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When does it pay to be good?

Moderators and mediators in the corporate sustainability – corporate financial performance relationship: A critical review

Abstract

In this paper, we review the literature on moderators and mediators in the corporate sustainability (CS) –corporate financial performance (CFP) relationship. We provide some clarity on what has been learned so far by taking a contingency perspective on this much-researched relationship. Overall, we find that this research has made some progress in the past. However, we also find this research stream to be characterized by three major shortcomings, namely low degree of novelty, missing investment in theory building, and a lack of research design and measurement options. To address these shortcomings, we suggest avenues for future research. Beyond that we also argue for a stronger emphasis on the strategic perspective of corporate sustainability. In particular, we propose future research to take a step back and aim for an integration of the CS-CFP relationship into the strategic management literature.

Section: Corporate Responsibility

Keywords: Corporate Sustainability, Corporate Financial Performance, Moderators, Mediators, Literature Review, Strategic Corporate Sustainability

Article Type: Literature Review

INTRODUCTION

For the past 40 years, the study of the relationship between corporate sustainability (CS) – corporate financial performance (CFP) has had a prominent place in the literature (Bowman and Haire, 1975; Bragdon and Marlin, 1972). However, despite literally hundreds of studies on this topic, the findings have been inconsistent and disappointing (Waddock and Graves, 1997), as the relationship between CS and CFP has been argued and found to be positive (Hart and Ahuja, 1996; Orlitzky, Schmidt and Rynes, 2003), insignificant (Surroca, Tribo and Waddock, 2010), negative (Aupperle, Carroll and Hatfield, 1985; Friedman, 1970), U-shaped (Barnett and Salomon, 2012), inverted U-shaped (Lankoski, 2008), or asymmetric (Jayachandran, Kalaighnam and Eilert, 2013). Indeed, at first sight the wide variety of shapes found in the literature may convey the impression that we as researchers are able to argue and find whatever shape we want the CS-CFP relationship to have.

Then again, is it really surprising that our quest for a general relationship between CS and CFP has failed so far? We do not think so. In fact, we believe that the quest for such a general relationship may be pointless given the large number of environmental and organizational influences on CFP (Anderson and Zeithaml, 1984). After all, there is little evidence for the existence of a simple, unidirectional causal relationship of any given construct on CFP (Lenz, 1981).

Efforts aimed at reconciling the inconsistent and at times even contradictory findings have initially focused on the choice and measurement of constructs for CS and CFP (Aupperle et al., 1985; Griffin and Mahon, 1997; Sharfman, 1996), as well as model specification (Margolis and Walsh, 2003; Marom, 2006; Russo and Fouts, 1997). However, a debatable implicit assumption of this approach is still that there is a general relationship between CS and CFP that holds for any firm in any context at any time. Acknowledging the possibility that such a general relationship may just not exist, scholars

have called for more research on the contingencies – moderators and mediators – affecting the CS-CFP relationship. As Barnett (2007, p.813) put it: “Here I [...] call for increased attention to a contingency perspective that affirms the payoffs of CSR to some forms of CSR for some firms at some points in time.” In other words, in contrast to a congruent proposition in which “a simple unconditional association is hypothesized to exist among variable in the model [...] a contingent proposition is more complex, because a conditional association of two or more independent variables with a dependent outcome is hypothesized” (Drazin and Van de Ven, 1985, p.514). As a result, a contingency perspective on the CS-CFP relationship is likely to yield a much finer grained and differentiated picture, thereby acknowledging that differences in firm and context characteristics may affect the CS-CFP relationship – *moderators* – and also that the effect of CS on CFP may occur through different means – *mediators*.

Concentrating on moderators and mediators that may affect the CS-CFP relationship, research attention has recently begun to shift from *whether* it pays to be good to *when* it pays to be good (Orlitzky, Siegel and Waldman, 2011; Orsato, 2006). In light of the potential contribution, which the contingency perspective holds, it seems that there is great value in taking stock of what we have learned so far and what is still to be explored regarding moderators and mediators of the CS-CFP relationship. The objective of the present study is, thus, to provide a review of research exploring the contingencies affecting the CS-CFP relationship. In doing so, we aim at increasing our understanding of the conditions under which CS has a distinct effect on CFP.

Admittedly, a number of thorough reviews on the CS-CFP relationship are available (Aguinis and Glavas, 2012; Beurden and Gössling, 2008; Dixon-Fowler, Slater, Johnson, Ellstrand and Romi, 2013; Margolis and Walsh, 2003; Orlitzky et al., 2003). Some of these reviews have focused on measurement

and operationalization issues (Peloza, 2009; van Beurden and Gössling, 2008), some have focused on specific scholarly disciplines (Dixon-Fowler et al., 2013), and still others have attempted to review the entire literature on the CS – outcome relationship (Aguinis and Glavas, 2012). However, to the best of our knowledge to date, no in-depth review is available critically reflecting upon existing knowledge, uncovering important gaps, and outlining future research avenues regarding research on moderators and mediators within the CS-CFP relationship. We address this gap.

We proceed as follows: In the next section, we describe both our approach to identifying the relevant body of literature to be reviewed as well as the integrative framework for organizing and reviewing this body of literature. Thereafter, in sections three we review the building blocks of the basic relationship, that is, CS and CFP. In sections four and five, we present the results of our review regarding moderators and mediators of the CS-CFP relationship, respectively. Thereafter, in section six, we provide an overall evaluation of the current status of the field before we provide an extensive agenda for future research in section seven. We close the paper with a brief conclusion in section eight.

METHOD

Identification of the Literature

In order to identify the body of literature to be reviewed, that is, studies adopting a contingency perspective on the CS-CFP relationship, we followed prior research and conducted a systematic literature search (Aguinis and Glavas, 2012; van Beurden and Gössling, 2008). We decided to focus our search on major academic journals that had previously been included in studies of journal impact and quality (Podsakoff, MacKenzie, Podsakoff and Bachrach, 2008; Tahai and Meyer, 1999). The

rationale for doing so was twofold: First, as Tahai and Meyer (1999, p.280) have reasoned, studies published in highly ranked academic journals are likely to contain “the ideas which are most closely scrutinized, evaluated, and extended”. As such, research published in these journals can be considered validated knowledge (Podsakoff, Mackenzie, Bachrach and Podsakoff, 2005). Second, given that publication in highly ranked academic journals serves as evidence of scholarship and potential impact on the field (Podsakoff et al., 2005), it is likely that these journals represent the current ‘frontier of research’, that is, the current state of knowledge of a given subject matter.

In order to select the specific journals that provide the basis for our review, we first consulted several studies on journal quality and impact (Johnson and Podsakoff, 1994; Podsakoff et al., 2005; Podsakoff et al., 2008; Tahai and Meyer, 1999). Based on this, we selected a set of core management and strategy journals that have consistently been evaluated as being the journals with the highest quality and impact. The focus on management and strategy journals was due to the fact that at the core, research on the CS-CFP relationship focuses on the topic of wealth creation, which has been argued to be at the heart of the management and strategy literatures (Rumelt, Schendel and Teece, 1994). Besides these core management and strategy journals, we included a set of journals considered to be important outlets for academic research on the broader topic of corporate sustainability (CS). Finally, to account for the prominence of the CS-CFP relationship within business practice, we also included three practitioner oriented journals.

The set of journals that forms the starting point for our review consists of *Academy of Management Journal*, *Academy of Management Review*, *Administrative Science Quarterly*, *Business Strategy and the Environment*, *Business & Society*, *California Management Review*, *Harvard Business Review*, *Journal of Business Ethics*, *Journal of Management*, *Journal of Management Studies*, *Management*

Science, Organization Studies, Organization Science, Sloan Management Review, and Strategic Management Journal.

We decided to rely on a systematic search within major databases such as Business Source Complete, Web of Science, and Science Direct for the identification of relevant studies within the set of journals for the period between 1972 and 2013. We selected 1972 as a starting point for our review as Margolis and Walsh (2003) have argued that empirical research on the CS-CFP relationship first appeared in that year.

Notwithstanding our focus on the contingency perspective, we decided to use a broad set of keywords¹ referring to CS and CFP, reasoning that limiting our search to keywords referring to moderators and mediators would potentially lead to the exclusion of relevant studies. We also decided to apply the term Corporate Sustainability (CS) rather than Corporate Social Responsibility (CSR). There are two main reasons for this decision. First, from a theoretical perspective CSR can be seen as a subset of CS issues. Both terms have similar conceptualizations, but small differences exist related to applied questions and theories. CSR is very society oriented and associated with communication aspects of people and organizations, whereas CS offers a wider focus, because it is considered from the tridimensional perspective of the Triple Bottom Line (TBL), which emphasizes the integration of economy, society and environment for a firm's success (Montiel, 2008; Van Marrewijk, 2003). CS sees the environment as the third main element, whereas CSR refers to the environment as a subset of social issues. Or in other words "CS is the ultimate goal, with CSR as an intermediate stage where companies try to balance the Triple Bottom Line" (Van Marrewijk, 2003, p.101). Second, from a practical perspective, firms use both terms as interchangeable, with a tendency towards an increasing use of CS, in order to account for all social and environmental issues in the organization (Montiel, 2008). Therefore, it

becomes more difficult to assess a firm's social and environmental engagement with any accuracy by focusing on only one of the two terms. Consequently, we follow Montiel's (2008) recommendation of only one term for CSR and CS, which is CS. Studies related to CSR and Environmental Management (EM), as well as Corporate Responsibility (CR) and Corporate Philanthropy (CP) are considered as part of CS and are hence also included and in our review. In order to reduce complexity and to avoid confusion resulting from the use of various sub-constructs of CS, we will refer in the following to CS only. We believe that doing so will result in making the text more accessible. However, it is important to note at this point, that Table 1 provides for every study contained in our review very fine-grained, detailed information of the applied sub-construct of CS, explored moderator or mediator, operationalization of measurements for CS and CFP, as well as the results and findings for each reviewed study on an individual level.

Results of the Database Search

The database search – in title and abstract – yielded a total of 274 potentially relevant studies. In a first step, we carefully reviewed the abstract of each study and eliminated 106 studies, which obviously did not fall within the domain of our review, for example because they were not concerned with the CS-CFP relationship. In a second step, we examined the theory and method sections of the remaining 168 studies to make sure that these studies did in fact fall into the domain of our review. In particular, we focused on studies that explicitly use the term moderator or mediator, but we also included studies with an implicit argumentation for a moderating or mediating effect. This inspection led us to eliminate another 137 studies, as these studies did not adopt a contingency perspective. Finally, we scanned the references of the remaining 31 articles in order to identify prominent studies that could not be identified using the aforementioned approach. In doing so, one additional study was included. Our final sample of

studies therefore consists of 32 studies, made up of 22 empirical studies, 8 conceptual papers, and 2 literature reviews. We provide more detailed information on the sample in Table 1.

*****Insert Table 1 here*****

To get a sense of how the academic interest in the topic of moderators and mediators within the CS-CFP relationship has evolved, we plotted Figure 1. It shows for each year in the period examined both the overall number of studies on the CS-CFP relationship and the number of studies among those adopting a contingency approach in our set of journals. The plot shows, not surprisingly, that interest in research on the CS-CFP relationship has substantially increased in recent years, reflecting the accelerating discussion on firms' social and environmental responsibility within both public and business. It also indicates an increasing share of studies – though on a low level – adopting a contingency perspective. This reinforces our belief that an in-depth review of the contingency perspective within CS-CFP research is beneficial, because it may allow future research to build more meaningfully on existing knowledge and may help to work against the fragmentation that is characteristic for CS-CFP research at large (Ullmann, 1985).

*****Insert Figure 1 here*****

A Framework for Organizing the Literature

Subsequent to the identification of the literature, we moved to the coding and categorizing of the identified studies. In this step, we coded the primary constructs and key findings. Drawing from this coding, we then developed a framework that provides the analytical review scheme necessary for systematically evaluating the contribution of a given body of literature (Ginsberg and Venkatraman, 1985).

Our framework is made up of four major building blocks: (a) corporate sustainability, (b) moderators, (c) mediators, (d) corporate financial performance. In coding the moderators and mediators of the basic CS-CFP relationship, we followed the widely used approach and distinguished between influences coming from outside the firm and those originating from within the firm. Accordingly, we distinguished moderators and mediators into *external* and *internal* factors. Figure 2 depicts our framework and Table 1 provides an overview of the classification of the studies included in the review.

*****Insert Figure 2 here*****

THE BUILDING BLOCKS OF THE BASIC RELATIONSHIP: CS AND CFP

The focus of our study is on the moderators and mediators of the CS-CFP relationship. Nonetheless, we begin with an analysis of the constructs underlying the basic relationship, that is, corporate sustainability (CS) and corporate financial performance (CFP). In particular, in a first step, we were interested in learning how these constructs were measured within the body of literature we reviewed, the rationale being that potential moderators and/or mediators may have differential effects depending on how the constructs of the basic relationship were actually measured. In carefully examining the literature we found that four different forms of measurement of CS exist, namely reputation rating, other externally visible measures, disclosure, and perceptual measures. Likewise, we found that CFP may be categorized into three different forms, namely market based, accounting based, and perceptual measures (Orlitzky et al., 2003).

In a second step, we took a closer look at the 22 empirical studies included in our review with the objective of specifying the respective form of measurement and to identify potential patterns and flaws.

In Table 1 we present the outcome of this detailed analysis. Overall, we find that with regard to the basic relationship between CS and CFP the majority of studies (59%) report a positive relationship, 9% report a negative relationship, and 32% report other relationships including non-findings or mixed-results. As such, our findings seem to be in line with previous review findings (Peloza, 2009).

Regarding the CS construct we find that relying on other external visible measures, in particular the Kinder, Lydenberg, Domini and Company (KLD) database, has evolved as the most widely used form of measuring CS. This development is probably driven by Graves and Waddock's (1997), Sharfman's (1996), and Hull and Rothenberg's (2008) prominent KLD supporting studies. In general, the recurring application of a specific dataset is vital to building a cumulative and reliable body of literature. After all, as Bettis, Helfat, and Shaver (2014, p.1) have argued, "reproducibility of results lies at the core of modern science." However, we find that there is no consistent application of the KLD database. Quite the contrary, our analysis leaves us with the impression that the choice regarding what items to include or exclude is at times random. Often, items such as corporate governance, human rights, and controversial issues are excluded, even though these topics are obviously of special interest to social activist stakeholders (Sharfman, 1996). Thus, beyond the acknowledged limitations of the KLD database in the literature, such as the problems of aggregation related to the correlation of dimensions (Graafland, Eijffinger and Smid, 2004), the lack of sector specificity, or the treatment of ordinal measures (Surroca et al., 2010), our analysis points to the fact that – despite relying on one and the same KLD database – the studies actually involve different independent variables. What makes the situation even worse is the fact that given a lack of reporting on how the construct was ultimately operationalized – for example, was a weighing score used or a simple summation – the replication of the CS construct is simply not possible.

In trying to overcome some of the limitations of the KLD database, some studies relied on alternative databases such as oekom, FRDC (Franklin Research and Development Corporation) and Sustainalytics. However, lacking a strong foundation in the literature and at times subjective coding schemes (Rahman and Post, 2012), these alternatives have – to date – only seldom been used. With only five out of 22 studies, disclosure and reputation rating as a form of measuring CS were even used less often.

To measure the dependent construct, that is, corporate financial performance, the studies in our sample typically rely on either accounting-based measures – such as return on assets (ROA), return on equity (ROE), or return on sales (ROS) – or market-based measures – such as Tobin's q or cumulative abnormal returns (CAR). In accordance with the findings of Pelozo (2009) we find a slight preference (55%) for the application of market-based measures. This is most likely reflecting that in particular Tobin's q has been argued to overcome shortcomings of accounting-based measures of corporate financial performance (Servaes and Tamayo, 2013). Comparing the results of studies using market-based measures with those using accounting-based measures, we find a similar pattern uncovered in previous reviews and meta-analyses (Margolis, Elfenbein and Walsh, 2009; Pelozo, 2009). Accordingly, studies using accounting-based measures tend to demonstrate a stronger positive relationship between CS and CFP as compared to studies relying on market-based measures. Studies using market-based measures of CFP show a more diverse picture of the basic CS-CFP relationship, including non-effects, trade-offs, or asymmetry.

Beyond the seemingly emerging pattern that the CS-CFP relationship may be affected substantially by the choice of the CFP construct, the theoretical conceptualizations underlying accounting-based measures of CFP as opposed to market-based measures of CFP are important. While accounting-based measures are generally conceptualized as a reflection of past, short-term financial performance, market-

based measures are seen as a reflection of future, long-term financial performance (Hoskisson, Johnson and Moesel, 1994). However, as Venkatraman and Ramanujam (1986) in a widely acknowledged article on corporate financial performance have argued, accounting-based measures and market-based measures may be unrelated. If this is true – and some studies, such as the one of Gentry and Shen (2010) report such findings – then this has important implications for theory development. As Gentry and Shen (2010, p.514) have reasoned:

“if accounting and market measures are not correlated or are correlated only at a low level, it suggests that firm financial performance is not a single unidimensional construct and that accounting and market measures capture its distinct dimensions. In this situation, researchers should attend to the differences between accounting profitability and market performance, and develop separate theories to explain their variation.”

Put differently, the choice of construct used to operationalize CFP must already be reflected in the theoretical development. Some theories, such as agency theory, may be used to explain both short-term, backward looking performance and long-term, forward looking performance. However, what we observe is that a study’s theory section is typically focused, that is, developed to explain *either* short-term, backward looking performance *or* long-term, forward looking performance. Hence, studies reporting in their robustness check section that the results also hold when using long-term, forward looking performance instead of short-term, backward looking performance (or vice versa) exhibit – almost by definition – a substantial flaw, namely a mismatch between theory and construct. This assessment is further reinforced by the fact that, as elaborated above, short-term, backward looking performance represents a different aspect of performance as opposed to long-term, forward looking performance (Gentry and Shen, 2010).

An additional comment concerning the use of market-based measures of CFP seems in order. Market-based measures such as Tobin's q or cumulative abnormal return are often argued to reflect CFP. However, market-based measures merely reflect investors' expectations and are based on the market efficiency hypothesis stating that market prices fully reflect all available information in the market (Malkiel and Fama, 1970). Given, however, that the market efficiency has been questioned (see for example (Tobin, 1984)) some scholars have raised concerns regarding the use and interpretation of market-based financial performance measures for strategy and management research (Bromiley, 1990). Thus, it seems at least questionable whether market-based performance measures are suitable to address the question of whether or not a firm's CS is associated with an increase in firm performance.

Finally, our analysis of the constructs underlying the basic relationship revealed another interesting pattern. Due to the widespread application of the KLD database, studies in our sample were almost exclusively restricted to US firms. Studies involving firms from other countries are largely missing. A notable exception in this context is Schreck (2011). Using a sample of firms originating from the oekom research AG, the author was able to include firms originating from as many as 24 different countries. Moving beyond the US context, however, is important given that scholars such as McWilliams, Siegel, and Wright (2006) have pointed out that CS initiatives are substantially affected by cross-country differences. Cultural, institutional, and regulatory differences are likely to lead to different returns of activities and expectations. Therefore, we encourage future studies to pay more attention to the importance of country context and come up with more studies involving non-US firm samples.

Our analysis lends support to the assumption that different findings concerning the basic CS-CFP relationship may to a substantial degree be explained with the varying operationalizations of the CS-

CFP constructs. Even seemingly identical constructs – such as for instance CSR – that are derived from the same database – such as the KLD database – may exhibit substantial differences at closer inspection. For example, the studies of Blanco et al. (2013), Jayachandran et al. (2013), Servaes and Tamayo (2013) all rely on the construct of *CSR* based on *KLD data* and operationalize *CFP* by *Tobin's q*. However, Blanco et al. (2013) measure CS using the KLD index of *community, corporate governance, diversity, environment, product, employee relations, human rights* and *controversial issues*. Conversely, Jayachandran et al. (2013) measure CS using only the KLD index of *environment* and *product*, whereas Servaes and Tamayo (2013) use *community, diversity, environment, employee relations*, and *human rights* in their narrow measure of CS, and add *product* to obtain a broader measure of CS. Beyond that, they introduce yet another CS variable that consists of *industry concerns*, only (see Table 1, for detailed construct and operationalization information on each study). Given these substantial differences it is almost impossible to compare the findings of studies that – though only on the surface – are concerned with the same issue. This proliferation in construct operationalization, however, is likely to hamper the further development of the field and the development of a cumulative and reliable body of literature.

Subsequently, we shift focus to the moderators and mediators of the basic CS-CFP relationship. Table 1 provides an overview of the studies contained in the present review according to the type of moderator and/or mediator explored as well as the underlying concepts of CS and CFP. As Table 1 reveals, there is an accumulation of internal and external moderating variables within the context of CS operationalized as other externally measured variables and CFP operationalized as market or accounting based measures. In what follows, we provide an in-depth review of the moderators and mediators of the CS-CFP relationship.

MODERATORS: WHAT ALLEVIATES OR REINFORCES THE CS-CFP RELATIONSHIP?

Moderation specifies the impact of an independent variable (predicator) on a dependent variable (criterion) as a function of a third, moderating variable (Baron and Kenny, 1986). Accordingly, the moderator affects the direction and strength of the relationship between the predictor and the criterion. In order to learn what factors have an effect on the CS-CFP relationship – alleviating or reinforcing it – we distinguished potential moderators into *internal* and *external*, respectively.

Internal Moderators

Reviewing the studies within our sample, we found that a broad variety of internal, organizational-oriented factors had been explored as potential moderators of the CS-CFP relationship. However, this broad variety of factors can be categorized as: firm characteristics, differentiation between sustainability engagements, and managerial characteristics, behavior, and action.

Firm characteristics

Based on the assumption that some firm characteristics represent a firm's resources and capabilities, the literature has so far explored the moderating effect of firm size, ownership structure, innovation, and strategic orientation. For example, Dixon-Fowler et al. (2013) provide evidence for a negative moderating effect of firm size. Put differently, notwithstanding a lack of slack resources, smaller firms are more flexible as compared to large firms and as such more effective in responding to environmental challenges and associated organizational change. Interestingly, Aguinis and Glavas (2012) and van Beurden and Gössling (2008) in their reviews of the CS-CFP relationship reach the opposite conclusion arguing that larger firms typically have more financial resources, which in turn may strengthen the CS-CFP relationship.

Even though not explicitly tested in an econometric model, Wang and Bansal (2012) emphasize the age of the firm. According to the authors, due to less knowledge, limited capabilities, and fewer financial resources, younger firms (less than 8 years old) are more likely to experience negative returns on CS. However, Wang and Bansal (2012) show that a long-term orientation, with a strategic perspective of more than 5 years, reverses this negative impact. In this way, their research shows that investments and engagements in CS activities need time to pay off and that limited capabilities and resources are less restricting than assumed in the CS-CFP relationship.

Other moderating firm characteristics are the degree of innovation and ownership structure. Hull and Rothenberg (2008) show that the level of innovation negatively moderates the CS-CFP relationship. They argue that low-innovative firms benefit more financially from CS activities, the reasoning being that firms engaging in CS are able to differentiate themselves from competitors and give customers a reason to buy their products and services. Conversely, high-innovative firms differentiate through innovation rather than CS (Hull and Rothenberg, 2008). Again, Aguinis and Glavas (2012) come to the opposite conclusion in their review of the literature. They find that the higher the R&D investments, the greater the positive impact of CS on organizational outcomes, including CFP.

Finally, Dixon-Fowler et al. (2013) explore the ownership structure and argue that due to higher public interest, public firms might benefit more from CS than privately owned firms. However, their meta-analysis shows no evidence that there is a moderating effect of ownership structure. Rather, given that most firms face media attention and stakeholder pressure to invest in environmental activities both public and private firms seem to benefit to the same extent from CS.

Differentiation between sustainability engagements

Firms follow different approaches towards their sustainability engagement. Variations can be found in the degree of CS intensity and the CS initiatives. The firm's commitment to sustainability influences the degree of confidence that stakeholders have in the firm, as well as the building of organizational capabilities and resources. Based on the argumentation that pace, path, relatedness and consistency of the sustainability engagement (Tang, Hull and Rothenberg, 2012) have different implications on the impact of CS on CFP, a number of studies consider varying CS approaches as a moderating variable. Studies such as Jayachandran et al.(2013), Kurapatskie and Darnall (2013), as well as Gilley et al.(2000) point out that not every kind of CS initiatives yields the same results. In these studies, the authors pursue a disaggregated view of CS, distinguishing between product-driven and process-driven initiatives. The findings reveal that product-oriented CS outperforms process-oriented CS (Busch and Hoffmann, 2011; Gilley et al., 2000; Kurapatskie and Darnall, 2013) and environmental oriented CS (Jayachandran et al., 2013). The reason for this is likely to be found in the perception and acceptability by stakeholders. The development of new sustainability oriented products is more appreciated by stakeholders. This is because a firm's CS orientation is easier and more transparently communicated through its products as opposed to its internal processes. Initiatives, addressing internal processes or the environment outside the firm, lack reliability due to information uncertainty and less relation to customers' value. For stakeholders it is harder to evaluate this information and therefore they perceive non-product related CS activities as inappropriate and as 'failure preventers' rather than 'success producers' (Jayachandran et al., 2013, p.1261).

Instead of differentiating between the various types of CS initiatives, some studies (Brammer and Millington, 2008; Dixon-Fowler et al., 2013) focus on CS intensity, referring to whether firms behave

proactive or reactive. Based on a theoretical reasoning grounded in either strategic decision-making (Brammer and Millington, 2008; Dixon-Fowler et al., 2013; Halme and Laurila, 2009) or microeconomics (Husted and Salazar, 2006), it is more beneficial for firms to follow a proactive rather than a reactive approach. The reactive approach limits CS activities to the compliance of existing laws and regulations and solves environmental and/ or social issues only when they occur. In contrast, the proactive approach goes beyond legal requirements and focuses on the alignment of a firm's business activities with growing sustainability concerns and expectations of a broad set of stakeholders, in order to cope with environmental and/ or social issues. Thus, in the proactive approach, CS evolves as a valuable organizational capability that has the potential to decrease costs and risk (Dixon-Fowler et al., 2013) and to cause less replicable differentiation in the eye of the stakeholders (Brammer and Millington, 2008).

Managerial characteristics, behavior & action

Some authors have focused on the individual and explored individuals' characteristics, behavior, and action as a moderating variable. As such, these authors, for example, acknowledge that personal values are central to any decision-making process. Kim and Statman (2012), for example, argue that managers act in the interest of shareholders to increase their benefits. Accordingly, managers actively adjust environmental investments up or down depending upon whether they expect a specific investment to increase or decrease financial performance. Firms that exhibit such proactively investing and divesting managers outperform firms that do not adjust their levels of CS. Moreover, Aguinis and Glavas (2012) provide some evidence in their review that managers' commitment to ethics and sensitivity to equity have a strong positive moderating effect on the CS-CFP relationship. To date, research exploring the

effect of individuals on the CS-CFP relationship is still in its infancy. However, the results of available studies indicate that it is worthwhile pursuing this research avenue further.

External Moderators

External moderating variables are external factors, which influence the strength and intensity of the CS-CFP relationship. We categorize the identified external moderating variables into three themes: stakeholder relationship, industry characteristics and general business environment.

Stakeholder relationship

Good stakeholder relationships are a source of competitive advantage (Wang and Choi, 2013). Accordingly, the financial value of CS is directly contingent upon the ability to influence stakeholders and their perception of the firm's CS activities. A firm's CS involvement may only be beneficial, if it gains legitimacy and reward in the stakeholders' eyes. Clear communication and reliable information create awareness and allow stakeholders to assess the firm's CS performance (Jayachandran et al., 2013). Stakeholders' confidence in the firm's CS engagement, in turn, depends on whether the stakeholders consider a specific CS engagement as a sporadic self-interest or as being permanent and predictable. Due to information asymmetry and uncertainty between different stakeholders (Van der Laan, Van Ees and Van Witteloostuijn, 2008), firms need to work on their CS reputation and communication, as well as symbolic management. Through advertising intensity (Servaes and Tamayo, 2013), high qualitative CS reports (Schreck, 2011), and consistent good treatment of different stakeholders over time (Wang and Choi, 2013), firms can reduce the information gap, so that stakeholders find out more about the firm's CS engagement and reward it, which enhances the benefits

of CS. Thus the bottom line is that tailor-made stakeholder relationships positively moderate the CS-CFP relationship.

Industry characteristics

There is no universal or unconditional business case for CS. The nature of the CS-CFP relationship varies across industries, because each industry operates in a different context with distinct environmental, social, and financial concerns (Baird, Geylani and Roberts, 2012; Schreck, 2011). A firm's CS approach is a response to industry-specific stakeholder demands. These stakeholder demands vary in terms of levels of activities as well as areas of interest (Baird et al., 2012). Stakeholders' demands differ between clean industries, less pollution intensive industries (e.g. banking & finance, insurance, IT-equipment) and dirty, high pollution intensive industries (e.g. chemistry, automobile, oil & gas). Industries with a negative environmental reputation face higher media attention, regulations and pressure by stakeholders (Dixon-Fowler et al., 2013), but at the same time they have more to win from a good environmental performance. Conversely, they have more to lose from a bad environmental performance (Schreck, 2011). Klassen & McLaughlin (1996) were among the first to elaborate on the moderating effect of industries within the CS-CFP relationship. Conversely to their reasoning that the CS-CFP linkage may be stronger in clean industries, recent studies by Schreck (2011) and Baird et al. (2012) show that the CS-CFP linkage is stronger in bad industries, because they earn greater legitimacy. However, Dixon-Fowler et al. (2013) fail to find a significant effect of this relationship in their meta-analysis. Rather, they find that environmental aspects matter for any firm, regardless of its industry.

Besides the environmental reputation of an industry, the moderating role of industry growth (Russo and Fouts, 1997) or the industry life cycle (Brammer and Millington, 2008) has also been explored. Based on the resource-based view of the firm (RBV) and the importance of tangible and intangible resources, it has been argued that the organizational benefits of CS are higher in high-growth industries than in low-growth industries. High-growth industries have fast growth rates and are more profitable than other industries, which makes them more attractive for entries by new players. Rules and regulations of competition are in flux. Firms in high-growth industries are more successful with their CS than firms in low-growth industries due to a general higher attitude to riskier investments, a more flexible and organic organizational management structure, and the promotion of intangible assets, such as reputation, in order to differentiate from competitors and new players (Russo and Fouts, 1997).

Business environment

Apart from industry characteristics, various studies have considered characteristics of the general business environment. This includes the macro-perspective reflected, for example, by external norms, regulations, governmental subsidiaries, tax incentives, interest rates, and external research at universities, that moderates the CS-CFP linkage (Aragon-Correa and Sharma, 2003; Flammer, 2013). External pressure towards the institutionalization of sustainability impacts the value of CS. The more CS becomes an institutional norm, the more firms are punished for a non-sustainable behavior. At the same time, the more firms employ the norm of sustainability, the less are they rewarded for their CS activities (Flammer, 2013).

Equally important are the characteristics of the business environment. Uncertainty, complexity and hostility of the general business environment require different strategic CS approaches. Aragón-Correa

and Sharma (2003) focus on the environmental perspective of CS. They show that difficulties in understanding and predicting the impact of changes in the general business environment and the impact of consequences of individual decisions in this context moderate the positive effect of proactive environmental strategies on organizational performance. Based on the ‘contingent RBV theory’ (Aragon-Correa and Sharma, 2003), a proactive environmental strategy can achieve a competitive advantage only in an uncertain and complex environment, because for competitors it is difficult to imitate the obtained particular information and environmental capabilities. In contrast, munificence or a low hostile environment makes it easier for competitors to obtain this information of a firm’s proactive environmental strategy and to duplicate these capabilities. For firms it becomes more difficult to follow a consistent environmental strategy, which weakens the relationship between CS and CFP (Aragon-Correa and Sharma, 2003).

MEDIATORS: BY WHAT MEANS DOES CS AFFECT CFP?

Following Preacher, Rucker, and Hayes (2007, p.186), mediation “is said to occur when the causal effect of an independent variable (X) on a dependent variable (Y) is transmitted by a *mediator* (M). In other words, X affects Y because X affects M, and M, in turn, affects Y.” Accordingly, mediation analysis allows the examination of *process* in the sense that it permits to explore *by what means* the independent variable X exerts its influence on the dependent variable Y (Baron and Kenny, 1986; Preacher et al., 2007; Venkatraman, 1989). Following our previous approach taken to review moderators of the CS-CFP relationship, we subsequently distinguish potential mediators into *internal* and *external*, respectively.

Internal Mediators

Internal mediators are internal factors through which an indirect relationship between CS and CFP occurs. The few studies, addressing the intervening process of internal mediators, can be summarized to one factor – intangible resources & capabilities.

Intangible resources & capabilities

Drawing on the insights of RBV (Barney, 1991; Wernerfelt, 1984), some scholars have argued that the CS-CFP relationship is mediated by a firm's intangible resources and capabilities. Accordingly, by engaging in CS a firm proactively considers the social and environmental challenges of its environment and aims at dealing with numerous stakeholders (Surroca et al., 2010). CS initiatives, such as product stewardship, resource management, reduction of energy consumption and waste, and stakeholder dialogue, in turn, are argued to represent means promoting the development of specific organizational capabilities. Amongst others, these specific capabilities encompass (i) learning (Lankoski, 2008), (ii) managerial competencies (Orlitzky et al., 2003), (iii) innovation (Blanco, Guillamón-Saorín and Guiral, 2013; Surroca et al., 2010), (iv) culture (Surroca et al., 2010), (v) stakeholder integration (Sharma and Vredenburg, 1998), and (vi) reputation building (Orlitzky et al., 2003). By developing these capabilities, a firm increases its preparedness for a dynamic, complex environment and turbulent times. Learning, for example, provides a capability to coordinate, interpret and integrate information. CS activities improve the quality of information on stakeholder expectations and the holistic view along the product life cycle (Lankoski, 2008). Likewise managerial skills, referring to organizational-wide coordination, forward-thinking and employee involvement, are argued to be promoted through CS activities (Orlitzky et al., 2003).

Each of the six previously mentioned capabilities generates a source of competitive advantage and, thus, leads to higher financial profits (Barney, 1991). The competitive advantage is a result of the capabilities' deep embeddedness and the social complexity in a firm. For competitors it is difficult to identify and imitate the capabilities, because they are invisible, path-dependent and lack a concrete owner in the firm (Barney, 1991; Surroca et al., 2010).

Though studies have begun to study the mediating role of intangible resources and capabilities this research stream seems to be in its infancy. The further development of the research stream – and the interpretation of results – is hampered by the fact that to date no common agreement on the conceptualization and measurement of intangible resources and capabilities exists (Dutta, Narasimhan and Rajiv, 2005). First empirical results seem to yield mixed patterns. While both studies by Blanco et al. (2013) and Surroca et al. (2010) find evidence for a mediating effect of innovation in the CS-CFP relationship, indicating that CS stimulates the development of intangibles related to innovation, they find different effects for the direct relationship between CS and CFP. Interestingly, the studies also reveal that there are differences across the type of intangible resources and capabilities in terms of their mediating effect. Surroca et al. (2010), for example, find strong evidence for a mediating effect of intangibles related to innovation, human capital, and culture – but not for reputation. Conversely, Orlitzky et al. (2003) find that reputation appears to be an important mediator of the CS-CFP relationship, significantly stronger as compared to intangibles related to managerial competencies, organizational knowledge, and organizational efficiency. Clearly, further research is needed before stable conclusions can be drawn. However, the initial findings suggest that further exploring the mediating role of intangible resources and capabilities may yield a great degree of insights into the CS-CFP relationship.

External Mediators

According to the external mediator perspective, there is no direct relationship between CS and CFP. Rather, the basic assumption of this literature is that the effect of CS on CFP occurs through external influence factors. Reviewing the literature, we found that research on external mediators focused on a single factor, namely stakeholder response.

Stakeholder response

Studies exploring stakeholder response as an external mediator are grounded in stakeholder theory (Freeman, 1984), with stakeholder response referring to stakeholders' assessment, attitude, and action towards a firm's CS actions. Studies in this stream are based on two main arguments: (i) the need of stakeholders are at the heart of any CS activity (Surroca et al., 2010) and (ii) stakeholders' responses towards a firm's CS activity directly affect financial performance (Schuler and Cording, 2006).

Stakeholders praise or criticize a firm's CS activities. The pivotal issue here is that the information stakeholders base their praise or criticism on is the central input factor. After all, in order to praise or criticize a firm's CS activities, stakeholders must first notice, interpret, and finally act on the provided information of the firm's CS activities (Daft and Weick, 1984; Peloza and Papania, 2008). CS disclosure provides signaling (Orlitzky et al., 2003), as well as information diffusion and consistency (Schuler and Cording, 2006). It reduces information asymmetry between stakeholders and the firm, and increases stakeholders' knowledge. Communication about CS activities helps a firm to build a positive image of quality, honesty, and reliability, which, in turn, is argued to positively affect stakeholders' loyalty and satisfaction (Lev, Petrovits and Radhakrishnan, 2010).

However, at the same time the firm's CS activities and behavior must support the communicated information, to sustain this reputation (Wang and Bansal, 2012). Stakeholders' responses depend on the relation of the firm's CS activities to the firm's history (Barnett, 2007) and probable business-related intentions (Lev et al., 2010). CS activities need to be related to the domain of the firm's business. Stakeholders punish firm that engage in inappropriate action; meaning actions they perceive as opportunistic, self-serving and without reciprocity for the firm (Jayachandran et al., 2013). Therefore, in order to enhance financial performance, a firm needs to acquire legitimacy in the eyes of the stakeholders by addressing stakeholders' expectations and communicate appropriately with them. In this context, primary stakeholders have to be differentiated from secondary stakeholders. Primary stakeholders perceive CS activities more as self-serving and related to a firm's profit-making interests than secondary stakeholders do (Godfrey, Merrill and Hansen, 2009). The reason is that primary stakeholders have more power and urgency. Thus CS activities are perceived less as voluntary action, but rather as a firm's means to reach more flexibility and to create more beneficial exchanges with its primary stakeholders.

AN OVERALL EVALUATION

Overall, our assessment of the literature taking a contingency perspective – moderators and mediators – on the CS-CFP relationship is mixed. On the one hand, we find it encouraging for the field that scholars have begun to take a finer grained and more differentiated perspective on the CS-CFP relationship. This is likely to advance our knowledge substantially and may ultimately reveal stable patterns in the relationship at hand, enabling us to answer the question '*When does it pay to be good?*'

On the other hand, however, we find research on moderators and mediators in the CS-CFP relationship to be fragmented and underdeveloped. For one thing, considering both the vast amount of studies addressing the CS-CFP relationship and the fact that scholars have long called for a contingency perspective on this relationship, the number of studies exploring moderators and mediators is strikingly small. A limited number of studies addressing a specific relationship need not be a severe limitation per se. However, taking into consideration the many different constructs and operationalization the studies in our sample rely on to proxy firms' corporate sustainability performance as well as the different dependent variables (see Table 1 for detailed information on this), the limited number of studies available must be considered a severe limitation as it hampers the comparability of results across studies and – as a result – the emergence of stable patterns.

For another thing, we also find that available research taking a contingency perspective may be criticized for three issues, namely (i) limited novelty, (ii) missing investment in theory building, and (iii) shortcoming in research design and measurement options. We elaborate in more detail on these three critical issues in the following.

Low Degree of Novelty

Our systematic search of relevant literature yielded a total of 32 studies focusing either on moderators or mediators in the CS-CFP relationship. At first sight, this may be perceived as a broad variety of studies. However, on second sight, it becomes obvious that notwithstanding different names and operationalization only eight different moderators and mediators were explored. Given that we were able to identify only two distinct mediators, it seems that the case is even worse for mediators than for moderators. Furthermore, we were surprised to find that many of the moderators and mediators explored were the 'usual suspects', such as firm size or industry. However, we believe that in order to

provide deeper insights on the CS-CFP relationship, we must move beyond these ‘usual suspects’ and explore novel constructs that have the potential to moderate and/or mediate the CS-CFP relationship. For example, there is hardly any research addressing factors on the individual level such as employees’ organizational commitment or organizational citizenship behavior (Chun, Shin, Choi and Kim, 2013). In other words, so far little attention has been devoted to the individual-level factors inside the firm. This, however, is in line with our finding that the field basically draws on mainly two theoretical approaches – RBV and stakeholder theory – reflecting the organizational and institutional level, respectively.

But novelty is also missing in the application of constructs. Most of the studies refer to the construct of CSR and only a few to EM or other constructs. Only one study explicitly applies CS. As mentioned in the beginning of this paper, we encourage the development towards CS as one integrative term, in order to enhance our understanding and thinking about the CS-CFP relationship. The different constructs are mutually supportive and as a consequence apply similar underlying theories, research design and measurement options.

Missing Investment in Theory Building

RBV and stakeholder theory are clearly the theoretical cornerstones of the literature we reviewed (and maybe also of the broader CS-CFP relationship literature). As shown in Table 1, half of the studies build their arguments based on stakeholder theory and/ or RBV. Indeed, these two theories are an obvious choice since the management of different stakeholders and of social and environmental changes are at the innermost core of CS (Surroca et al., 2010). A good relationship to stakeholders goes along with the development of valuable resources and capabilities (Hart, 1995). Moreover, RBV and stakeholder theory are strongly interlinked with a firm’s competitiveness and financial

performance (Barney and Zajac, 1994; Schuler and Cording, 2006). Decisions on resource allocation and stakeholder relations are inseparable, because the way in which managers allocate resources necessarily has implications for the strength of the relationship to stakeholders. This set together interacts with and affects a firm's financial performance (Berman, Wicks, Kotha and Jones, 1999).

In our view, however, the virtues of these two theories, that is, their advanced development and their obvious fit to the research question at hand, are at the same time an obstacle for the further development of the field. Both theories are widely accepted in the literature and as shown in Table 1, many studies do not even explicitly refer to these two theories, rather start building directly their arguments based on these theories without reviewing them or assessing their suitability. Applying them to a specific research question is likely to yield the 'same old story'. This, in turn, is likely to have hampered the development of novel research questions.

At the same time, the contradicting findings we revealed may suggest that these two theories alone are not enough to provide an explanation for the effect of specific moderators and mediators. Therefore, we believe that the field may greatly benefit from the integration of concepts and theories from other research areas, such as contingency theory, organizational behavior, agency theory, cognitive science or human resource.

Finally, our findings do not just reveal a lack of theoretical lenses. Rather, our results also indicate that the CS-CFP research is in transition towards a shifting research focus (Taneja, Taneja and Gupta, 2011), implying that there is a need to move away from a direct focus on CS-CFP and its measures. It is of utmost importance to understand the underlying constructs of this phenomenon and to treat CS no longer as a 'black box'. To do so, theoretical groundwork is needed, in particular with respect to firms' strategic management. Typically, decisions concerning CS activities are related to strategic decisions

on the business and/or corporate level of a firm (McWilliams and Siegel, 2011). Therefore, in order to understand ‘*when it pays to be good*’, it is not enough merely to explore the extent of a firm’s investment in CS activities and projects. Rather, it is important to uncover how and to what degree these CS projects and investments are intended and designed strategically to enhance a firm’s profit. We will come back to this issue in more detail in our future research agenda.

Lack of Research Design and Measurement Options

Despite the nearly 30 year old call for moderators and mediators in the CS-CFP relationship (Ullmann, 1985), its empirical research is still in its infancy. There is a mismatch between theory, research design, and measurement options. Eight out of the reviewed studies are interpretative in nature, in terms of conceptual articles and literature reviews. 24 out of the reviewed studies are empirical in nature. One outstanding aspect, which our literature review reveals regarding research design, is the occurrence of *implicit* argumentation. By that we mean that some studies miss an *explicit* moderator and/or mediator analysis. Rather, these studies indirectly argue for either a moderator or mediator variable but do not explicitly test this relationship. A total of eight out of 32 studies can be assigned to this implicit argumentation. Nonetheless, we decided to include them in our literature review, because they point out interesting new moderator and mediator variables.

The missing variety in measurement options goes hand in hand with the lack of research design. The most popular research approach is the analysis of secondary database sources, such as *Kinder, Lydenberg & Domini* (KLD), *oekom* or *Dow Jones Sustainability Index* (DJSI). Less used are perceptual and reputational measures. A common used explanation is that external third-party ratings are more reliable and transparent (Chatterji, Levine and Toffel, 2009; Chatterji and Toffel, 2010), whereas perceptual and disclosure based information are labeled as being subjective (Cochran and

Wood, 1984). However, it should be taken into consideration, that especially perceptual measures are necessary to get internal insights into a firm's CS activities. A broader variety of applied mixed measurement options can be useful to increase the understanding of moderators and mediators in the CS-CFP relationship.

Finally, we believe that future studies need to put more emphasis on ensuring a fit between their theoretical argumentation and the construct used to operationalize CFP. In some of the studies we reviewed we felt that there was some misfit between the choice of CFP construct and the theoretical development of the respective study – at least, as discussed above when it comes to apply a accounting-based measures of CFP as a robustness check for market-based measures of CFP and vice versa. Given that accounting-based and market-based measures of corporate financial performance have been argued and shown to represent distinct dimension of CFP (see, for example, Gentry & Shen, 2010), future research needs to define more clearly which aspect of firm performance they are interested in and develop the theory accordingly.

SUGGESTIONS FOR FUTURE RESEARCH

Given the limited number of studies exploring moderators and/or mediators in the CS-CFP relationship there is no lack of topics deserving future research attention. Hence, in the following we provide several suggestions for future research that we believe deserve particular attention. We begin with outlining specific suggestions for moderator and mediator research. Thereafter, we take a step back and provide some broader suggestions for future CS-CFP research that evolved as a result of our review. Our suggestions for future research are considered under to broader concept of CS and respective CS activities.

Specific Suggestions for Moderator & Mediator Research

In a notable study, Marom (2006) laid the foundation of a *unified theory* of the CS-CFP relationship, aimed at explaining the range of observed outcomes within the respective research. To develop this unified theory, the author draws on the parallels between the construct of CSR and the business economics domains. Acknowledging both, the rewards as well as the costs of CSR, the resulting formal model is able to bridge two seemingly contradictory hypotheses about the CS-CFP relationship – the social impact hypothesis arguing for a positive relationship and the trade-off hypothesis arguing for a negative relationship. Though Marom's (2006) attempt is noteworthy, it argues that this relationship is contingent only upon the reward of CSR and the resulting costs. It does not, however, acknowledge contextual factors.

In the following, we provide an extensive set of suggestions for future research that explicitly takes into account that contextual factors may have an effect on the basic CS-CFP relationship. Given that our review reveals that RBV and stakeholder theory are the main theoretical perspectives underlying the literature in question, we propose that the inclusion of theories taken from the broader field of strategic management may offer the greatest potential for advancing this research field, thereby appreciating the complex and interdisciplinary nature of CS. This is due to the following reasons: First, as Lee (2008) in his recent review of theories of the CSR construct has outlined, the theoretical perspective in CSR thinking has evolved over time with strategic management marking the contemporary dominant theme. Second, following Farjoun (2002) the two dominant questions within strategic management research are (i) to identify what affects firm strategy and (ii) to explain what determines firm performance. Against the background of these three studies and our emphasis on CS, decisions concerning CS activities can be considered one of the strategic management's key questions.

Emphasizing the internal and external environment as well as the development of the firm's resources and capabilities, CS activities represent a key determinant of a firm's strategy. Moreover, with CFP being the dependent variable, the CS-CFP relationship focuses on the core issue of strategic management research.

By taking a more strategic perspective on the moderators and mediators within the CS-CFP relationship, our objective is to encourage cross-fertilization of concepts, theories, and analytical models. Below we outline our suggestions for future research involving moderators and mediators within the CS-CFP relationship.

Internal moderators

Leadership style. In the CS and strategic management literatures there is a vigorous discussion on the driving forces of managerial motives and, in particular, on the influence of different leadership styles (Waldman and Siegel, 2008). Leaders are in focus, because the behavior of CEOs and other top managers can stimulate investments into organizational resources and capabilities. This, in turn, may affect both CS and CFP. CEOs and other top executives influence employees and other followers to engage in complex CS problems, to understand CS activities, and to advance their implementation.

Research has shown, that leadership style and firm performance are strongly interlinked (Ogbonna and Harris, 2000). The success or failure of a firm is to a large extent determined by the effectiveness of its leader(s). Of particular relevance is the interest in different styles of leadership. In the leadership and human resource management (HRM) literatures two main concepts are contrasted, namely the transactional and the transformational leadership style (Ogbonna and Harris, 2000). The transactional leader is rather instrumental and emphasizes a frequent exchange with subordinates. In contrast, the transformational leader is more visionary and enthusiastic with a strong focus on the motivation of

subordinates. This leader is also referred to as a charismatic leader (Bass and Avolio, 1993). Transformational leaders positively influence the firm's organizational performance, because their inspirational skills motivate subordinates towards a superior performance. Moreover their decision-making approach focuses on balancing the concerns and needs of multiple stakeholder groups. This yields a better long-term reputation, inspiration and profitability (Waldman and Siegel, 2008). Conversely, it has been shown that less charismatic leaders with a focus on profit and cost control in decision-making are less inspiring for subordinates. As a result these subordinates did not achieve a better performance (Orlitzky et al., 2011).

The preceding arguments lend strong support to the assumption that leadership style moderates the CS-CFP relationship. Charismatic leaders behave to a large degree in favor of core CS values and goals as opposed to less or non-charismatic leaders. The focus of charismatic leaders is on stakeholder needs and motivation of employees, which is well in line with CS principles (Waldman, Siegel and Javidan, 2006). Hence, it is almost natural for charismatic leaders to successfully align CS and business activities. At the same time, the vast body of research dealing with *charismatic leadership theory/transformational leadership theory* has argued theoretically and shown empirically that charismatic leadership results in an extra effort of employees, and that charismatic leaders should be able "to generate more innovation, learning, improved asset deployments, and long-term efficiency, with positive effects on organizational performance" (Sully de Luque, Washburn, Waldman and House, 2008, p.634). Conversely, leaders with an emphasis on purely economic values produce negative feelings among followers which ultimately harm organizational performance. Hence, charismatic leadership will yield extra efforts of organizational members in carrying out CS activities, which will then have a positive effect on the respective organization's performance.

In sum then, we suspect that the degree to which a leader engages in a charismatic leadership style positively moderates the CS-CFP relationship. To test leadership style as a moderator, future research may address this moderating relationship drawing on charismatic leadership theory/transformational leadership theory and may either rely on self-reported surveys among CEOs, top executives, and employees or draw on some already established measures such as the Conger-Kanungo charismatic leadership scale (Conger and Kanungo, 1992, 1994).

Product type. CS activities can be seen as a form of investment, in particular, a mechanism for product differentiation. Firms can differentiate their products either by providing them with CS attributes (product differentiation) or by producing the products through CS processes (process innovation). This aims at increasing the demand for CS and to address customers who are willing to pay a price premium for CS attributed products (McWilliams and Siegel, 2001). Firms can then integrate their CS activities into their marketing strategy to exploit key segments in the market and to signal reputation for quality, honesty, and reliability (Fombrun and Shanley, 1990).

CS is a popular means to differentiate products, in order to achieve a premium price and to create new markets. Differentiation through CS reduces the price elasticity of demand, because consumers are more willing to pay a higher price for sustainable products (Flammer, 2014). Furthermore, CS attributed differentiation directly increases customer demand through attracting new customers. These new customers are open and responsive to CS practices, such as quality, product safety, antitrust conformity and benefits for economically disadvantaged (Reinhardt, 1998).

However, instead of focusing on CS attributes, we rather recommend looking at the type of the product, whether it is an experience or search good (Nelson, 1970). In the context of ever-increasing competition it seems that CS is not any longer an ‘unnecessary cost of doing business’. Rather it seems

that, in particular, for firms selling experience or credence goods and services, it is likely that the benefits of differentiation achieved through CS offset the higher costs associated with the respective CS activities. Experience goods and services, such as automobiles or healthcare services, need to be used or consumed before consumers are able to determine their true value (Nelson, 1970). Typically such goods and services have a lower price elasticity since consumers may conclude that a low price signals low quality and/or unobservable problems (Lancaster, 1966). Given that experienced consumers base their purchasing decision on brand, reputation, and trust, they have a higher demand for product information. Accordingly, they are more responsive to a firm's CS commitment, since this credibly signals quality and trust. Conversely, the value of search goods, such as clothing and furniture, is evaluated before purchasing. Advertising of those goods typically involves only information on the price and the availability (Siegel and Vitaliano, 2007). Thus, a CS attributed differentiation strategy seems to be less suited for search goods.

Based on the preceding reasoning, we therefore propose that the effect of CS on CFP is moderated by the type of the good or service offered. Applying CS differentiation on experience goods is likely to be more successful than on search goods, due to different levels of asymmetric information. The use of perceptual measures may be useful to understand the intra- and inter-related financial difference between CS and non-CS attributed experience goods and services, as well as search goods and services.

Ownership type. Though corporate governance is one of the issue areas contained in the KLD database, the majority of studies relying on KLD data did not include this specific issue area (see Table 1). Even more, the indicators included under corporate governance do not encompass ownership type – which we here refer to as the distinction between family firms and non-family firms. Rather, owners

and investors have been treated as a homogenous group (Johnson & Greening, 1999). However, we believe that there is a need to consider different types of owners – family vs. non-family – and their different impact on the CS-CFP relationship. Owners pursue their own goals with the firm and their own way to achieve corporate outcomes. At the same time, ownership is among the most powerful forces that affect a firm's strategy and performance. It is a mechanism to institutionalize power and to change a firm's responsiveness to external and internal contingencies (Chaganti & Damanpour, 1991).

Zahra et al. (1993) did the first empirical study that considered the impact of corporate ownership and board structure on CS-CFP. The authors show that higher insider ownership is positively related to better CS and CFP. Following up on their findings, we recommend that future research explores the differences between *family firms* and *non-family firms*. Both types differ in their strategy, structure, and risk taking behavior, which affects the investments in CS. CS investments are long-term and it takes time to benefit from CS commitment (Graves and Waddock, 1994). This may, first and foremost, be incompatible for the short-sighted time horizon of listed public non-family firms. Those firms are most likely to follow short-term goals, because of their own reward system, which in general emphasizes quarterly performance. Therefore they push firm management towards the bottom line and prefer investment strategies for corporate growth, rather than internal development of new products and R&D expenditures (Chaganti and Damanpour, 1991). Conversely, family firms regularly adopt a more defensive and less risky strategy. They are more committed to the firm's success and consistent long-term growth and profit of the firm (Breton-Miller and Miller, 2006; Miller and Le Breton-Miller, 2003). Family firms typically do not face short-term pressure, because they cannot move quickly and sell their shares. Therefore they have a strong interest not only in the financial performance of the firm, but also in competitiveness and activities with other stakeholders. Family firms see the long-term

benefits of maintaining the quality of the product, acting responsive to the environment and stakeholders, and showing responsibility to the people and community (Johnson and Greening, 1999). Unique for family firms is the desire for independency and privacy, which leads to the avoidance of external funding and cost intensive environmental fines. Investments into CS commit owners to have interest in all stakeholders and long-term oriented benefits. In sum then, it seems that ownership type is an internal moderator that may have a profound impact on the CS-CFP relationship. In particular, we propose that due to shortsightedness, the relationship between CS and CFP will be less distinct (if present at all) for non-family firms, whereas we expect a strong positive relationship for family firms.

External moderators

Market structure. The type of industry, whether firms act in environmentally bad or good industries, is a common moderator and a control variable in the CS-CFP nexus. However, the consideration of the market structure with reference to the degree of competitiveness is missing. We believe that the degree of competitiveness / industry concentration is important for at least two reasons: *First*, an industry's market structure – for example, in terms of degree of competitiveness / concentration – is likely to change over time. Becker (2006), for example, reports that while in 1960 there were as many as 62 independent automotive manufacturers, the concentration process within this industry resulted in only 30 independent manufacturers in 1980 and as few as 12 in 2004. *Second*, not all – in fact hardly any – industries are 'perfectly global', meaning that the competitive market structure is identical, independent of the geographic location. Rather, an industry's competitive market structure is likely to vary with geographic location. The 'restaurant industry', for example, is likely to be quite different depending upon whether a metropolis such as New York or a small town somewhere in the Midwest is considered. It has been shown that both objective characteristics and subjective perception of the

competitive market structure affect a firm's financial performance and determine the success of strategies (Prescott, 1986). Objective characteristics of the market structure, such as number and relative strength of firms, entry and exit conditions, extent of differentiation, and terms of competition, determine market conditions (Porter, 1979, 2008). Firms in a more competitive environment are forced to be more responsive to changing needs of the market. They need to be more market-oriented towards what customers want and then satisfy them. In order to outperform competitors, firms need to have a greater understanding of customers' needs, which, in turn, influences the success of new products, reduces failures and costs, and affects marketing decisions. Increased customer orientation goes together with an increased engagement and communication of firms' CS activities, in order to identify customer needs, to gain legitimacy, and to differentiate from competitors (Gardberg and Fombrun, 2006). This, however, lends support to the assumption that the more competitive the market structure, the higher the probability of an increased bottom-line oriented CS engagement.

Additionally there is also a subjective component of the market structure. As shown by Miles and Snow (1978), the characteristics of the environment influence the decision-making of managers. Managers enact (Weick, 1979) their decisions according to their perception of specific conditions, trends, and occurring events in the environment. Managerial cognitive components can play a catalytic role in facilitating market structure specific CS engagement.

In sum, we therefore propose that the market structure, in terms of degree of competitiveness, positively moderates the CS-CFP relationship. Different competitive environments have different constellations of key success factors. Thus, it may be of interest to identify meaningful sub-environments and key interactions. Future research may therefore aim at developing an environment specific typology which may then help in identifying the form and strength of the relationship.

Labor market conditions. Another important factor, that we consider to require more research attention in future CS-CFP research, is the occupational composition of employment, in particular the shortage of available skilled workers. Due to the rapid growth of developing economies and the aging of many advanced economies, the demand for skilled workforce is growing faster than its supply (McKinsey Global Institute, 2012). Skilled employees turn more and more into a critical success factor for firms. The shortage of a skilled workforce obliges firms to rethink their working practices in the sense to become an attractive employer for talents, who will give them a competitive advantage. Especially skilled employees seek a workplace that supports labor relations, safety and health policies, and financial security (McWilliams and Siegel, 2001).

Therefore, when facing a shortage of skilled labor in its industry, a firm is likely to apply CS activities and policies in order to become more attractive for potential employees (Greening and Turban, 2000). CS humanizes a firm and serves as a means of differentiation. The skilled workforce is attracted to CS committed firms that are typically associated with a trustworthy working environment and fair working conditions, such as union relations, employee involvement, retirement benefits, and health and safety concerns. This also increases employee morale and productivity, which in turn positively affects a firm's financial performance (Bhattacharya, Sen and Korschun, 2012). Thus, summarizing the preceding arguments, we propose that labor market conditions such as the degree of shortage of skilled workforce moderates the CS-CFP relationship positively.

Socio-demographic characteristics. As stated before, we believe that more research focusing on the role and effect of the individual within the CS-CFP relationship is needed. In particular the role of employees needs more attention, because firms increasingly stress the importance of employees for the successful implementation of CS activities. Aguinis and Glavas (2013) have pointed out that the

employee's identification with the firm is a great enabler of successful CS activities. Moreover, CS allows employees to present and employ more of their personal selves at work (Kahn, 1990), because outside of the firm they are parents, friends, community members or similar. Employees, whose self-concept is aligned with being a good person, identify with a social and environmental responsible firm, and thus, those employees are more engaged in the firm (Aguinis and Glavas, 2013).

In order to address the individual needs of employees and to improve the successful implementation of CS activities, it is of interest to which degree socio-demographic characteristics, such as gender, marital status, stage of family life cycle, education, and social class, determine the firm-wide CS implementation. From marketing research, especially cause-related marketing (CRM) (Varadarajan and Menon, 1988), it is known that socio-demographic characteristics such as political orientation, educational level and socio-economic status (Webb and Mohr, 1998), as well as cultural background (Kim and Johnson, 2013) and personality attributes (Fraj and Martinez, 2006) influence the evaluation of CRM activities. Building upon these insights from CRM and the need for self-fulfillment of employees, we propose that socio-demographic characteristics are likely to shape employees' individual willingness to participate internally in CS activities and to promote the firm's CS engagement towards financial success. We suggest that socio-demographic characteristics moderate the CS-CFP relationship. In particular, we propose that socio-demographic characteristics that increase environmental consciousness positively moderate the CS-CFP relationship. Future research may rely on segmentation and profiling of employees to explore which groups of employees show consciousness for CS and to which degree.

Internal mediators

Administrative and social structure. The administrative and social structure represents a firm's formal and informal organizational system. Among the many important functions that a firm's administrative and social structure holds, a particular important one is that it determines how attention is allocated within the firm (Ocasio, 1997). In doing so, the firm's administrative and social structure substantially influences to what issues attention is paid and those that are neglected. Put differently, the firm's administrative and social structure affects what issues make it on the firm's strategic agenda and as such what decisions and moves a firm undertakes (Dutton, 1997; Ocasio, 1997). Considering this important role of the firm's administrative and social structure, it is reasonable to assume that it represents an important resource guiding the implementation of strategic actions and the interaction between the firm and the environment. Organizational activities, decisions, and rewards are allocated, coordinated, and mobilized based on the firm's administrative and social structure (Farjoun, 2002).

Following Chandler's (1962) notion according to which structure follows strategy, we argue that the firm's administrative and social structure is shaped by the respective firm's CS strategy. The more the firm engages in CS activities – that is, the larger the degree to which the firm considers CS to be part of the firm's strategy – the more aligned becomes the firm's administrative and social structure with that CS strategy. Accordingly, following the logic of the attention-based view of the firm (Ocasio, 1997), the firm will pay more attention to CS-related issues and – as a result – achieve a better alignment with the environment in terms of CS related issues. At the same time, the better alignment is likely to have a positive effect on the implementation of CS activities and ultimately the firm's performance. After all, the efficiency and effectiveness of CS activities' realization and management is substantially affected by the formal (e.g. governance structure, assigned responsibilities) and informal (e.g. culture, politics) aspects of the firm's administrative and social structure.

Based on the preceding reasoning, we propose that a firm's administrative and social structure mediates the relationship between CS and CFP. If this mechanism is valid, we expect firms that engage in more CS activities to have an administrative and social structure that more strongly supports and guides CS related activities, which in turn is likely to enhance a firm's CFP.

Organizational commitment. Employees' organizational commitment can be seen as a significant intermediate process between CS and CFP. Employees' identification and involvement in the firm (Chun et al., 2013) appear to operate as key intervening mechanisms in this relationship. When firms apply social, environmental and ethical standards, employees value their organizational membership and increase their identification with the firm (Turker, 2009). They feel pride and prestige. CS creates a climate of fairness and justice, which fosters the development of employees and increases employees' collective integrity, loyalty, and trustworthiness (Berman et al., 1999). Internally oriented CS activities indicate the presences of fair and transparent organizational practices and policies, where employees are more likely to develop trustful relationships among themselves, which favors a shared, pleasant work atmosphere (Chun et al., 2013).

Such collective organizational commitment relates to collective engagement, collaboration and loyal efforts towards common goals. This efficient allocation of individual resources and capabilities enhances the firm's productivity and helps to adapt to external environmental changes. A trustworthy and mutually supportive climate and improved inter-unit communication are crucial for maintaining and improving financial performance. Therefore we propose that organizational commitment mediates the CS-CFP relationship. If so, we expect that more CS leads to a higher degree of organizational commitment, which in turn will positively affects CFP (Berman et al., 1999). For researchers as well

as executives the identification of best practices may be a promising first step to obtaining necessary insights.

Competitive strategy. Organizational strategic variables are important for the successful implementation of the long-term orientation of the firm. Market orientation – in terms of the pursued competitive strategy – is such a valuable intangible variable. According to Porter (1980) the three generic competitive strategies are (i) cost leadership, (ii) differentiation, and (iii) focus, which constitute a fit of resources and capabilities, leading to the long-term profit of the firm (Grant, 1991). From a configurational theoretical perspective the fit between available resources and capabilities, contextual characteristics, and the pursued competitive strategy leads to a superior performance (Doty, Glick and Huber, 1993; Meyer, Tsui and Hinings, 1993). Resource bundles are appropriately channeled and configured through strategic choices, which ultimately determine the firm's financial performance.

Taking competitive strategy into consideration as a mediating factor is relevant, because it relates to the degree of CS implementation and promotion. Each competitive strategy is based on different market assumptions, mass production and distribution investments, and management values and vision. A differentiation or focus oriented competitive strategy emphasizes customers' satisfaction, loyalty and attraction; whereas a cost leadership competitive strategy stresses operational costs, efficiency and effectiveness (Porter, 1980). Both the differentiation approach and the focus approach are in favor of promoting CS, because sustainability assessment allows quality and customer concerns to be incorporated in the early stage of product development and production technologies, and makes it possible for the firm to enter into growing markets for sustainable products and technologies. Firms can differentiate themselves from other firms through CS and address customers who want sustainable

products and services (Shrivastava, 1995). Conversely, CS is likely to be less applied in connection with a cost leadership approach; even though the exploitation of ecological efficiencies goes together with, for example, waste reduction, energy conservation, re-usage of material and reduction of life cycle costs (Shrivastava, 1995). The reason is that the initial investments and costs are too high. For a cost oriented firm, a CS approach may be restraining and too cost-intensive at first sight. Based on these arguments, we propose that the pursued competitive strategy mediates the CS-CFP relationship. We expect that the more CS a firm engages in, the more stringent this firm will pursue either a differentiation or a focus strategy, which in turn will positively affect the CFP.

External mediators

Strategic networks. Firms are not autonomous actors. They are embedded in a network of social, professional, and exchange relationships with other stakeholders. These relationships can be within or across industries and countries, and be horizontally or vertically oriented. The rationale behind such a perspective is to consider the benefits of CS from optimizing the entire network of relationships. Networks affect the availability of resources and the flow of goods, services, and information, which influence the nature of competition and the degree of profitability (Gulati, Nohria and Zaheer, 2000). As such, networks are both opportunities as well as threats. The advantages and disadvantages of a single firm are therefore linked to the advantages and disadvantages of the network and relationships, in which the firm is embedded (Dyer and Singh, 1998).

In the following, we focus on the structural context of the networks, rather than on the cognitive, institutional or cultural aspects (Gulati et al., 2000). Three characteristics are of relevance to describe the structural context of networks (i) network structure, (ii) network position, and (iii) quality of network ties (Uzzi, 1997). Network structure refers to patterns and first- or second-order of linkages in

which the firm is embedded. Network position refers to the status, membership and identity of the firm in the network. The quality of ties can be described as weak or strong ties (Granovetter, 1983). What qualifies strategic networks as important mediators in the CS-CFP relationship, is the view that organizational outcomes are a function of social relationships between firms and other entities (Connelly, Ketchen Jr and Slater, 2011). Firms make decisions based on information and influences that arise from the degree of involvement in social networks. In this way strategic networks determine activities. They are also important to diffuse and receive information. Strategic networks affect the likelihood of successful CS activities by providing information and experiences, and reducing information uncertainty. Imperfect ties make the implementation of CS activities uncertain and fragmented. Equally important is the position or centrality of a firm in this network. Centrality determines how fast CS strategies and practices diffuse throughout the strategic network, which concerns the access to timely and novel information (Connelly et al., 2011).

Strategic networks are external gatekeepers for the success of CS. Networks allow profits by means of casual ambiguity, sharing of risks, inter-organizational interconnectedness, time compression, development of the institutional environment, and co-evolution of resources and capabilities. This leads to relation-specific assets, scale and scope economies, and lower transaction costs (Dyer and Singh, 1998). Accordingly, we propose that a firm's embeddedness in a strategic network mediates the CS-CFP relationship. In particular, firms with higher CS are likely to be more central and active in a network and to possess higher quality network ties through open dialogues with their stakeholders. This, in turn is likely to positively affect CFP. Obviously, the development of multi-perspective network models and ethnographic field work are appropriate research methods to explore this proposition.

Taking a Step Back - Broader Implications for the CS-CFP Research

In the previous section we have provided a number of specific suggestions to further explore moderators and mediators in the CS-CFP relationship. We are convinced that this will ultimately lead to a better understanding of this important relationship. However, the ambiguous and inconclusive findings on the general CS-CFP relationship seem to call for a complementary approach in order to further develop this research stream. At the core, we propose that future research moves away from simplifying the relationship between CS and CFP. This simplified relationship is likely to capture only a fraction of the issue at hand and is unlikely to guide us towards the desired answer. Put differently, adding more and more variables and using increasingly sophisticated analytical models is not likely to move forward our understanding of '*when does it pay to be good*'. Instead, we believe that it may be more advisable to understand the '*How*' and '*Why*'. This, however, requires a re-orientation towards opening the '*black-box*' (Aguinis and Glavas, 2012; Klassen and McLaughlin, 1996) and to understand the complex mechanism of CS.

A core element of CS is the so-called triple bottom line (TBL) approach, referring to the inclusion of social, environmental, and economic results in the measurement and reporting of firm performance (Elkington, 1997). Against this backdrop, measuring exclusively the effect of CS on CFP, almost per definition, provides a limited picture. We believe that it is important that we as researchers and also corporate managers increase the awareness of the benefits associated with CS activities that go beyond financial ones. Understanding '*How*' and '*Why*' CS creates value for a firm is way beyond the simplistic CS-CFP relationship. In fact, we believe that we as researchers need to step back from the silo-like thinking that to date has dominated research involving CS activities.

As Elkington (2004, p.06) has elaborated, over the last decades, CS has moved “from the factory fence to the boardroom”, from a compliance issue towards a strategic issue of competitiveness and market creation. Therefore, we call for a re-orientation of the CS-CFP research towards a more integrated picture of CS in strategic management. CFP is at the heart of strategy, given that the ultimate objective of strategy is increasing or at least sustaining firm performance. In the words of Venkatraman and Ramanujam (1986, p.802), “performance is the time test of any strategy”. If one accepts this notion, then it becomes obvious that the question of how CS affects CFP is an essential issue in any strategy consideration. To date, however, we witness that the CS-CFP relationship has regularly been discussed without any strategy considerations. One way to address this existing shortcoming could be to draw on the concept of strategic CS. In particular, future research may move beyond the fairly old and less precisely defined term CS from Wood (1991) towards a strategic CS concept. At the core such a strategic CS concept (Aguinis and Glavas, 2013; Burke and Logsdon, 1996; Husted and Allen, 2007) would focus on the integration of CS within a firm’s values, goals, and daily routines and operations. CS activities are strategically embedded in the firm’s core competencies, because its implementation builds on the firm’s own and unique core competencies (Aguinis and Glavas, 2013).

Beyond that, another necessary way to take a strategic perspective on the CS-CFP relationship is to step away from a purely financial perspective towards a more comprehensive understanding of firm performance. Following Venkatraman and Ramanujam (1986) there are three different approaches to measure firm performance in the strategy literature, namely (i) financial performance, (ii) operational performance, and (iii) operational effectiveness. Thus, financial performance, based on outcome-oriented financial indicators, reflects only a partial picture of the overall concept of firm performance. The financial performance emphasizes the dominance of financial goals of the firm. However the

broader concepts of operational performance and operational effectiveness additionally emphasize non-financial goals and indicators, such as market-share, product development, product quality, manufacturing, as well as marketing effectiveness and technology efficiency (Venkatraman and Ramanujam, 1986). These are operational key success factors, which are also stressed in the TBL approach of CS. In accordance with the TBL approach it is advisable to look at the existing '*types of capital*' in a firm – physical, financial, human, intellectual, social and natural capital (Elkington, 1997). The different types of capital are involved in providing products and services. Thus, CFP is *not* to be understood as a synonym for the economic aspect of TBL, since the economic aspect of TBL is not only about financial aspects. Rather TBL's economic aspect is in line with the understanding of organizational effectiveness and the firm's economic impact on the growth of the economy and wealth. This means, rather than looking at statements of profit and loss, the performance side should also consider long-term costs, demand for products, pricing, profit margin and innovation programs (Elkington, 1997).

In sum, we strongly encourage future research to take a step back and work towards a re-orientation of the CS research. We are convinced that moving beyond the narrow view of the CS-CFP relationship towards a strategic CS – the organizational effectiveness relationship holds great potential.

CONCLUSION

In this paper, we have reviewed the literature on moderators and mediators in the CS-CFP relationship. Overall, we find that despite long-standing calls to take a contingency perspective on the CS-CFP relationship, this research is underdeveloped. While existing studies have for sure provided valuable and interesting insights, the overall attention that this research has attracted is rather low. Therefore, we

have provided a number of suggestions aimed at accelerating future research in this area. Given the overall results obtained within the CS-CFP literature we also believe that there is a considerable need for taking a step back and re-conceptualize the CS-CFP relationship. Given the insight that the CS-CFP relationship is an inherently strategic topic, our core argument is to aim for an integration of the CS-CFP literature and the strategic management literature. We hope that our review of the literature and our suggestions for future research will provide some help in overcoming the challenges this research stream currently faces.

NOTES

¹ The keywords used were *corporate sustainability* and *corporate financial performance*. Corporate sustainability was alternatively substituted with *(corporate) social performance*, *(corporate) environmental performance*, *corporate social responsibility*, *corporate sustainability performance*, *sustain** and *CSP*. Corporate financial performance was substituted with *organizational effectiveness*, *organizational performance*, *profitability*, *economic success*, *outcomes* and *CFP*.

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Figure 1: Number of studies published on the CS-CFP relationship per year and those adopting a contingency perspective

*Note that even though we searched the time period 1972-2013, the first studies to be published on the CS-CFP relationship in the journals we reviewed date back to 1984.

Figure 2: Framework used to review the literature

Table 1: Studies adopting a contingency perspective on the CS-CFP relationship

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Construct	Study	Moderator/ Mediator (Control Variables)	Theoretical approach Industry Sample Time	Independent Variable (Measure)	Details on CS measure	Dependent Variable (Measure)	Main Findings (Empirical Results)
<i>Empirical Article</i>							
CSR	Baird, et al. (2012)	Moderator - Industry context Controls - Size - Debt ratio - Return on invested capital	<i>Stakeholder theory</i> 58 different 1,153 firms, N=5,073 2000 - 2008	CSP Other external visible measures KLD index	CSP is measured using the KLD index of: <i>community, corporate governance, diversity, environment, product, employee relations, and human rights.</i> The index consists of a Z-score for the sum of strengths and concerns, based on a binary scoring scheme.	CFP Market based - Intrinsic value (stock price)	While CSP has a measure-able positive effect on CFP, the nature of the relationship is variable across industries. <i>Industry context **</i> CSP-CFP: <i>negative</i>
CSR	Blanco, et al. (2013)	Mediator - Innovation Controls - Liquidity - Leverage - Financial distress - Size	<i>not specified</i> 28 different 202 firms, N=595 2005-2008	CSP Other external visible measures KLD index	CSP is measured using the KLD index of: <i>community, corporate governance, diversity, environment, product, employee relations, human rights as well as controversial issues (alcohol, gambling, military, nuclear power, and tobacco).</i> The index is calculated through aggregating total strengths minus total concerns.	CFP Accounting based - Profitability Market based - Tobin's q - Market to equity - EBIT to assets	There is a positive relationship between CSP-CFP. Evidence is found for a positive mediation effect of CSP on financial market-based performance through innovation. <i>Innovation **</i> CSP-CFP: <i>positive</i>

CSR	Godfrey et al. (2009)	Mediator - Stakeholder related CSR (institutional vs technical CSR) Controls - Size - Market-to-book - Event specific characteristics	<i>not specified</i> not mentioned 96 firms, N=178 1993-2003	CSP Other external visible measures KLD index	CSP is measured using the KLD index of: <i>community, corporate governance, diversity, environment, product, and employee relation.</i> The index consists of two scores (the sum of all positive and the sum of all negative items across the six dimensions).	CFP Market based - Cumulative abnormal return (-8;8)	<p>The results indicate that institutional related CSR activities yield insurance like protection, technical related CSR do not. All in all, CSP has a positive impact on CFP.</p> <p><i>Institutional CSR **</i> <i>Technical CSR</i> (not significant)</p> <p>CSP-CFP: <i>positive</i></p>
CSR	Hull & Rothenberg (2008)	Moderator - Innovation - Industry differentiation Controls - Size - Firm risk - Industry	<i>RBV</i> not mentioned 69 firms 1998-2001	CSP Other external visible measures KLD index	CSP is measured using the KLD index of: <i>community, diversity, environment, product, employee relations, as well as controversial issues.</i> Each dimension score is measured by the difference between the summed value of each dimension's strengths and concerns, which then relates to the CSR measure by calculating the average of the seven dimensions.	CFP Accounting based - Return on assets	<p>When the interactions of CSP with firm innovation and with differentiation in the industry are included, CSP has a positive, if marginally significant, effect on firm performance.</p> <p><i>Innovation **</i> <i>Industry differentiation **</i></p> <p>CSP-CFP: <i>positive</i></p>
CSR	Jayachandran, et al. (2013)	Moderator - Product-based SP (PSP) - Environment-based SP (ESP) Controls - Information uncertainty - Size - Leverage - Return on assets	<i>Stakeholder theory</i> not mentioned 518 firms, N=3701	CSP Other external visible measures KLD index	CSP is measured using the KLD index of: <i>environment and product.</i> The index consists of a disaggregated score of the strengths and concerns in both categories.	CFP Market based - Tobin's q	<p>Due to information uncertainty it is harder for stakeholders to diagnose ESP than PSP. PSP has a stronger positive impact on CFP than ESP.</p> <p><i>Product-based SP **</i> <i>Environmental-based SP</i> (not significant) <i>Information uncertainty **</i> Size ** Leverage** ROA**</p> <p>CSP-CFP: <i>asymmetric</i></p>

CSR	Ruf et al. (2001)	<p>Moderator</p> <ul style="list-style-type: none"> - Changes in CSR engagement <p>Controls</p> <ul style="list-style-type: none"> - Size - Industry - Previous year's financial performance 	<p><i>Stakeholder theory (with transaction cost theory and RBV)</i></p> <p>not mentioned 496 firms; N=496 1991-1992</p>	<p>CSP</p> <p>Other external visible measures</p> <p>KLD index</p>	<p>CSP is measured using the KLD index of: <i>community, environment, employee relations, women and minority issues, product, as well as controversial issues (South Africa, military, and nuclear power)</i>. The index consists of a weighted average across the attribute ratings for each company in the study. This process results in a single-value CSP index for each firm.</p>	<p>CFP</p> <p>Accounting based</p> <ul style="list-style-type: none"> - Return on equity - Return on sales - Growth in sales 	<p>There is a positive relationship between CSP-CFP. Firms achieve a competitive advantage when improving CSP, even if it is only for a short time period.</p> <p><i>Changes in CSR engagement **</i></p> <p>CSP-CFP: <i>positive</i></p>
CSR	Schreck (2011)	<p>Moderator</p> <ul style="list-style-type: none"> - Industry classification - Quality of CSR reporting activities <p>Controls</p> <ul style="list-style-type: none"> - Size - Industry - Leverage - Market risk 	<p><i>not specified</i></p> <p>13 different 128 firms, N=128 2006</p>	<p>CSP</p> <p>Reputation rating</p> <p>Oekom rating</p>	<p>CSP is measured using the oekom index of: <i>employee relations, society & community involvement, corporate governance, environmental management, and product & consumer responsibility</i>. Oekom provides a weighted, disaggregated scheme of the measures.</p>	<p>CFP</p> <p>Market based</p> <ul style="list-style-type: none"> - Tobin's q 	<p>No support is found for causality in the relationship between CSP and CFP, and it fails to support the existence of industry type and quality of CSR reports as moderators.</p> <p><i>Industry classification</i> (not significant) <i>Quality of CSR reporting activities</i> (not significant)</p> <p>CSP-CFP: <i>no effect</i></p>
CSR	Servaes & Tamayo (2013)	<p>Moderator</p> <ul style="list-style-type: none"> - Consumer awareness <p>Controls</p> <ul style="list-style-type: none"> - Size - R&D - Advertising intensity 	<p><i>not specified</i></p> <p>not mentioned N=100 1991-2005</p>	<p>CSP</p> <p>Other external visible measures</p> <p>KLD index</p>	<p>CSP is measured using the KLD index of: <i>community, diversity, environment, employee relations, human rights, as well as product</i>. The index consists of two net score of strengths and concerns one for each category and one across all categories. A further category for CSR industry concerns is added.</p>	<p>Firm Value</p> <p>Market based</p> <ul style="list-style-type: none"> - Tobin's q 	<p>Only under certain conditions CSR activities can add value to the firm, because consumer awareness moderates the CSP-CFP relationship.</p> <p><i>Consumer awareness **</i></p> <p>CSP-CFP: <i>positive</i></p>

CSR	Tang, et al. (2012)	Moderator <ul style="list-style-type: none"> - Pace of CSR engagement - Relatedness of CSR engagement - Consistency of CSR engagement - Path of CSR engagement Controls <ul style="list-style-type: none"> - Size - Industry - R&D investments - Slack 	<i>Absorptive capacity theory, Related perspectives</i> not mentioned 130 firms, N=1300 1995-2007	CSP Other external visible measures KLD index	CSP is measured using the KLD index of: <i>community, corporate governance, diversity, environment, product, employee relations, and human rights</i> . Each dimension score is measured by the difference between the summed value of each dimension's strengths and concerns, which then relates to the CSR measure by calculating the average of the seven dimensions.	CFP Market based <ul style="list-style-type: none"> - Tobin's q Accounting based <ul style="list-style-type: none"> - Return on assets 	<p>There is a positive CSP-CFP relationship and firms benefit more when they adopt a CSR engagement strategy that is consistent, involve related dimensions of CSR, and begin with aspects of CSR that are more internal related to the firm.</p> <p><i>Pace</i> (not significant) <i>Relatedness</i> ** <i>Consistency</i> ** <i>Path</i> **</p> <p>CSP-CFP: <i>positive</i></p>
CSR	Van der Laan et al. (2008)	Moderator <ul style="list-style-type: none"> - Interactions with different stakeholder groups Controls <ul style="list-style-type: none"> - Size - Relative amount of debt 	<i>Stakeholder theory (with sociology's resource dependence theory, and psychology's prospect decision theory)</i> not mentioned 734 firms, N=2,329-3,000 1997-2002	CSP Other external visible measures KLD index	CSP is measured using the KLD index of: <i>community, corporate governance, diversity, environment, product, employee relations, and human rights</i> . First, the percentage of criteria that are met for each of KLDs seven CSP dimensions is calculated. Second, the overall mean over the seven positive and negative indicators is composed. For all CSP variables the natural logarithm is applied.	CFP Accounting based <ul style="list-style-type: none"> - Return on assets - Earnings per share 	<p>The relationship between CSP and CFP is asymmetric and depends on the nature of the relationship between stakeholders and the firm, distinguishing primary (private) stakeholders from secondary (public) stakeholders.</p> <p><i>Stakeholder group interactions</i> **</p> <p>CSP-CFP: <i>asymmetric</i></p>

CSR	Wang & Bansal (2012)	Moderator - Long-term orientation Controls - Size - Age - Place of origin - Market scope - Industry - CSR disclosure	<i>not specified</i> 18 different 149 firms, 2008	CSP Disclosure + perceptual measures Survey and webpages	CSP is measured in two steps: first, manual identification of discrete CSR attributes of 145 firms on their webpages (disclosure measure); second, a survey about long-term orientation and financial performance (perceptual measure).	CFP Accounting based - Sales level - Market share - Sales growth - Cash flow - Return on assets - Return on equity - Return on sales - Ability to fund business growth from profits - Overall firm performance	Evidence found for a negative relationship between CSR activities and financial performance for new ventures, and this relationship is positively moderated by the degree of long-term orientation. <i>Long-term orientation **</i> CSP-CFP: <i>negative</i>
CSR	Wang & Choi (2013)	Moderator - Temporal consistency - Interdomain consistency Controls - Size - Debt ratio - R&D - CSP trend - Industry	<i>Instrumental stakeholder theory, RBV</i> not mentioned 622 firms, N=2,356 1995-2000	CSP Other external visible measures KLD index	CSP is measured using the KLD index of: <i>community, diversity, environment, product, employee relations, as well as controversial issues</i> . The index consists of the net score of total strengths and total concerns.	CFP Market based - Tobin's q	Consistency in CSP, both over time and across different stakeholder domains has a positive moderating effect on the overall positive CSP-CFP relationship. There seems to be significant differences in the moderating effect of consistency for firms with different knowledge intensity. <i>Temporal consistency **</i> <i>Interdomain consistency **</i> CSP-CFP: <i>positive</i>

eCSR	Flammer (2013)	Moderator Events - Eco-friendly - Eco-harmful Time Controls - Time - Size - Age - Profitability - Market-to-book - Analysts following	<i>not specified</i> not mentioned N= 273 1980-2009	CSP Other external visible measures KLD index	CSP is measured using the KLD index of <i>environmental strength</i> as well as the KLD index of <i>environmental concerns</i> . The two indexes are not aggregated but rather included separately in the same model.	CFP Market based Cumulative abnormal return (-1;0)	<p>There is a positive relationship between CSP-CFP. However, environmental CSR is a resource with decreasing marginal returns and insurance-like features. This is supported by the fact that positive (negative) stock market reactions to eco-friendly (-harmful) events are smaller for firms with higher levels of environmental CSR.</p> <p><i>Time **</i> <i>Event **</i></p> <p>CSP-CFP: <i>positive</i></p>
EM	Busch & Hoffmann (2011)	Moderator - Process-based CEP Controls - Risk - Size - Region - Industry	<i>Stakeholder theory, RBV</i> not mentioned 174 firms, N=174 2006	CEP Other external visible + perceptual measures Sustainable Asset Management + Survey	CEP is reflected by the firm's carbon intensity, measured as the ratio between the total GHG emission and a firm's sales. The firm's carbon performance was provided through the Sustainable Asset Management rating. Process based CEP is measured as the quality of a firm's carbon management, measured through a survey.	CFP Accounting based - Return on assets - Return on equity Market based - Tobin's q	<p>The choice of CEP measurements determines the outcomes when analyzing the CEP–CFP relationship. Process-based measurements cause a negative CEP–CFP relationship</p> <p>Process-based <i>CEP (not significant)</i></p> <p>CEP-CFP: <i>negative</i></p>

EM	Gilley et al. (2000)	Moderator Type of greening initiative: - Process-driven - Product-driven Controls - Firm reputation - Size	<i>not specified</i> 16 different N=71 1983 - 1996	CEP Other external visible measures Wall Street Journal Printed Index	CEP was measured as corporate environmental initiatives, which were defined as any organizational effort designed to reduce the impact of the firm's goods/services or processes to the environment and reported upon in the Wall Street Journal	CFP Market based Cumulative abnormal return (-1;0)	The results indicate that there is no overall effect of CEP on CFP, but the type of environmental initiatives announced does make a difference. Investors react more positively to product-driven initiatives than to process-driven initiatives. <i>Product-driven †</i> <i>Process-driven †</i> CEP-CFP: <i>no effect</i>
EM	Kim & Statman (2012)	Moderator - Managerial action Controls - Size - Market equity valuation	<i>RBV</i> not mentioned N=4,894 1992-2000	CEP Other external visible measures KLD index	CEP is measured using the KLD index of <i>environmental strength</i> as well as the KLD index of <i>environmental concerns</i> . The two indexes are not aggregated but rather included separately in the same model.	CFP Accounting based - Return on assets Market based - Tobin's q	Evidence for an inverted U-shaped CEP-CFP relationship, which is affected by managers' adjustments. <i>Managerial action**</i> CEP-CFP: <i>trade-off</i>
EM	Klassen & McLaughlin (1996)	Moderator - Industry context Controls - Size - Market equity valuation	<i>not specified</i> 3 different 82 firms, N=110 1985-1992	CEP Reputation rating NEXIS database	CEP is measured as the amount of received environmental awards by an independent party. Awards referring to product and operations technology, as well as management systems.	CFP Market based - Stock equity return	The importance of strong environmental management varies across industries. Strong environmental performance has a stronger positive impact on financial performance in clean industries than in dirty industries. <i>Industry context **</i> CEP-CFP: <i>positive</i>

EM	Russo & Fouts (1997)	Moderator - Industry growth Controls - Size - Advertising intensity - Industry concentration - Firm growth rate - Capital intensity	<i>RBV</i> not mentioned 243 firms, N=486 1991-1992	CEP Other external visible measures Franklin Research and Development Corporation (FRDC) rating	CEP is measured using the FRDC rating of the following criteria: <i>compliance records, expenditures, reduction of waste, support of environmental protection organizations, and other initiative.</i>	CFP Accounting based - Return on assets	CEP and CFP are positively linked and this relationship is moderated by industry growth. <i>Industry growth **</i> CEP-CFP: <i>positive</i>
CP	Brammer & Millington (2008)	Moderator - Time - Intensity of CSP Controls - Industry - Size - R&D/Sales - Profitability - Advertising intensity - Labor intensity - Leverage - Cash - Dividends	<i>not specified</i> 8 different 537 firms, N = 4,459 1990 - 1999	CSP Disclosure Annual Reports	CSP is measured as a firm's charitable giving	CFP Market based Sharpe ratio (ex-post reward-to-variability-ratio)	There is a curvilinear relationship between CSP-CFP. Firms with both unusually high and low CSP have higher financial performance than other firms. Poor social performers do best in the short run and good social performers do best over longer time horizons. <i>Time **</i> <i>Intensity of CSP **</i> CSP-CFP: <i>curvilinear</i>
CP	Lev, et al. (2010)	Mediator - Consumer satisfaction Controls - Industry profitability - R&D - Market-to-book ratio - Firm specific organizational capital - Percentage of shareholders by institutions - M&A - Capital expenditures - Advertising and promotion	<i>not specified</i> 9 different 251 firms, N=1,618 1989-2000	CP Other external visible measures Taft Corporate Giving Directory + National Center for Charitable Statistics (NCCS)	CP is measured based on the time and amount of charitable giving	CFP Accounting based - Net revenues	There is an overall positive effect of CP on CFP. Evidence is found that customer satisfaction mediates the relation between corporate giving and sales; customer satisfaction is a conduit from contributions to revenue growth, particularly for consumer-focused firms. <i>Consumer satisfaction **</i> CP-CFP: <i>positive</i>

CR	Surroca et al. (2010)	Mediators Intangible resources - Innovation - Human capital - Reputation - Culture Controls - Capital intensity - Leverage - Firm liquidity - Size - Risk - Industry - Country - Year	<i>natural-RBV, Stakeholder theory</i> not mentioned 599 firms, N=1204 2002-2005	CRP Other external visible measures Sustainalytics platform ratings	CRP is measured as the weighted sum of scores of five stakeholder groups (employees, customers, suppliers, community, environment), using the corresponding Sustainalytics weights averaged by sector and country.	CFP Market based - Tobin's q	There is no direct relationship between CRP and CFP —merely an indirect relationship relies on the mediating effect of a firm's intangible resources. - <i>Innovation **</i> - <i>Human capital **</i> - <i>Reputation**</i> - <i>Culture**</i> CRP-CFP: <i>no affect</i>
CS	Kurapatskie & Darnall (2013)	Moderator - Type of CS activity Controls - Industry - Size - R&D/Sales - Profitability - Advertising intensity - Labor intensity - Leverage - Cash - Dividends	<i>not specified</i> not mentioned 48 firms, N=633 2006-2007	CSP Disclosure Sustainability Reports	CSP is measured as the sum of a firm's lower-ordered CS activities and the sum of a firm's higher-order CS activities. Based on Hart and Milstein (2003) individual activities were assigned to one of four categories: - Pollution prevention - Product stewardship - Innovative technologies - Community-focus	CFP Perceptual measure Sum of self-reported financial benefits of a firms sustainability activities	The two types of CS activities have similar positive associations with financial performance, but the magnitude of this association appears to differ. <i>Type of CS *</i> CSP-CFP: <i>positive</i>

Meta-Analysis

CSR	Orlitzky, et al. (2003)	Moderators - Artefacts - Measurement strategies Mediators - Competencies, learning, and efficiency - Reputation-Building Controls - No controls	-- not mentioned 52 studies, N=33,878 1970-2002	CSP Disclosure, Reputation rating, Other external visible, Perceptual measures	The meta-analysis uses Hunter and Schmidt's (1990) statistical aggregation techniques.	CFP Market based Accounting based Perceptual measures	<p>It is shown that across studies, CSP is positively correlated with CFP. The relationship tends to be bidirectional and simultaneous. Cross-study variations in various subsets of CSP–CFP correlations can be explained through moderators and mediators.</p> <p><i>Artefacts*</i> <i>Measurement strategies*</i> <i>Competencies</i> (not significant) <i>Reputation*</i></p> <p>CSP-CFP: <i>positive</i></p>
EM	Dixon-Fowler, et al. (2013)	Moderators - Environmental strategy - Firm characteristics - Methodological issues Controls - No controls	-- not mentioned 39 studies, N=22,869 1970-2009	CEP Disclosure, Reputation rating, Other external visible, Perceptual measures	The meta-analysis mixed-effect model methods developed by Hunter and Schmidt (1990) is applied to test for CEP-CFP.	CFP Market based Accounting based Perceptual measures	<p>The results suggest a significant positive relationship of the general CEP–CFP link. Contingencies, as environmental strategy, firm characteristics and methodological issues, moderate differently the CEP-CFP relationship.</p> <p><i>Environmental strategy</i> (not significant) <i>Firm characteristics *</i> <i>Methodological issues</i> (not significant)</p> <p>CEP-CFP: <i>positive</i></p>

Conceptual Articles

CSR	Barnett (2007)	Mediator - Stakeholder relations	<i>Stakeholder theory</i> - - -	CSP	-	CFP	CSR influences CFP through improving a firm's relationship with relevant stakeholder groups. Hereby the firm's history is a relevant contingency. Overall the CSP-CFP relationship is U-shaped. <i>Stakeholder relations:</i> positively and negatively <i>CSP-CFP: U-shaped</i>
CSR	Husted & Salazar (2006)	Moderator - Types of strategic approaches towards CSR	<i>Microeconomic theory</i> - - -	CSP	CSP is theoretically measured based on microeconomic analysis of decisions, characterized by decreasing marginal returns.	CFP	A trade-off relationship exists between CSP-CFP. Greater overall benefits will be achieved by the strategic approach, rather than by the altruistic approach. Those different approaches suggest that CSP would drive CFP only in the strategic case. <i>Types of CSR:</i> positively <i>CSP-CFP: trade-off</i>
CSR	Schuler & Cording (2006)	Mediators - Information intensity - Consumer decision processes	<i>Stakeholder theory, Theory of planned behavior</i> - - -	CSP	Suggestions to test the model with KLD data or a survey instrument.	CFP	Stakeholder behavior explains how CSP leads to CFP. A key aspect of this dynamic is driven by how a stakeholder's moral values interact with information about a firm's CSP. Information about a firm's CSP influences the decisions of a stakeholder to engage in either supportive or deleterious behavior that ultimately affects the firm's financial performance.

							<i>Information intensity:</i> positively <i>Consumer decision:</i> positively
EM	Aragón-Correa & Sharma (2003)	Moderators - Uncertainty - Complexity - Munificence	<i>Contingent natural RBV</i> - - -	CEP	-	CFP	CSP-CFP: <i>unclear</i> Certain characteristics of the general business environment, as uncertainty, complexity, and munificence, moderate the general positive relationship between the dynamic capability of a proactive environmental strategy and competitive advantage. <i>Uncertainty:</i> positively and negatively <i>Complexity:</i> positively <i>Munificence:</i> negatively CEP-CFP: <i>positive</i>
CR	Halme & Laurila (2009)	Moderators - Types of CR strategies	<i>not specified</i> - - -	CRP	-	CFP	There is a positive relationship between CR and CFP, but the way in which CR is implemented will in all probability influence its outcomes. Arguments are provided for an action-oriented CR typology. <i>Types of CSR:</i> positively CRP-CFP: <i>positive</i>
CR	Lankoski (2008)	Mediators - Learning - Reputation - Outcomes	<i>Neoclassical theory</i> - - -	CR activities	CR activities are considered as the sum of positive and negative outputs.	Economic Performance (EP)	The distinction between firms' CR activities on the basis of what outputs are produced outlines the U-shaped relationship between CR activities and economic performance.

Learning: positively
Reputation: positively
Outcomes: positively

CR-EP: inverted U-shape

<i>Literature Review</i>							
CSR	Aguinis & Glavas (2012)	Moderators different factors classified according: - Institutional level - Organizational level - individual level	--	CSP	-	CSR outcomes	The knowledge about the CSR-outcome relationship is fragmented and there are unexplored key opportunity areas that allow improving the knowledge of this nexus. CSP- Outcomes: <i>positive</i>
CSR	van Beurden & Gössling (2008)	Moderators - Firm size - Industry - R&D - Risk	--	CSP	-	CFP	Firm size, industry, R&D, and risk appeared to be important factors that influence the general positive relationship between CSP and CFP. CSP-CFP: <i>positive</i>

<i>Abb.</i>	CEP	Corporate Environmental Performance
	CFP	Corporate Financial Performance
	CP	Corporate Philanthropy
	CR	Corporate Responsibility
	CRP	Corporate Responsibility Performance
	CSP	Corporate Social Performance
	CSR	Corporate Social Responsibility
	eCSR	Environmental Corporate Social Responsibility
	CS	Corporate Sustainability
	EM	Environmental Management
	RBV	Resource-based view
	† p <.10, *p <.05, ** p <.01	