38***	0.07	0.26 / 0.49	0.91 (0.64)

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

Table 3. Results of Mixed Effects WLS Regression[a]

Variable	Model 1	Model 2	Model 3	Model 4
Constant	**-0,21 (0,12)***	**0,13 (0,03)*****	**0,19 (0,03)*****	**-2,91 (0,34)*****
Hypothesizes moderating variables				
Competition	**0,10 (0,01)*****			**0,33 (0,03)*****
Civic activism	-0,12 (0,19)			**3,17 (0,42)*****
Globalization		**0,00 (0,00)*****		**-0,00 (0,00)*****
Ecological footprint		0,00 (0,00)		**-0,03 (0,00)*****
Coordination index			0,01 (0,01)	**0,16 (0,02)*****
Collectivism			0,00 (0,00)	**0,00 (0,00)*****
GRI-certified reporting			**-0,01 (0,00)*****	**-0,00 (0,00)***
Institutional control variables				
Rule of law	**-0,07 (0,02)*****	**-0,01 (0,01)***	**-0,02 (0,01)***	**-0,19 (0,02)*****
Stakeholder group				
Shareholder	0,01 (0,01)	0,01 (0,01)	0,01 (0,01)	0,02 (0,01)
Employees	-0,00 (0,01)	-0,00 (0,01)	0,00 (0,01)	0,00 (0,01)
Customers	0,00 (0,01)	0,00 (0,01)	0,00 (0,01)	0,00 (0,01)
Environment	0,00 (0,01)	0,00 (0,01)	-0,00 (0,01)	0,00 (0,01)
Community	-0,01 (0,01)	-0,01 (0,01)	-0,00 (0,01)	0,00 (0,01)
Industry type				
Manufacturing	**0,03 (0,01)****	0,00 (0,01)	0,01 (0,01)	-0,01 (0,01)
Accommodation and food services	**0,06 (0,01)*****	**0,06 (0,01)*****	**0,07 (0,01)*****	**0,06 (0,01)*****
Water supply	**0,29 (0,06)*****	**0,29 (0,06)*****	**0,29 (0,06)*****	**0,27 (0,06)*****
Financial services	-0,04 (0,05)	-0,05 (0,05)	-0,05 (0,05)	-0,05 (0,05)
Entertainment & recreation	**-0,17 (0,04)*****	**-0,16 (0,04)*****	**-0,16 (0,04)*****	**-0,17 (0,04)*****
Utilities	-0,04 (0,05)	-0,04 (0,05)	-0,04 (0,05)	-0,02 (0,05)
Information & communication	-0,14 (0,14)	-0,14 (0,14)	-0,14 (0,14)	-0,16 (0,14)
Agriculture	0,16 (0,10)	0,10 (0,10)	**0,29 (0,11)*****	**0,25 (0,11)****
Mining	**-0,56 (0,19)*****	**-0,56 (0,19)*****	**-0,57 (0,19)*****	**-0,59 (0,19)*****
Construction	-0,03 (0,04)	-0,01 (0,04)	-0,01 (0,04)	-0,03 (0,04)
Mixed polluting industries	-0,01 (0,01)	-0,01 (0,01)	0,01 (0,01)	0,01 (0,01)
Measurement artifacts				
Archival measure of CSR	**-0,02 (0.01)****	**-0,02 (0.01)***	-0,01 (0.01)	**-0,02 (0.01)****
Third party audit measure of CSR	-0,00 (0.01)	-0,00 (0.01)	0,01 (0.01)	0,01 (0.01)
Accounting measure of CFP	**-0,01 (0,00)*****	**-0,01 (0,00)*****	**-0,01 (0,00)*****	**-0,01 (0,00)*****
Methodological artifacts				
Published	**-0,03 (0,01)*****	**-0,03 (0,01)*****	**-0,04 (0,01)*****	**-0,05 (0,01)*****
Median year sample window	0,00 (0,00)	0,00 (0,00)	0,00 (0,00)	0,00 (0,00)
Panel design	**-0,05 (0,01)*****	**-0,06 (0,01)*****	**-0,06 (0,01)*****	**-0,05 (0,01)*****
Endogeneity check	**-0,04 (0,01)*****	**-0,04 (0,01)*****	**-0,04 (0,01)*****	**-0,03 (0,01)*****

Model specification				
Firm size	**-0,06 (0,01)*** **	**-0,05 (0,01)*** **	**-0,06 (0,01)*** **	**-0,07 (0,01)*** **
Firm age	**0,02 (0,01)** **	**0,02 (0,01)** **	**0,02 (0,01)*** **	**0,03 (0,01)*** **
Leverage	**0,03 (0,01)*** **	**0,02 (0,01)*** **	**0,03 (0,01)*** **	**0,04 (0,01)*** **
Beta	**-0,05 (0,01)*** **	**-0,05 (0,01)*** **	**-0,05 (0,01)*** **	**-0,05 (0,01)*** **
R&D intensity	**0,05 (0,01)*** **	**0,05 (0,01)*** **	**0,04 (0,01)*** **	**0,04 (0,01)*** **
Advertising intensity	**-0,05 (0,01)*** **	**-0,04 (0,01)*** **	**-0,04 (0,01)*** **	**-0,05 (0,01)*** **
Capital intensity	-0,00 (0,01)	0,00 (0,01)	0,00 (0,01)	0,00 (0,01)
Board size	-0,01 (0,02)	-0,01 (0,02)	-0,01 (0,02)	-0,01 (0,02)
Institutional ownership	**-0,09 (0,02)*** **	**-0,07 (0,02)*** **	**-0,08 (0,02)*** **	**-0,11 (0,02)*** **
Blockholders	**0,05 (0,02)** **	0,04 (0,02)	**0,04 (0,02)* **	**0,06 (0,02)*** **
R^2	0,17	0,15	0,16	0,20
K	1,241	1,241	1,241	1,241
Q_{model} (p)	485,94 (0,00)	441,16 (0,00)	473,12 (0,00)	591,44 (0,00)
$Q_{residual}$ (p)	2.424,27 (0,00)	2.454,22 (0,00)	2.443,34 (0,00)	2.358,82 (0,00)
v	0,0020	0,0020	0,0020	0,0019

[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 random effects variance component.

* p < .1

** p < .05

*** p < .01