Systematic Review of the Business Case for CSR

by

Angela Tarabella, Barbara Burchi
Department of Economics and Management, University of Pisa
atarabel@ec.unipi.it; bburchi@ec.unipi.it

Abstract. The business case for CSR may support the diffusion of CSR practices in the business world, but its verification still remains largely inconclusive. The paper aims at proposing new methodological approaches to the study of the business case by developing an extensive systematic review of previous empirical papers. Sections of papers have been scrutinised in order to detect possible mistakes in methodologies, social performance and firm performance measures. Understanding these aspects enables future research to obtain more reliable findings. The analysis of CSR determinants has allowed to identify factors which can explain the relationship between business and society, while affecting CSR. Findings of this research confirm that there is little evidence of a fully positive link between outcomes of social responsibility initiatives and firm performance. The selection protocol of papers is quite objective, but literature analysis is similar to vote-counting. Moreover, there is inconsistency in methodology and research design in the analysed studies. In order to improve future research on the business case for CSR some paths have been proposed meeting some issues recently stated by scholars. These affect the analysis of how firms can properly internalise stakeholder requests and benefit from it, also favouring society. Previous literature reviews have not extensively considered limitations and recommendations for future research of the analysed papers, as well as the broader interpretation of the business case and CSR determinants.

Key words: business case; CSR; literature review; social performance
JEL classification: M140

1 Introduction

The concept of corporate social responsibility (CSR) has a long tradition in the social sciences (Van Beurden et al., 2008; Garriga et al., 2004) and over the decades, it has continued growing in importance and significance. During the time, the concept of CSR has gone through a progressive rationalization. In this regard, Lee has argued that “rationalization of CSR entails two broad shifts in the conceptualization of CSR” (Lee, 2008, p. 2). Indeed, the evolution of CSR has affected both the level of analysis and the theoretical orientation. With regards to the first aspect, the debate has moved from the discussion of macro-societal effects of CSR, to the analysis of its impacts on the organization and financial performance. Consequently, the changing in the level of analysis has also affected the theoretical orientation by shifting the researchers’ focus from explicitly normative and ethics-oriented studies, to implicitly normative and performance-oriented studies (Lee, 2008; Perrini et al., 2009). From the practitioner’s side, the explosion of conventions, publications, and tools to manage and evaluate CSP, CSR has moved from the margins of corporate agenda to the mainstream, and companies are increasingly demonstrating their commitment to CSR by providing clear and verifiable data and information (Perrini et al., 2009). This effort has boosted empirical research on the link between CSP and Corporate Financial Performance (CFP). This relationship defines the so-called business case for CSR. Even if the relation between social responsibility initiatives and firm performance has been investigated since the mid ‘70s (Moskowitz, 1972; Alexander et al., 1978; Hopkins, 2006), many scholars claim that the analysis of the business case for CSR has not yet produced a definitive answer (Lindgreen et al., 2010). In this regard, Vogel has argued that “it is hard to draw broad conclusions about the relationship between CSR and profits” because many errors affect most of the studies (2005, p.
2 Theoretical background of the business case for CSR

Many reasons have led companies to behaving more responsibly towards society in the absence of legal requirements. In its first stage of development, CSR was intended as a corporate philanthropy (Vogel, 2005, p. 20), while formal definitions appeared since the 1970 showed emphasis on the Corporate Social Performance (CSP), namely the observable and measurable outcome of the corporate social activities (Sethi, 1975; Carroll, 1979). In particular, the Carroll’s 1979 model that interpreted CSR as one of principal components of CSP, defined CSR as the corporate social acting that goes beyond economic and legal concerns, and in the same model, he also described two other aspects of CSP. The first is the enumeration of the issues to which the social responsibility is tied, which are subject to change and differ among industries. The second is a specification of the philosophy of response, which can be described as social responsiveness (Van Beurden et al., 2008). More recently, Wood has defined CSP as “a business organization’s configuration of principles with social responsibility, processes of social responsiveness, policies, programs, and observable outcome, as they relate to the firm’s societal relationships” (1991, p. 693). Carroll et al. named the 1970s “the decade in which corporate social responsibility, responsiveness and performance became the centre of discussions” (2010, p. 87). The 1980s produced fewer new definitions of the concept, more empirical research, and the rise and popularity of alternative themes, such as corporate public policy, business ethics and stakeholder theory (Carroll et al., 2010). During the 1980s economic and social interests within organizations were drawn closer, however, they could not yet be tightly coupled together because there were not any objective measures and clear theoretical mechanisms linking the two concepts (Lee, 2008). By the late 1990s, CSR was also linked to strategy literature, and its relationship with market outcome has become more explicit (Hart, 1997; Kotler et al., 2005; Orlitzky et al., 2003;
Porter et al., 2006; Lee, 2008), boosting research on the so-called business case for CSR. Indeed, the most recent developments in the field of CSR show some positive relationship between CSR and firm performance (Goll et al., 2004). In fact, the literature review of 127 empirical papers developed by Margolis and Walsh (2003, p. 277) illustrates that “a simple compilation of the findings suggests there is a positive association, and certainly very little evidence of a negative association, between a company’s social performance and its financial performance”. Similarly, Van Beurden and Gössling (2008) have found that 68% of the reviewed studies present a positive link between CSP and firm performance; only two studies representing 6% of the final sample reveal a negative relationship. However, most of empirical studies on the business case for CSR reveal shortcomings that may affect results. Although the Carroll’s model of social performance puts CSR into practice through its application and measurement (Van Beurden et al., 2008), CSP is still difficult to evaluate. It is currently difficult verifying whether corporations ‘are walking the talk’ because there is a lack of proper CSR measures, such as behavioural ones for instance (Lee, 2008). Moreover, the development of multidimensional measures in order to assess social performance is in great demand (Griffin et al., 1997; Ullmann, 1985; Wood et al., 1995). Several authors have argued that CSR is a multidimensional concept (Rondinelli et al., 2000). In particular, its initiatives vary from voluntary programs and partnerships, to mitigating the environmental impact of industrial plants and production methods, to the development of sourcing and marketing initiatives that protect social welfare, and committing to environmental benefits (Szmigin et al., 2007). Rather than a single comprehensive activity, CSR comprises many different activities from which an organization can choose (Lindgreen et al. 2010). Therefore, a multidimensional measure of CSR can facilitate a more comprehensive (perceptual and factual) and thus accurate evaluation of CSR results. The wide variety of indicators related to financial performance can limit the comparability of findings too. The studies analysed by Margolis and Walsh (2001) show seventy different measures of financial performance: 49 different accounting measures have been employed, 12 different market measures, 5 measures that mix accounting and market indicators, and 4 other measures of outcome performance, for instance. Some authors have also critiqued the methodology used in order to assess the relationship between CSR and firm performance (McWilliams et al., 1997; McWilliams et al., 2000; Igalens et al., 2005; Salzmann et al., 2005). In particular, some methods and models can be influenced by the many factors affecting the relationship between CSR performance and CFP. Recognition of these factors is difficult mostly due to the complexity and contingency of CSR to situational, company and plant specific features (Margolis et al., 2001; Orlitzky et al., 2003; Salzmann et al., 2005). Furthermore, in many cases these features also drive and determine the implementation of CSR within companies. This paper aims at advancing future research on the business case for CSR by developing a deeper and updated systematic review of empirical literature.

3 Methodology

With time, many literature reviews have been conducted to do with the business case for CSR. Most of them are qualitative analysis (Ullman, 1985; Pava et al., 1995; Salzmann et al., 2005; Van Beurden et al., 2008), and many others have applied different quantitative methods to the data of their selected papers (Margolis et al., 2001; Orlitzky et al., 2003; Alcaniz et al., 2010). Although some of them are described as meta-analysis, only Orlitzky et al. (2003, p. 404) have used a statistical method in order to correct results achieved by prior empirical studies “for
statistical artefacts such as sampling errors and measurement errors”. Using this method, the authors have verified the positive relationship between Corporate Social Performance and Corporate Financial Performance. However, Orlitzky et al. (2003) have also proven that modelling and measurement errors actually affect the analysis of the business case for CSR. On the other hand, Salzamann et al. (2005, p.30) have investigated “the use of multidimensional” measures to correctly assess corporate social performance. Van Beurden and Gössling (2008, p. 412) have analysed previous papers concerning the contingency of CSR by detecting factors influencing the relation between CSP and CFP. However, it seems that no systematic review compare the search for modelling and measurement errors, contingency factors, and CSR determinants in order to identify more effective paths for future studies on the business case for CSR. This study aims at filling this gap by using techniques from systematic literature reviews, commonly applied in social science. Secindly, the authors have developed an adapted content analysis of the selected papers. In particular, a modified version of the approach developed by David and Han (2004), and Newbert (2007), integrated with the Pittway et al.’s scheme (2004), has been applied to selected articles. The resultant method is almost similar to those used in previous reviews of the business case for CSR, but it shows a more articulate inquiry protocol. Indeed, the review strategy has a number of stages designed to provide a systematic and explicit methodology. First, the authors have identified a set of primary keywords and strings for computer searching in the Business Source Complete (EBSCOnhost), Emerald, JSTOR, SciVerse databases (Scopus and ScienceDirect) and Web of Science, in order to collect relevant studies on corporate social responsibility. The authors have ensured relevance by requiring that selected articles contain primary keywords and strings (i.e. CSR, or ‘corporate social responsibility’, or ‘business ethics’) in their abstract, or as topic (for the Science database Web). To the same purpose, only papers published on peer-review journals have been searched for, and any date of publication has been accepted. Through this method, a large sample of more than 14,000 articles has been selected. A second computer search has been applied to this first sample in order to detect papers on the business case for CSR – narrow view and syncretic model – by applying a second set of keywords and strings. In particular, the authors have searched for two strings (‘business case’, ‘competitive advantage’), and two keywords (‘profitability’, ‘performance’) within abstracts, or as a topic (for the Science database Web), by using the logical operator ‘OR’. Those keywords and strings have returned a more restricted sample of nearly 2,350 papers. Lastly, a third computer search has been developed in order to detect papers empirically testing the relationship between social responsibility performance and firm performance. Five truncating keywords – empiric*, evidenc*, result*, test*, investigat* – have been searched for within abstracts, and as topic, and the sample has been narrowed down to about 1,390 items. Subsequently, the authors have manually scanned remaining abstracts in order to remove papers not concerning the study’s objective, such articles on macro-economic issues for instance. After that, duplicated articles found in all databases have been deleted: following this step, 533 papers were left, but only 454 of them were accessible in the complete version, with the available login. Lastly, the 454 abstracts have been read in order to identify empirical papers applying quantitative or qualitative methods to the analysis of the business case for CSR. Hence, during the screening process of abstracts, the papers have been grouped into ten clusters. Each group has been based on the paper’s objectives. Disclosure sums up all papers, while analysing the social – or sustainability – disclosure level of firms; the business case for CSR provides full investigation on the relationship between social responsibility.
initiatives and firm performance in general; papers on the analysis of factors that influence and drive CSR fall within determinants of CSR; the CSR model represents the group of articles that show, and subsequently apply, a new way, or best practices examples, for integrating CSR initiatives in firm strategy, with positive returns for the latter; CSR perception and awareness, covers all studies on the perception of CSR by both managers and board directors, customers and civil society representatives; conceptual frameworks are mostly theoretical articles that want to introduce a new perspective in the CSR studies, or a step ahead at the present positions; the literature review cluster, of which a specific subset on the business case (literature review BC) was identified, covers papers on more or less systematic analysis on the CSR literature, and it includes both narrative contributions and quantitative analysis, like the reviews of articles on the business case for CSR; the treaties on different methods to assess CSR performance are classified as CSP measurement; and finally the last group, descriptive, is represented by articles describing the CSR state of the art in a specific context, such as a country, region, industry, etc. However, the authors have first rapidly scanned the articles belonging to business case for the CSR group and determinants of CSR to ensure substantive and empirical relevance. Consequently, these selected articles have been studied in-depth.

The business case for the CSR group contains studies that empirically test the relationship between CSP and firm performance with quantitative or qualitative methods. However, 25 of these studies have not used financial indicators, but qualitative constructs pertaining to non-economic results of companies. Such papers have been discarded because are the object of a following research. Articles included within the literature review of the BC cluster have been analysed in order to compare their findings with the results of this study. 51 papers (34 of the business case for the CSR group, and 17 on the determinants of CSR) have been discarded after reading abstracts, because not entirely consistent with the goals of this research. The final sample of analysed papers amounts to 178 contributions. Papers regarding the business case for CSR have been divided into three groups. The first cluster contains studies that analyse only the relationship between CSR and financial performance, the narrow view of the business case for CSR. The second includes research about the direct and indirect relations, namely financial performance (CFP) as antecedents of CSR. Lastly, the third group covers papers considering CSR influences both on financial and non-financial results, the broad view of the business case for CSR. Contents of papers have been investigated using two different matrices. Papers concerning the business case for CSR have been investigated regarding their objectives, research questions, hypotheses, methodology, CSP measures, financial and non-financial performance measures, control variables, country, industry, achieved summary results, limitations and recommendations for future research. The authors have systematised the papers on determinants of CSR by applying a simplified matrix including only the factor driving – determining – CSR implementation within company strategies. Subsequently, the main groups of CSR determinants have been classified and analysed by origin. These two matrices have been filled with short summaries of contents, which have been subsequently coded in strings. Research questions and hypotheses have been made operative through the words “defined” or “undetected”. The latter has also been used for limitations and recommendations for future research. Undetected has been preferred to ‘undefined’ in order to explain that the relative content was not well described. Codes relating to results do not include negative findings, because no selected study reveals a totally negative result, namely CSR adversely affects firm performance. Indeed, if a paper shows a negative relation with a specific measure or dimension, the same obtains
a positive link with other dimensions. Hence, these findings have been classified as “non-definitive results (partially positive)”. Moreover, the negative outcome appears mixed with non-significant results.

4 Discussion of results

4.1 Analysis of papers about the business case for CSR

The first step of analysis has verified consistency of the selection criteria by comparing articles about the business case for CSR articles with previous literature reviews. However, selecting has returned only few literature studies because the research aims at analysing empirical papers. In particular, the returned literature analysis is mainly narrative, and doesn’t provide for a systematic method, despite bringing some important contributions to theory (Vogel, 2005; Hellsten et al., 2006; Hitt et al., 2007; Ambec et al., 2008; Vilanova et al., 2009; Carroll et al., 2010; Orlitzky et al., 2011). Hence, the authors have decided to integrate the two systematic reviews (Orlitzky et al., 2003; Van Beurden et al., 2008) with the extensive Margolis and Walsh study (2003) about the business case for CSR. Indeed, the latter have included 127 articles that “empirically examined the relationship between companies’ socially responsible conduct and their financial performance” (Margolis et al., 2003, p.273), published between 1972 and 2002. Orlitzky et al.’s (2003) review have investigated 62 studies, while Van Beurden and Gössling (2008) 34, as they have considered only those papers published after 1990. Through this route, 137 articles have been found, 21 papers analysed by Margolis and Walsh treating the reverse relationship between CSR and business performance have been discarded, 49 and 16 contributions investigated by Orlitzky et al. (2003) and Van Beurden and Gössling (2008) respectively, have been rejected because already included in the Margolis and Walsh work (2003). Only 13 papers selected by the authors are common to the above-mentioned sample of 137 articles. In particular, comparison of findings with previous literature reviews reveals that 9 on the 13 items have the same results, and 4 present a different interpretation. Two of the latter referring to 2006 have been reviewed by Van Beurden and Gössling (2008), who have not specified the cluster of mixed or partial findings. In fact, Luo and Bhattacharya (2006), and Barnett and Salomon (2006) have found a positive relation between CSR and firm performance. However, the former have demonstrated that “CSR affects market value partially through the mediator of customer satisfaction, and returns – firm’s market value – to CSR, can be both positive and negative, depending on the levels of a firm’s corporate abilities” (Luo et al., 2006, pp. 13-14). Hence, customer satisfaction and managers’ abilities play a mediating role within the business case for CSR, making the positivity of results partial. In this case, the partiality depends on the influence of other company features. Barnett and Salomon (2006, p. 1) have argued that “community relations screening increased financial performance, while environmental and labour relations screening decreased financial performance”. Therefore, these findings are non-definitive because each dimension of CSR diversely affects firm performance. Papers published in 1984 and 1988, written by Cochran and Wood respectively, and McGuire et al. have been reviewed by Margolis and Walsh (2003). Contrary to the latter scholars, the authors have classified the relationship achieved by these two contributions as non-significant. Indeed, Cochran and Wood have stated that “the association of CSR and financial performance, however, is still marginally significant” (1984, p. 54) and “even after controlling for asset age, using a large sample and industry-specific control groups, there still is weak support for a link between CSR and financial performance” (1984, p. 55). Besides, McGuire et al. have argued that “most interesting
is that prior performance is generally a better predictor of corporate social responsibility rather than subsequent performance” (1988, p. 869), that is, the relationship between CSR and firm performance has a very limited statistical significance. However, more than 60% of the papers analysed by the authors have been published after the Van Beurden and Gössling study. Therefore, the first result concerns the publishing period of the selected papers because the selection protocol has returned contributions mainly (75%) published in the last five years. 60% of the selected papers do not describe the research question clearly, and 19% not even the hypotheses.

With regards to verifying the business case of CSR, the present literature review shows that about 34% of the selected 96 articles have verified the existence of a definitive positive relationship. Nearly 30% of papers show that CSR initiatives partially affect company results, and more than 38% of studies present a non-significant association, namely positively responsible initiatives do not substantially improve corporate value – financial and or non-financial. This means that the business case for CSR is very little demonstrable; anyway, any definitive bad influence of CSR on corporate performance has been found. Moreover, the latter, if it exists, is mixed with some positive effects, confirming what has been found by Van Beurden and Gössling (2008; p. 418). Investigating limitations has firstly revealed that more than 53% of the studies show concerns about methodologies, and thus, results. Econometric models, such as regression analyses or equation models have been used in 80% of the papers. Lo (2010) and Belu (2009) have applied the linear programming called DEA – Data Envelopment Analysis – while Okamoto (2009) and Munoz et al. (2008) have exploited artificial neural networks respectively, as well as fuzzy-logic mathematical models. About 20% of studies have also introduced matching analysis to compare business performance of socially responsible firms as well as irresponsible ones. Three quarters of the studies have used secondary sources of data for their variables. However, many secondary sources collect data by qualitative surveying.

The authors have particularly paid attention to papers with econometric models. 88% of the articles applying econometric methods use regression, 10% Structural Equation Models (SEM), and only 1, stochastic frontiers. More than 30 studies do not declare the type of regression. However, Ordinary Least Square (OLS) is the most implemented because 27 papers explicitly recall it. Regression is an effective method able at determining both relationship between dependent and independent variables, and the relative direction, namely the causality. However, it reveals problems regarding statistical significance and model specification. The latter refer to verification of hypotheses underlying the explanatory variables, and residuals of regression. Those issues may be even more complex in case of the multiple regression methods – in particular, the ones based on the least square – where several independent variables are used, like in economic analyses. Statistical tests on linearity, normality, autocorrelation and homoscedasticity of the regression residuals (errors), multicollinearity, and lastly, the significance of parameters, allow the researcher to verify the statistical relevance of the econometric model. However, less than 50% of the papers applying regression have used the above-mentioned tests, and only 7 studies have included all of them. Specification of the regression model depends on the inclusion of variables describing the relationship between CSR and company performance, namely the control variables (McWilliams et al., 2000). The latter are further treated after analyses about independent and dependent variables. Secondly, bias regarding the CSR measures influence nearly one fourth of papers. During the time many and different variables have been used in order to evaluate CSP, such as pollution...
(Bragdon et al., 1972; Bowman et al., 1975; Fogler et al., 1975), social responsibility or environmental practices (Kedia et al., 1981; Clarkson, 1988; Christmann, 2000), the social responsibility reputation (Alexander et al., 1978; Cochrane et al., 1984; Preston et al., 1997) the third-party social and environmental assessment (Hart et al., 1996; Russo et al., 1997; Waddock et al., 1997; Graves et al., 2000; McWilliams et al., 2000), and the level of corporate voluntary disclosure (Abbott et al., 1979; Anderson et al., 1979; Blacconiere et al., 1994; Blacconiere et al., 1997). At any rate, findings show that CSR indexes and ranking lists have been the most applied CSP measures. In particular, the Kinder, Lyndeberg and Domini (KLD) and local indicators built on its method emerge among CSR indicators. The former covers many dimensions of CSR and environmental management, satisfying the criterion of Gerde and Logsdon (2001). These authors have shown that “aggregating a number of aspects relating to CSR and environmental management points to an underlying trait representing activities that directly or indirectly benefits society, as should be reflected by any measure of CSP” (Wagner, 2007, p. 586). However, KLD-based measures of CSR have also been criticised by many scholars. This method “places an equally weighted binary score on CSR activities that may have dissimilar natures and different amounts of influence across diverse industries” (Kang et al., 2009, p.81). Indeed, the diverse aspects of CSR, social, societal, environmental, and economic issues do not have the same importance among industries, diminishing comparability (Steger et al., 2007). “In the energy and chemical industry, environmental issues play a more important role”, as well as “in the textile and toy industry (e.g. child labour)”, and “in food and beverage manufacturing (e.g. fair remuneration of farmers in developing countries), social factors often come first” (Menz, 2010, p.123). KLD database cannot adequately assess all dimensions of CSR. Actually, it presents many other concerns. For instance, it primarily contains information about U.S. corporations (Menz, 2010), and its rating is partially based on perceptual measures. In this regard, some scholars have argued that assessing CSR performance through subjective methods is an important limit (Vogel, 2005). Moreover, KLD data mostly refers to manager opinions. Indeed, managers – and their set of values – drive the implementation of socially responsible strategies, and then in turn influence the CSR effectiveness. Therefore managers could falsify their opinion about CSP of other firms, especially if they are competitors. Corporate social performance has been defined as the observable outcome of the relationship between business and society (Wood, 1991). Hence, it is unclear how managers can properly evaluate this relation on their own, as they represent only one end of it. It is noteworthy that one fourth of the 96 papers on the narrow view of the business case for CSR have exclusively explored the managers’ point of view. However, CSR activities should be planned to address multi-stakeholder concerns, and ultimately, social issues. Lastly, CSR indexes and ratings evaluate company social behaviour from the shareholder perspective. Although the above-mentioned measures aim at assessing CSR performance by relations, their single focus on one stakeholder group is “not sufficient for a CSR evaluation, as CSR is often used as a means to tackle the expectations of several stakeholder groups” (Weber, 2008, p. 251). These considerations have been better explained by the more recent definition of CSP. The latter recalls the ‘policies, programs, and outcomes’ of the first definition (Wood, 1991), and it defines outcomes as “internal stakeholder effects, external stakeholder effects, and external institutional effects” (Wood et al., 1995).

With regards to CFP measures, Salzmann et al. have claimed for ‘both accounting and market-derived measures focus on different aspects of performance, and are subjected to particular bias’ because the former “can be confounded by accounting procedures and asset allocations...
across different industry sectors”, while the latter “may reflect more than just financial performance” (2005, p.30). In particular, the present study has highlighted that most of the articles indicating non-significant results and partial positive findings have applied objective measures of financial performance, such as accounting based or market-oriented ones. Instead, papers demonstrating the business case for CSR have used objective and perceptual measures to the same extent. Therefore, if studies with perceptual measures of financial performance are removed because of being potentially biased (Orlitzky et al., 2003), the number of positive relationships further decreases. Bourne et al. (2003, p. 4) have argued that the “accounting-based performance measures have been characterised as being financially based, internally focused, backward looking and more concerned with local departmental performance rather than with the overall health or performance of the business”. Indeed, by the 1980s, these indicators are being criticised because they encourage short-term decision-making and are inappropriate to modern manufacturing techniques. As a result, “in the early 1990s there was a great interest in the development of more balanced performance measurement systems” (Bourne et al., 2003, p. 4) in order to overcome shortcomings of traditional financially-based accounting systems. However, the relevance gained by stakeholder satisfaction (Bourne et al., 2003), and other more intangible performance, requires new frameworks and measures able at evaluating the overall firm performance. In fact, perceptual measures of non-financial performance have been mostly applied in papers published in the last five years. The authors have also found that one third of the studies have not included control variables. Many scholars have argued the need to use these variables in order to avoid biased results (e.g. Callan et al., 2009). However, these variables could also shape the outcome of socially responsible strategies. This may reflect in a greater correlation between independent variables of the econometric model, making it void. In particular, Garcia-Castro et al. have argued that a possible “explanation for the heterogeneity of empirical results is that SP (CSP) and FP (CSP) may have a relationship that changes with circumstances, which may not yet be understood well enough to be embodied in control variables” (Garcia-Castro et al., 2010, p. 108). Control and mediating variables have been analysed by classifying them into three main clusters: internal features of firm, industry and market driven factors, and context influences. The firm size, specified as sales, total assets, or employees, is the most used control variable. This represents the real measure of the corporate internal dimension. Industry, the second classified, is surely an external feature. The latter has been divided into market driven factors, and context aspects. The former are more linked to the business rather than the latter. R&D expenditures are very important to profitability and long term economic performance (Griliches, 1979; McWilliams et al., 2000). Furthermore, they also affect CSR performance since “many aspects of CSR create either a product innovation, a process innovation, or both” (McWilliams et al., 2000, p. 605). Therefore, omitting R&D expenditures within the econometric analysis of the business case for CSR can lead to overestimated CSR benefits on firm performance. Indeed, the present study shows that these expenditures have been increasingly used since 2000, obtaining the third position. Issues affecting data are the most widespread, because they represent 32% of the 96 articles. In particular, concerning data errors, many scholars have pointed out the use of data relating to many industries (Seifert, 2003; Salzmann et al., 2005), or countries (Jamali et al., 2006; Prado-Lorenzo et al., 2008). Moreover, some data errors are represented by the relationship between short-run and long-run performances of CSR, that some types of studies such as cross-sectional, are not able to analyse
because referring to a single year (García-Castro et al., 2010).

The analysis of recommendations for future research has highlighted the need of more studies concerning factors influencing both CSP and corporate performance is emerging (Carter, 2005; Inoue et al., 2010; Surroca et al., 2010, Schadewitz et al., 2010; García-Castro et al., 2010), like features of firms (Mittal et al., 2008), motivation driving CSR (Niehm et al., 2008), and the impact of context on CSR activities and their results (Fauzi et al., 2009). Besides, many authors have asked for extending the study scope to more stakeholders (Mishra et al., 2010; Lai et al., 2010; Greenley et al., 1997; Besser, 1999; Aupperle, 1989), and to the broader interpretation of the business case for CSR (Menguc et al., 2005; Basargekar, 2008; Lu et al., 2009). The multidimensionality of CSR (Menz, 2010; Lai et al., 2010; Kang et al., 2009; First et al., 2010, Okamoto, 2009) and industry features (May et al., 2008; Shen et al., 2009) are two topics that must be further developed in order to improve CSR measures. Lastly, there is a great request for qualitative studies. In particular, case studies can contribute to developing proper measures of CSP and firm results by researchers to understand the underlying reasons of CSR strategies (Rettab et al., 2009; Schnietz et al., 2005). Moreover, a case study could support research regarding the optimum level of social responsibility implementation (May et al., 2008), a new frontier of future studies about CSR (Niehm et al., 2008). In particular, studying the optimum level is consistent with requests for more research about conditions under which firms can benefit society (Margolis et al., 2003). For instance, Boesso et al. (2010) have pointed out that companies will have to develop a deeper analysis about specific issues affecting society or the environment in order to plan more effective and socially efficient responsible initiatives. Meanwhile, this could also prove useful to properly resolve these issues affecting society. Generally speaking, the above-mentioned topics concerning future research refer to the need for increasing studies on the efficiency and efficacy of CSR initiatives (Chang et al., 2008). The latter require more effectiveness of socially responsible strategies in order to address social concerns.

In summary, the present discussion supports the Margolis and Walsh’s words (2003). These scholars have argued that the research on the link between social outcomes and firm performance is “self-perpetuating: each successive study promises a definitive conclusion, while also revealing the inevitable inadequacies of empirically tackling the question” (Margolis et al., 2003, p. 278).

### 4.2 CSR Determinants

The analysis of CSR determinants has been developed to identify factors which can explain the relationship between business and society, while affecting CSP. These factors allow the proper specification of econometric models devoted to verifying the business case for CSR. The 73 examined articles have been mostly published after 2006 (74%), and half of them between 2009 and 2010. In particular, the analysis shows that CSR determinants can be grouped in 18 different types of characteristics. The latter can in turn be classified per origin: internal, industrial (market), and external, namely relative to the context. More than 66% of articles analyse only one factor leading to CSR implementation. One fourth of papers discuss about two CSR determinants, and only two studies present four possible drivers (Chih et al., 2010; Lattemann et al., 2009). Perrini and Minoja (2008) have detected three main antecedents of CSR strategy. Indeed, those scholars have argued that “the beliefs and value systems of entrepreneurs play a fundamental role in shaping a sustainable corporate strategy”, such as “the kind of competitive strategy that a company has selected” and the awareness of social responsibility orientation by the internal and external stakeholders” (Perrini et al., 2008, p. 47).
Furthermore, Reverte (2009) has highlighted that social responsibility outcomes can be influenced by 5 factors, namely size, industry, kind of ownership, external exposure – or pressure – and listing, also argued by Gamerschlag et al. (2011). Moreover, these scholars have added the profitability. The most cited determinants of CSR strategies refer to internal features of firms, followed by context characteristics. The kind of management and its properties are the main factors leading firms to behaving more responsibly in order to address social concerns. In particular, they have been declined into 13 different definitions: the governance style (Harjoto et al., 2011; Jamali et al., 2008), the directorial type (Ibrahim et al., 1995; 2003), the attitudes of executives (Murphy et al., 1992; Lopez-Gamero et al., 2008), management values (Waldman et al., 2006; Salam, 2009), its ability (Sangle, 2010) and commitment (Muller et al., 2010), the managerial structure (Brammer et al., 2003), and the use of power by managers (Nygaard et al., 2010), the dynamic capabilities (Fang et al., 2010), CEO characteristics (Manner, 2010), such as their beliefs (Graafland et al., 2007) and international experience (Slater et al., 2009). Thereafter, external pressure is the second cause of corporate social commitment in frequency, and it has been represented by visibility (Brammer et al., 2004; Gamerschlag et al., 2011; Giannarakis et al., 2011), media exposure (Reverte, 2009; Islam et al., 2010), public pressure (Preuss, 2009), and concerns expressed by the overall society (Tengblad et al., 2010), by institutions (Husted et al., 2006), and by stakeholders (Huang et al., 2010), their priorities (Smaliukien, 2007) and presence at international level (Bansal et al., 2003). Only Karaibrahimoglu (2010) has argued that the international financial crisis is a contextual factor that may push firms to integrating social responsibility in their strategies. Management features and external pressure are followed by size, country – included cultural aspects and issues related to religion – industry and its sensitivity, ownership, also interpreted as entrepreneurs’ value (Cordeiro, 2008) and shareholder activism (Sjostrom, 2010). Other CSR determinants frequently studied are competitive strategy – also represented by Total Quality Management practices (Hisrich et al., 2003), product differentiation (Siegel et al., 2007), and market orientation (Qu, 2007) – regulation or legal enforcement, listing, market competitiveness – also as globalization (Tengblad et al., 2010) –, profitability or business performance, executive compensation, and effectiveness of CSR tools, that is, quality of code of conduct (Erwin, 2010), stakeholder awareness (Perrini et al., 2008) and consumer trust (Vlachos et al., 2009).

The economy model represented by the self-regulation of the financial industry (Chih et al., 2010), and by liberal market (Jackson et al., 2010) respectively, has been cited two times. Passage of the time (Fernando, 2010), cooperation – also expressed by the inter-organisational factors (Carter et al., 2008) – and innovation, that is, the R&D intensity (Padgett et al., 2009), have been investigated once.

These findings demonstrate that CSR determinants largely overlap with control variables. Indeed, many factors analysed here have been frequently included within the econometric model as control variables in order to correctly explain the business case for CSR. However, it may pose some concerns with regards to collinearity. The latter occur in regression when a control variable affects the independent one. Anyway, collinearity arises when CSP is a product of the control variables, namely their linear combinations. Hence, CSR determinants directly correlated with CSP cannot be used as control variable because the underpinning hypotheses of the regression would thwart. Such an event is quite rare, although a high correlation (major of 0,5) is very common. In particular, collinearity will be explicated when the assessment of social responsibility of firms comes from a feature that affects the relation
between corporate results and social outcome, and as such, has to be included in the econometric model. To conclude, some important factors affecting CSR have never been investigated within the econometric verification of the business case for CSR. It is he authors’ opinion that the national law system and the economy model, such as cooperation, supports pursuing economic objectives too. Furthermore, the effectiveness of socially responsible tools and strategies can perform better than CSR indexes in order to verify the business case.

5 Conclusion

The authors have investigated the relationship between CSP and the business outcome in the empirical literature in order to defining some useful propositions to advance future research concerning the business case for CSR. Although most of the previous literature reviews have demonstrated the business case for CSR, findings of this research highlight that there is little evidence of a fully positive link between outcomes of social responsibility initiatives and firm performance. Indeed, this systematic review has demonstrated the business case for CSR mostly depending on the methodology used for its exploration. Indeed, the analysis of the link between the CSR outcome and firm performance is very complex due to its contingency to many factors. However, CSR strategies could bring benefits to business, and meanwhile resolve some social and ethical issues. Therefore, future research will have to resolve the above-mentioned questions, which actually are not homogeneous. Indeed, some of them can be effectively investigated by using quantitative methods, such as econometric or mathematical models. Other open issues require qualitative analysis and methods. Issues regarding quantitative method can be overcome by integrating the industry focus, as argued by many scholars (Lee et al., 2009; May et al., 2008; Shen et al., 2009; Seifert, 2003; Salzmann et al., 2005).

Industry will have to support the sample definition and building of proper CSR measures. Indeed, the latter allow grasping possible differences in CSR strategies among industries. In particular, a measurable module for evaluating each dimension of CSR results is very useful in order to identify sector-specific socially responsible initiatives, and specific interaction between one dimension of CSR and industry features. Lastly, CSR implementation requires huge investments and a long time. Hence, an in-depth analysis of the business case for CSR will have to provide for the short-term, and long-term (Garcia-Castro et al., 2010). Findings can support managers and practitioners in defining CSR strategies tailored on industry features, which can effectively be able to produce positive business performance. Perceptive data have been often used in order to evaluate social responsibility performance. Even famous KLD indexes include some opinions and subjective judgments. In this regard, the authors claim that use of perceptual data is appropriate for CSP assessment, even if manager opinion influence the implementation and results of CSR strategies in turn. Anyway, perceptual data relating to the stakeholders and manager opinions are more useful for investigating non-financial performance. Indeed, managers are asked to continuously monitor the internal and external non-financial outcome. Lastly, many scholars argue the needs of case studies. Indeed, the latter allow understanding the real outcome of CSR initiatives, without recurring to indices or other types of measures. First of all, the researcher can better evaluate the level of integration of CSR practices into strategic decisions. In this regard, Lopez et al. (2007) have argued that if CSR is a part of the strategy, positive consequences will be achieved – although mostly qualitative in the short term. Secondly, CSP can be properly measured by monitoring changes in stakeholder opinion. Indeed, the case study allows investigating relationships with stakeholders by differentiating for features of each CSR action. Moreover,
important non-financial outcomes, such as increasing employee satisfaction, retaining talent, and playing a positive role in the local community (Lopez et al., 2007) can be detected. Furthermore, future research can combine case studies with the Social Network Analysis (SNA) in order to evaluate changes occurring in relations between firms and stakeholder after CSR implementation. SNA seems to be poorly applied in this research field, despite its utility in the intensity assessment of relationships. If the intensity of relations between one company and its stakeholder is low, CSR is likely to be not so well integrated into corporate strategy. Moreover, executives and managers, on the one hand, and stakeholders, on the other hand, will differently evaluate non-effective CSR activities. Findings can advance research and theory concerning CSR and business ethics, by enhancing the understanding about the link between business and society. However, the authors’ proposals do not lead to generalizable findings. For instance, case studies “are not representative” (Salzmann et al., 2005, p. 33), as well as the focus on industry. If CSR can be considered a strategy – part of the global corporate strategy – then demonstrating the universality of the business case for CSR will never be possible. Indeed, the different level of a firm’s corporate social responsibility depends on the risks and opportunities that it wants to face (Vogel, 2005). “There is no reason to expect a convergence of CSR strategies, any more than companies can be expected to converge on any other strategy” (Vogel, 2005, p. 27). Hence, econometric and statistical methods cannot grasp possible improvements in corporate behaviour toward social concerns by extending the analysis beyond firm boundaries, nor can these methods help understand the CSR returns for firms. Methodologies tailored on firm features, or industry at least, will prove more adequate in order to verify the business case for CSR, even if its validity will be circumstantial.

To conclude, the authors have identified some limitations to the present study. The first limitation concerns the method used. The latter shows some originality but it remains as a qualitative analysis. The selection protocol is quite objective, but literature analysis is similar to vote-counting (Orlitzky et al., 2003). However, previous literature reviews have not extensively considered limitations and recommendations for future research of the analysed papers, as well as the broader interpretation of the business case and CSR determinants. The main limitations are represented by the subjective choice of keywords and login restrictions, which have probably led to excluding some important papers. Indeed, there is little matching between the present literature review and the previous ones. Selection protocol has returned more recent papers than the ones selected by previous literature analyses, allowing to gain knowledge about the latest empirical studies. Another limitation is similar to the one identified by Van Beurden and Gössling (2008). In fact, there is “inconsistency in methodology and research design in the studies that are included” and this affects the comparison of results (Van Beurden et al., 2008, p. 419). However, the authors of the present review have tried to overcome this issue by classifying papers into groups, on the basis of the methods and variables used.

References


**Authors description**

Angela Tarabella is Associate Professor of Commodity Science, Quality and Environmental Management Systems at the University of Pisa, Department of Economics and Management. She has Master degrees in Business Administration, in Energy and Environmental Management and Economics and in Environmental Management and Control. She received her Ph.D. in Business Administration at Sant’Anna School of Advanced Studies of Pisa. During the first stage of her researcher studies she has been involved in environmental concerns and Fair Trade issues. The integrated protection and prevention of environmental impacts have been an important topic of her research activities till the early 2000s. Then, she extended the interest in environmental issues from cleaner technologies to the analysis of all environmental impacts in industrial production through studying Environmental Management System and using of LCA methodology. In the last years she firstly extended her research activities to quality in management systems and in products, and recently to the comprehensive concept of CSR. She is authors of more than 30 works on the above-detailed topics including papers, proceedings and books. Most of her recent papers are currently available on Scopus, EBSCO and RePEC.

Barbara Burchi is a Research Fellow at University of Pisa, Department of Economics and Management. She worked for about five years as category manager for an ICT distribution company, and she won the l’Oréal Marketing Award in 2001. She attained her Master degree in Business Economics in 2003. Barbara is fluent in Italian (mother tongue) and English. She is currently carrying out researches on Commodity Science topics, Quality and Environmental Management Systems, and Corporate Social Responsibility issues. During the doctorate period, she developed a quantitative analysis of the business case of CSR. In the last four years she has been involved in several research projects and she has collaborated to many papers.