Strategic Corporate Social Responsibility and Environmental Sustainability

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Abstract
The authors review three theoretical approaches to strategic corporate social responsibility (CSR), which can be defined as voluntary CSR actions that enhance a firm’s competitiveness and reputation. The end result of such activities should be an improvement in financial and economic performance. Based on an overview of recent empirical evidence, the authors conclude that economic theories of strategic CSR have the greatest potential for advancing this field of inquiry, although theories of strategic leadership should also be incorporated into this perspective. In the remainder of the article, they provide focused summaries of the articles presented in this special issue and outline an agenda for future research on strategic CSR and environmental sustainability.

Keywords
corporate social performance, corporate social responsibility, environmental sustainability, resource-based view of the firm, strategic leadership

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Introduction

Multinational firms are increasingly pressured by numerous stakeholders to engage in social and environmental responsibility. According to the Stern Review on the Economics of Climate Change (Stern, 2006), The Economist (“A Change in Climate,” 2008), and philosopher Joseph DesJardins (2007), ecological sustainability could become the central social responsibility challenge for business. Thus, managers must be able to determine how their organizations can become more socially responsible, ecologically sustainable, and economically competitive. In short, business executives must become more adept at integrating their organization’s market and nonmarket strategies (Baron, 2001).

This growing pressure toward meeting social and economic performance demands from a wide variety of stakeholders raises important research questions, crossing numerous fields in business administration and several related social science disciplines. Specifically, two research questions that, for the most part, have remained unanswered in this increasingly important field of inquiry are:

1. How can social and environmental responsibilities be implemented more effectively through integrated market and nonmarket strategies?
2. How can the various business disciplines (e.g., organizational behavior, human resource management, management information systems, and accounting) contribute to our understanding of the determinants of superior financial, social, and environmental performance?

Unfortunately, key issues regarding frameworks, measurement, and empirical methods of social responsibility and sustainability have not yet been resolved because existing research has been too fragmented or focused only on the organizational level of analysis, while ignoring individuals or groups.

Our objective in this Special Research Forum is to synthesize multiple perspectives on these questions, in an effort to examine prudent, integrated management of financial, social, and environmental pressures. This goal is especially timely in the year of the 50th anniversary of Business & Society. We posted an open call for articles in Business & Society and several divisional list-serves of the Academy of Management. We received 33 manuscripts, which were reviewed by at least two referees. Ten articles were selected for presentation at a Special Issue Workshop at the University at Albany, SUNY. Jim Walsh, President of the Academy of Management, was the keynote speaker. Each paper had an assigned discussant, and among the authors and discussants at the workshop were many international researchers from a variety of academic disciplines, such as strategy, economics, organizational behavior, information systems, sociology, accounting,
and marketing. The articles presented at the workshop were critiqued by reviewers and participants and then reviewed again after the workshop.

From these revised manuscripts, we selected nine for publication in this Special Research Forum. Reflecting the intellectually diverse nature of this field (see Crane, McWilliams, Matten, Moon, & Siegel, 2008), the authors included in this Special Research Forum hail from economics, strategy, operations/supply chain management, organizational behavior, accounting, management, organization theory, and information systems.

The remainder of this article is organized as follows. In the next section, we provide a review of recent theoretical and empirical evidence on strategic implications of CSR, including the relationship between leadership and CSR and the connection between CSR and economic/financial performance. Next, we highlight how each study in the Special Research Forum makes a significant contribution by answering an important unresolved research question.

**What We Think We Know . . . Just Ain’t So**

Inconsistencies and debates regarding the proper definition of corporate social responsibility (CSR) have hampered scientific progress in understanding the antecedents and consequences of this activity (McWilliams, Siegel, & Wright, 2006). Consistent with the embryonic nature of the field, the debates involve fundamental conceptual issues. Specifically, some prominent scholars consider shareholder wealth maximization as the single social responsibility of business and caution against any broader conceptualization of CSR (Friedman, 1970; Jensen, 2002; Levitt, 1958). Others see tremendous economic value in balancing a multitude of stakeholder interests or demands (Freeman, 1984; Jones, 1995) or consider CSR as a four-pronged, comprehensive typology of economic, legal, ethical, and discretionary responsibilities (Carroll, 1979, 1991).

These discussions suggest that several issues related to the definition of CSR remain unresolved. For example, whereas McWilliams and Siegel (2001) defined CSR as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (p. 117), others emphasized executive motivations, instead of organizational outcomes, as key to understanding of (altruistic) proper social responsibility (Baron, 2001; Swanson, 1995). In addition, more recent definitions of CSR have reasserted the importance of Carroll’s legal dimension of CSR by showing that CSR can be imposed by law and regulations (Matten & Moon, 2008; Moon & Vogel, 2008; Windsor, 2001). Increasingly, a consensus seems to be emerging that CSR can be strategic (i.e., provide private benefits to the firm), altruistic, or coerced (Husted & Salazar, 2006).
The multifaceted nature of CSR only exacerbates the aforementioned conceptual problems. For example, contributors to the 2008 *Oxford Handbook of Corporate Social Responsibility* equate CSR with community involvement, philanthropic donations, good corporate governance, implementation of “green” policies, and a wide variety of other organizational actions. Given this multitude of manifestations of CSR, it is conceivable that CSR may be an epiphenomenon (Van Oosterhout & Heugens, 2008). Although there is common agreement with Arrow’s (1973, p. 304) observation that “social responsibility takes very different forms [. . .]. It is not a uniform characteristic at all,” much theoretical work treats it as a homogeneous, “real” construct. Arguably, greater progress might be possible if researchers started to focus more on specific dimensions of CSR. However, such an approach would require a consensus on a theoretically grounded and conceptually convincing typology of the subdimensions of CSR. The first article in this Special Research Forum represents an important contribution toward achieving this goal.

The assumption that environmental responsibility is an integral element of CSR seems less controversial than the aforementioned multifaceted nature of CSR. However, even with respect to corporate greening, important research questions remain. For example, there are several different definitions of sustainable development (Gladwin, Kennelly, & Krause, 1995), and many of them seem conceptually deficient (Beckerman, 1994). In addition, there is a vigorous debate regarding managerial motives—instrumental (Siegel, 2009) versus noninstrumental (Marcus & Fremeth, 2009)—that should be driving environmental sustainability. Industry structure is a third example illustrating the many unresolved issues with respect to corporate greening. Specifically, there is a vigorous debate about the impact of industry structure (monopoly, oligopoly, perfect competition, and so on) as a context in which environmental sustainability may translate into competitive advantage and abnormal profits (McWilliams & Siegel, 2002; Piga, 2002; Siegel, 2009). Clearly, many issues remain unresolved in the field of environmental sustainability as well (Ambec & Lanoie, 2008; Nordhaus, 2008).

These conceptual debates about fundamentals, typical of fields of inquiry that are paradigmatically undeveloped or underdeveloped (Lodahl & Gordon, 1972; Pfeffer, 1993), led to a quite simplistic empirical framing of the central question in the past: Can firms do well by doing good? Such framing of CSR as either a fiscally responsible or fiscally irresponsible managerial choice cannot be accepted as a realistic reflection of the true relationships between CSR and financial performance, neither with respect to social responsibility proper (Barnett & Salomon, 2006) nor with respect to environmental performance (Reinhardt, 1999). Thus, the most constructive question is not whether CSR “pays,” but instead when or under what circumstances.
Theoretical Foundations of Strategic CSR

Economic theories of strategic CSR have evolved since the original “theory of the firm” perspective on CSR was outlined in McWilliams and Siegel (2001). In this article, the authors demonstrated how cost-benefit analysis can be used as a strategic tool for optimizing a firm’s CSR activities. To apply this analytic tool effectively, managers must consider CSR as a normal good (i.e., a good whose demand increases as income increases) and analyze its demand and supply, without any preconceived ideas or normative commitments. Only by correctly analyzing supply and demand conditions can managers hope to make CSR decisions that are strategically or economically sound. Important contingency factors implied by a theory-of-the-firm approach to CSR include research and development, advertising, organization size, diversification, government sales, consumer income, labor market conditions, and stage in the industry life cycle (McWilliams & Siegel, 2000, 2001; Siegel and Vitaliano, 2007).

Husted and Salazar (2006) extended this framework and explained why organizations and society may be served better by strategic CSR than by coerced CSR. Cost-benefit analysis has also been applied to related outcomes, for example, by Siegel (2009) to environmental sustainability, by Mackey, Mackey, & Barney (2007) to investor preferences, and by Orlitzky and Whelan (2007) to social and environmental accounting.

Another important theoretical insight is provided by transaction cost economics. Rather than assume that CSR is cost-free, transaction cost economics makes explicit what was previously unacknowledged theoretically (Macher & Richman, 2008), namely that stakeholder management, with the ultimate goal of increasing stakeholder satisfaction (Orlitzky & Swanson, 2008), often requires substantial resources, including time, as well as financial and human resources in identifying a relevant stakeholder group, negotiating with representatives of the group, and monitoring their satisfaction (King, 2007). In the long run, CSR can increase trust and possibly reduce transaction costs (Hosmer, 1995; Jones, 1995). However, in the short run, managers must consider transaction costs in all strategic decision-making. In an excellent article, King (2007) applied transaction cost analysis to organizations’ strategic decision-making regarding environmental partnerships. Clearly, such a transaction cost logic could also be applied more broadly to all formal and informal contracts that cover nonpartnership dimensions of CSR.

A third theoretical approach that can significantly advance our understanding of strategic CSR is the resource-based view of the firm (RBV). According to this theoretical perspective, if organizational resources and capabilities are valuable, rare, inimitable, and nonsubstitutable, they will form the source of an
organization’s competitive advantage (Barney, 1991). McWilliams and Siegel (2001) used the RBV framework to construct a formal model of “profit-maximizing” CSR. Their model assumes that there are two companies producing identical products, except that one company provides an additional “social” attribute or feature to the product. Some consumers, as well as other stakeholders, value this social attribute. As noted earlier, the model also assumes that managers conduct a cost-benefit analysis to determine the level of resources to devote to CSR activities/attributes. Thus, they are employing CSR as a part of a differentiation strategy at the product, business, and corporate levels.

Several authors have extended this concept of the demand for CSR, so that a CSR strategy can be formulated to achieve and (possibly) sustain a competitive advantage. Some economists (Bagnoli & Watts, 2003; Besley & Gathak, 2007; Kotchen, 2006) conceive of CSR as the private provision by firms of a local public good (e.g., social networks, community development) or reduction of a public bad (e.g., pollution). This concept of the private provision of a public good is an important extension of the literature on strategic CSR. In an interesting extension of RBV, findings by McWilliams, Van Fleet, & Cory (2002) suggest that firms can bundle political influence with CSR strategies to raise regulatory barriers that prevent foreign rivals from using substitute technology (which may, for example, lower labor costs).

One area of weakness in the literature is the lack of research connecting individuals to CSR or related outcomes. In other words, micro-level phenomena (e.g., values and leadership) are generally either assumed or not explicitly considered by CSR researchers. With that said, research that is focused on the nexus of CSR and individuals is beginning to emerge. Such work is inherently cross-level in its conceptualization and methodology. For example, in this special issue, Stites and Michael show how firm-level investments in CSR and communication of these activities might improve employee attitudes which, in turn, could be predictive of important outcomes like turnover and performance. These findings are consistent with Carmeli, Gilat, and Waldman (2007) who found stronger identification and performance on the part of employees, who perceived their firms to have a strong CSR reputation, as compared with a strong financial performance reputation.

Other recent, multilevel research has focused on leadership phenomena. For example, Waldman, Siegel, and Javidan (2006) found that intellectually stimulating behavior on the part of CEOs (e.g., helping followers to look at old problems in new ways, getting at the heart of complex problems, and so forth) is associated with greater investments in organizational resources and capabilities that can increase CSR and financial performance simultaneously. This research demonstrated potential linkages between leadership behavior and CSR outcomes.
Waldman and Siegel (2008) debated the strategic versus stakeholder basis of leadership that is oriented toward CSR. Siegel articulated a strictly instrumental approach to CSR on the part of strategic leaders and decision-makers. That is, leaders should only consider investments in CSR if direct positive returns to shareholders could be predicted. Conversely, Waldman suggested that such an approach might preclude longer-term CSR initiatives (e.g., employee development, customer safety innovations, and so forth) that might benefit the firm over time. Specifically, Waldman suggested a leadership approach based on stakeholder theory (Donaldson & Preston, 1995; Margolis & Walsh, 2003; Walsh, 2005) that would involve a leader’s efforts to balance the needs of multiple stakeholders in his or her decision-making—even if specific, short-term returns could not be readily identified. Obviously, such decision-making increases risk, but some degree of risk-taking behavior and boldness has been associated with especially effective strategic leaders (Flynn & Staw, 2004).

Two pieces of empirically-based evidence have emerged in support of Waldman’s approach to strategic leadership and CSR. First, as described further below, Orlitzky, Schmidt, and Rynes (2003) showed how reputational measures of CSR tend to be the best predictors of firm financial performance. Leaders who base their approach to decision-making on the balancing of concerns of multiple stakeholder groups may be more attuned to long-term reputation issues, as opposed to achieving short-term returns on investments in CSR. The net, and perhaps paradoxical, upshot is that less concern for short-term returns to CSR actions may actually result in better profitability over time. Second, and relatedly, Sully de Luque, Washburn, Waldman, and House (2008) showed how when leaders stress the need to balance the needs of multiple stakeholders in their strategic decision-making, they are seen as more inspirational by followers. This perception, in turn, leads to better follower effort and firm financial performance. In contrast, leaders who put predominant stress on economic factors in their decision-making (e.g., profits and cost control) were not seen as inspiring and paradoxically, their firms did not realize better profitability.

In sum, these findings suggest that a strict adherence to an instrumental perspective may not be especially beneficial for organizational leaders or strategic decision-makers. Instead, a more long-term focus on stakeholder-based values and inspirational leadership behavior may be more beneficial. Individuals such as Herb Kelleher of Southwest Airlines and John Mackey of Whole Foods exemplify these latter sorts of leaders. Throughout his career at Southwest Airlines, Kelleher repeatedly stated that his first concern was employees, followed by customers, and only then, profits. While some people might argue that he was only making this statement for the purpose of manipulating employees and customers, authentic leadership theory would suggest that consistent actions over time
reinforce such statements (Avolio, Gardner, Walumbwa, Luthans, & May, 2004). In other words, to the extent that they consistently “walk the talk,” such leaders and their espoused values should be seen as more authentic, and less manipulative, in nature.

**Empirical Foundations of Strategic CSR**

Drawing on these theoretical perspectives and a variety of other approaches, many researchers have focused on investigating the relationship between corporate social performance (CSP), a concept closely related to CSR,¹ and corporate financial performance. An “influential” (Vogel, 2005, p. xvi) meta-analysis integrated primary studies examining this relationship (Orlitzky et al., 2003).² This meta-analytic integration by Orlitzky et al. supported a generally positive, yet highly variable relationship between CSP and CFP. More specifically, the calculated mean corrected (or “true score”) correlation (\( \hat{\rho} \)) was .36. However, the large variability around this mean (\( \hat{\sigma}_\rho^2 \))—even after corrections for sampling error and measurement error—also confirmed that the average \( r \) is unlikely to be generalizable across different definitions of CSR, organizations, and industries. Contingent relationships, as postulated by various economic theories of CSR, were indirectly and at least partially confirmed by this meta-analysis because, for example, reputation measures of CSP were far better predictors of financial performance than, say, social-audit disclosures (which were not correlated with financial performance), and the associations between CSP and stock market performance were weaker than those between CSP and accounting return measures. In addition, because CSP was found to be inversely related to business risk (Orlitzky & Benjamin, 2001)³ companies both large and small may be able to benefit from CSR (Orlitzky, 2001). Furthermore, by studying time lags, Orlitzky et al. (2003) established that CSP was a predictor of financial performance, but equally, financial performance predicted CSP. More detailed summaries of this research stream can be found in Orlitzky (2006, 2008) and in Orlitzky and Swanson (2008).

Findings regarding the potential strategic benefits of CSR should be interpreted with caution, though. One reason for this caution is theoretical and directly related to the RBV framework. The implicit assumption of the research questions explored in the meta-analysis is that investments in CSR may lead to these strategic and financial benefits because it is relatively rare and imitable. Yet, the undeniable fact that (both genuine and disingenuous) CSR practices have been widely adopted by multinational corporations, and increasingly small businesses as well, suggests CSR may no longer bring about the reputational benefits that the meta-analysis demonstrated for data collected between 1969 and 1999. That is, widespread CSR may no longer differentiate companies
and lead to sustainable competitive advantage because the public has become increasingly distrustful of what “CSR” really means. For example, British Petroleum (BP), receiving high marks from many influential CSR and sustainability rating agencies between 2001 and 2009, was also responsible for the Deepwater Horizon oil spill in the Gulf of Mexico, the worst environmental disaster in U.S. history (Steverman, 2010). At a minimum, these inconsistencies between CSR ratings (which, if valid, ought to be predictive of actual corporate behavior) and actual outcomes raise fundamental questions about the credibility and accuracy of these earlier assessments of BP’s safety record and environmental responsibility (for a broader discussion of CSP ratings, see also Entine, 2003, and Orlitzky & Swanson, 2008).

The second limitation of this research stream is methodological. Specifically, it has been argued that when definitions, sampling frames, research designs (including their perceived quality), or other study characteristics vary widely across studies, meta-analyses cannot produce legitimate conclusions because it is assumed that the primary studies are incommensurable (e.g., Griffin & Mahon, 1997; Margolis & Walsh, 2001; McWilliams et al., 2006; Ullmann, 1985; Wood & Jones, 1995). Such a rejection of quantitative research integrations, an argument effectively countered by Hedges (1987), Hunter and Schmidt (1990), and Schmidt (1992), is often characteristic of fields that have not matured intellectually (Hunt, 1997). Researchers in fields with low technical certainty or paradigmatic consensus prefer narrative reviews and so-called “vote-counting” reviews (Hedges & Olkin, 1980) to quantitative methods of research integration. Even though measurement errors and sampling errors are frequently highlighted as serious methodological problems, the assumption is made that narrative reviews, which make no statistical corrections for any of these errors, are more valid than quantitative research integrations. In other words, the methodological debates and confusion only reaffirm the impression from the earlier theory review that research on CSR is embryonic.

The observation that research on CSR lacks a dominant paradigm (Lockett, Moon, & Visser, 2006) is particularly disquieting because different researchers have heterogeneous backgrounds and, thus are influenced by different values and ideologies. The overall evidence indicates that particular theories and methods are generally mobilized to confirm espoused worldviews (Orlitzky, in press), which constitute institutional logics, defined as the values, norms, and beliefs that structure the cognitions of various social actors (including scholars) and provide a collective understanding of how topics are formulated or framed (DiMaggio, 1997; Thornton, 2002). In embryonic fields characterized by intense competition between different institutional logics, a consensus on the objective judgment criteria that are useful for assessing study quality is typically absent (Adair, 1982; Beyer, 1978; Gans & Shepherd, 1994; Peters & Ceci, 1982; Pfieffer, Leong, &
Strehl, 1977). This problem becomes even more serious when the subject matter raises normative issues related to power and politics, as is the case with CSR (Banerjee, 2007; Brown, 2001; Orlitzky, 2008).

Given all these uncertainties, controversies, and debates, we hope that you will find the articles chosen for this Special Research Forum on CSR and Environmental Sustainability as interesting and compelling as we did. All of them have the potential of significantly advancing research on strategic CSR or environmental sustainability. In the following section we explain how.

Overview of Articles

For this Special Research Forum, we accepted more articles than could be accommodated in one issue of *Business & Society*. Thus, as indicated below, the first set of articles is published in this issue. The second set of accepted articles will appear in print in the June 2011 issue of *Business & Society*.

Special Research Forum Articles Featured in this Issue

In the first article of this special research forum, (“Conditions for Value Creation in the Marketplace through the Management of CSR Issues: A Negative External Effects Framework”), Thibault Daudigeos and Bertrand Valiorgue propose an economic theory of CSR by building on the premise that CSR is an effort to “rectify market failures” (Arrow, 1973, p. 303) or, according to more recent theorizing that CSR represents actions by firms taking “ownership of the externalities they generate” (Crouch, 2006, p. 1534). This reasonable premise forms the foundation of Daudigeos and Valiorgue’s categorization of organizations’ negative externalities into public, common-pool, club, and private externalities. Then, these four categories of externalities are characterized in terms of (a) parties’ willingness to pay under either a single or two-sided transaction context, (b) the level of transaction costs, and (c) social acceptability. From this theoretical analysis, the authors are able to derive a set of different CSR strategies. Each of them seems to fit best with one of the four categories of externalities. Drawing on the concepts of rivalry and exclusivity, they can explain the wide variety of CSR initiatives more effectively than previous theories.

The next study, “Organizational Commitment in Manufacturing Employees: Relationships with Corporate Social Performance,” by Jenna P. Stites and Judd H. Michael, confirms and extends previous empirical findings (e.g., Backhaus, Stone, & Heiner, 2002; Greening & Turban, 2000; Turban, 2001; Turban, Forret, & Hendrickson, 1998; Turban & Greening, 1996) showing that investments in CSR and communication of these activities might improve employee attitudes, which may be strategically important to employers (Boxall
& Purcell, 2003; Harter, Schmidt, & Hayes, 2002). More specifically, through an analysis of survey responses from 136 workers at three kitchen cabinet makers, the researchers show that employee perceptions of two aspects of CSR are significantly related to affective organizational commitment, with community CSR showing greater explanatory power than environmental CSR. Though the usual methodological caveats apply, such as the possibility of common method bias, the study broadens the organizational context by showing that CSR might also be an important concern to manufacturing employees.

The remaining articles all focus on organizational greening and make important contributions to research on environmental sustainability. The third study in this special issue, “Measuring Environmental Strategy: Construct Development, Reliability and Validity,” by Judith L. Walls, Phillip H. Phan, and Pascual Berrone, develops a new measure of environmental strategies, using the natural RBV of the firm (Hart, 1995) as its theoretical base, and content analysis of company reports and secondary data as its methodological base. Importantly, Walls, Phan, and Berrone differentiate reactive compliance strategies from the six capabilities of proactive environmental strategies (historical orientation, network embeddedness, endowments, managerial vision, top management team skills, and human resource systems). Relying on sophisticated measurement and analyses, they convincingly demonstrate the superiority of their proposed new measure to the extant proxy measures of KLD and TRI. In conjunction with other work (e.g., Chatterji & Levine, 2006; Chatterji, Levine, & Toffel, 2009; Orlitzky & Swanson, 2008), this important, measurement-oriented study points to critical limitations of widely used data sets in the study of CSR. Walls, Phan, and Berrone’s findings regarding the two extant measures of environmental performance (see the authors’ validity analyses in tables 3 and 6-9) suggest that measurement problems in this literature may be at least as severe as the data analysis weaknesses identified by McWilliams, Siegel, and Teoh (1999) and McWilliams and Siegel (2000). When measures have low reliability and/or low construct validity (Edwards, 2003), the quality of the data analysis really becomes a moot point because measurement quality (“garbage in—garbage out”) necessarily sets an upper limit on the meaningfulness of substantive findings, irrespective of the quality of any subsequent data analysis (Hunter & Schmidt, 1990; Nunnally & Bernstein, 1994; Schwab, 1980).

The study “Under the Tip of the Iceberg: Absorptive Capacity, Environmental Strategy, and Competitive Advantage” by Magali Delmas, Volker H. Hoffmann, and Matthias Kuss surveyed managers in 157 German chemical firms to examine the link between proactive environmental strategies and competitive advantage. The researchers show that environmental proactivity consists of environmental reporting, regulatory proactivity, operational improvements, and environmental
partnerships. In addition, the study’s structural equation model demonstrates that a firm’s absorptive capacity, defined as knowledge acquisition, assimilation, transformation, and exploitation, predicts both proactive environmental strategymaking and the three elements of competitive advantage (cost control, reputation, and innovation/differentiation). The findings suggest that absorptive capacity may not only be important for achieving high environmental performance and financial performance, but also confound the observed relationship between these two endogenous variables.

In a 13-year panel study of 58 corporations, “Domesticating Radical Rant and Rage: An Exploration of the Consequences of Shareholder Activism Resolutions on Corporate Environmental Performance,” Min-Dong Paul Lee and Michael Lounsbury show that shareholder activism has a positive effect on corporate environmental performance operationalized as benzene internalization rate. This main effect is theorized based on the disruption of routines, framing of issues using extant institutional logics, and mobilization of relevant third-party constituents. The study also identifies statistically significant moderators, with larger firms and firms closer to the end user being more likely to make concessions to activist demands. The article provides an excellent introduction to the literature on social movements and shareholder activism and has important implications for the development of environmental strategies in the petroleum and petrochemical sectors.

In “Green Governance: Boards of Directors’ Composition and Environmental CSR,” Corinne Post, Noushi Rahman, and Emily Rubow study a sample of 78 Fortune 1000 companies in the electronic and chemical industries and find that the proportion of outside board directors is positively related to environmental CSR, operationalized as company disclosures and KLD (environmental performance) strength ratings. In addition, when boards included three or more female directors, KLD strength scores were higher. Finally, the authors present interesting conclusions about a curvilinear board age effect and the importance of Western European directors for green governance. Equally important are the study’s methodological implications, which reinforce the aforementioned concerns about CSR measurement (which are also illustrated in Walls, Phan, & Berrone’s study).

Special Research Forum Articles

*Featured in the June 2011 Issue*

The next study, by Timo Busch and Volker H. Hoffmann, is titled “How Hot Is Your Bottom Line? Linking Carbon and Financial Performance.” Their survey of 201 large companies included in the Dow Jones Sustainability Index shows that a company’s carbon intensity (total greenhouse gas emissions/sales)
was positively related to Tobin’s $q$ (but not ROA or ROE). At the same time, 13 items measuring a company’s carbon management (or “process-based environmental performance”) were inversely related to Tobin’s $q$ and return on equity. The study shows that a central finding of Orlitzky et al.’s (2003) meta-analysis clearly applies to corporate management of CO$_2$ emissions as well: different operationalizations of the independent and dependent variables shape findings in important ways. This contingency effect of measurement raises critical questions about the generalizability of any postulated (positive or negative) effects of corporate environmental performance on financial performance. Empirical relationships are far more complex than traditionally assumed because of the influence of issue materiality, as Busch and Hoffmann argue. While correctly pointing to endogeneity bias as a potential limitation of their study (consistent with our prior discussion of the meta-analytic evidence suggesting that there is a double arrow between CSR and financial performance), Busch and Hoffmann also draw novel and interesting conclusions about three theories of strategic management (Porter, Friedman, and RBV) and the possible shape of empirical relationships between organizations’ carbon emissions and financial performance.

Tracy A. Jenkin, Lindsay McShane, and Jane Webster’s qualitative interview study “Green Information Technologies and Systems: Employees’ Perceptions of Organizational Practices” examines the extent to which employees in the financial services industry recognize the importance of information technologies and systems in developing and implementing environmental initiatives. In general, employees noted that their employers use only a narrow range of information technologies and systems in the communication of environmental initiatives. More specifically, the authors emphasize that bank employees discussed environmental issues more frequently than credit union employees. This finding may reflect greater employee awareness, but also differences in the social construction of CSR among bank and credit union employees. Most importantly, the study demonstrates the existence of many knowledge gaps about green initiatives among financial-services employees.

In the final article “Firm Size Matters: An Empirical Investigation of Organizational Size and Ownership on Sustainability-Related Behaviors,” Peter Jack Gallo and Lisa Jones Christensen investigate how 922 U.S. accounting executives define and report their firms’ sustainability efforts. For some of their measures of organization size, the authors show positive effects on organizational support for and reporting of sustainability. In addition, their findings demonstrate that public companies tend to provide more support for and reporting on sustainability than private firms. Interestingly, they also find negative regression coefficients for finance and insurance industry dummies and positive coefficients for foreign ownership. In light of the prior study on
green information technologies in the financial services industry, Gallo and Christensen’s examination of data collected by the American Institute of Certified Public Accountants shows sustainability reporting and management have a long way to go in the United States.

It is important to note that the articles in this special research forum employ a wide diversity of methods, ranging from quantitative surveys to qualitative interviews to exploratory and confirmatory factor analyses to regression analyses of secondary data to structural equation modeling. The authors also draw on a variety of theoretical approaches, such as social movement theories, transaction cost economics, absorptive capacity, instrumental stakeholder theory, the theory of the firm, and RBV of the firm, to name only six examples. The diverse selection of articles is consistent with prior arguments that creative advances in organization studies are best accomplished with a diversity of theories and methodologies (Cannella & Paetzold, 1994; Perrow, 1994; Van Maanen, 1995a, 1995b).

However, we hasten to acknowledge an alternative viewpoint, supported by considerable empirical evidence, which suggests that scientific progress is only possible with an enforced consensus on theory and methodology (Camerer, 1985; Pfeffer, 1993, 1995). Theoretical and methodological diversity increases fragmentation, which generally hinders the growth of knowledge (Donaldson, 1995; Mone & McKinley, 1993). Currently, the available evidence indicates that, in the coming years, the number of theories and methods will only continue to increase—most likely exponentially—in research on CSR and environmental sustainability. Readers are encouraged to consider, at a minimum, the debate on the consequences of paradigmatic diversity and consensus above and reach their own conclusions about the best way forward. We hope this special research forum points to some of the ways, even though we can only speculate on how the recent deep recession will affect firms’ and industries’ commitment to CSR in the real world (Quelch & Jocz, 2009; Welch & Welch, 2009) and thus, research fashions (see also Abrahamson, 1996 and McKinley, 1996) in the academic world.

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Notes

1. CSP can be defined as “a certain socially responsible posture at a particular point in time” (Barnett, 2007, p. 797).

2. Orlitzky, Schmidt, and Rynes (2003) won the 2004 Moskowitz award for outstanding quantitative research relevant to the social investment field. The Moskowitz Prize is awarded each year to the research article that best meets the following criteria: (a) practical significance to practitioners of socially responsible investing; (b) appropriateness and rigor of quantitative methods; and (c) novelty of results. Current citation statistics seem to confirm Vogel’s (2005, p. xvi) judgment 5 years prior; as of September 2010, this article has been cited 912 times on Google Scholar and 233 times on the Web of Science/Social Science Citations Index, making it the most highly cited Organization Studies article of the decade (2000-2009). Furthermore, the citation statistics of this study exceed the citations of the most highly cited article published in Academy of Management Journal, Academy of Management Review, or Administrative Science Quarterly in 2003 and are also higher than the citations of any article published by the Academy of Management Journal in a 1999 Special Issue on stakeholder theory and corporate social performance.

3. Orlitzky and Benjamin (2001) won the 2001 Best Article Award given by the International Association for Business and Society (IABS) in association with California Management Review. According to Google Scholar (as of September 2010), this article was the most cited article of the 2001 volume of Business & Society.

References


**Bios**

**Marc Orlitzky** (PhD, University of Iowa) is Associate Professor of Management at the Pennsylvania State University Altoona. His main research program on corporate social performance was summarized in *Integrative Corporate Citizenship: Research Advances in Corporate Social Performance*, a book co-authored with Diane Swanson. His work has been published in two *Oxford University Handbooks, Organization Studies, International Journal of Human Resource Management, Business & Society, Small Group Research, Personnel Psychology, Journal of Management Education, Journal of Business Ethics, Journal of Investing, Academy of Management Review, Academy of Management Learning & Education*, and several other publication outlets. He won various research awards and, in 2007, an Outstanding Reviewer Award from the *Academy of Management Journal*.

**Donald S. Siegel** is Dean of the School of Business and Professor of Management at the University at Albany, SUNY. He received his PhD in business economics from Columbia University. Dr. Siegel is incoming co-editor of *Academy of Management Perspectives*, editor of the *Journal of Technology Transfer*, an associate editor of the *Journal of Productivity Analysis and Academy of Management Learning & Education*, and serves on the editorial boards of *Journal of Management Studies, Journal of Business Venturing, Corporate Governance: An International Review, and Strategic Entrepreneurship Journal*. He has also co-edited 29 special issues of leading journals in management, economics, and finance on topics relating to university technology transfer, entrepreneurial development, private equity and corporate governance, gambling and prediction markets, and environmental and corporate social responsibility.

**David A. Waldman** is a professor of management in the W. P. Carey School of Business at Arizona State University. He received his PhD in industrial/organizational psychology from Colorado State University. His research interests focus on leadership processes, especially responsible leadership and the neuroscience of leadership. Professor Waldman’s accomplishments include approximately 100 articles or chapters, and he has published two books. He currently serves on the editorial boards of the *Academy of Management Journal*, the *Academy of Management Review*, the *Journal of Applied Psychology, Personnel Psychology*, and *The Leadership Quarterly*. Previously, he served as associate editor for *The Leadership Quarterly* and the *Academy of Management Learning and Education*. He is a Fellow of the American Psychological Association, as well as the Society for Industrial and Organizational Psychology.