The role of the chief sustainability officer on the impact of corporate social performance on corporate financial performance

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Master Organisation Studies

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Abstract

Previous studies have reported both positive and negative results between corporate social performance (CSP) and corporate financial performance (CFP). The upper echelons perspective proposes that TMTs have an impact on organisational processes and thus influence organisational outcomes. In TMTs, the chief officer of corporate social responsibility is the chief sustainability officer (CSO). This study aims to contribute to different results between positive and negative relation of CSP and CFP by introducing a moderating variable - the CSO - to increase our understanding of this relationship. Results of this empirical study on 74 of the hundred largest Fortune 500 U.S. companies in 2015 have shown that there is no relationship between CSP and CFP and that the CSO does not moderate this effect. I propose a replication of this study with a larger sample and question the use of the correct moderator variable since it limits the study due to the low variance.

***Keywords**: Corporate social responsibility - Corporate financial performance - Chief sustainability officer – Corporate sustainability - Top management team - Upper echelon*

Chapter 1 Introduction

Forbes (McPherson, 2016) reported that corporate social responsibility (CSR) continues to mature while facing increasingly complex challenges in 2016. Many different developments, such as social injustice, transparency, and environmental sustainability, are becoming part of the firms' agenda.

From the perspective of the firm, Capriotti and Moreno (2007) argue that CSR has acquired importance as it is considered a legitimating activity of the organisation in the eyes of society. Campbell (2007) argues that society pressures organisations to attend to legitimizing actions. Organisations need legitimacy to justify their right to exist to others on an institutional level (Dowling & Pfeffer, 1975). "Legitimacy provides organisations to import, transform, and export energy, martial, or information" (Maurer, 1971: 361).

Other reasons for organisations to engage in CSR is the relation to financial performance. Empirical research has indicated a positive relationship between corporate financial performance (CSP and corporate financial performance (CFP) (Waddock & Graves, 1997). Conceptual research expects positive results between CSP and CFP and emphasizes the importance of the stakeholders (Campbell, 2007). According to stakeholder theory (Freeman, 1984), attention to the domains of CSR increases stakeholder value and relations. For a firm these relations can be a source of competitive advantage resulting in positive financial outcomes (Freeman, 1984; Hillman & Keim 2001). In contrast, other research has also indicated a negative relation between CSP and financial outcomes. Wright and Ferris (1997) showed in their study that managers would invest in CSR activities that do not enhance the financial performance; mere they are motivated by external pressures to conform to societal norms.

Hence, the literature reports both positive and negative relations between CSP and financial performance, and the positive relation seems to be dominating (Orlitzky et al., 2003). However, previous studies did not include the composition of the top management team (TMT) and more in particular the chief sustainability officer (CSO). The presence of a CSO could explain the difference between the mixed findings of CSR and financial performance. In previous studies the CSO has been studied (Strand, 2013, 2014; Miller & Sarafeim, 2014). However, not in its relation to financial performance. Why should we take this variable into account? First of all,

attention to the functional TMT members is indicative of the environmental developments and new challenges organisations face (Menz, 2012). For example, the Atlantic (Bader, 2015) reports that the first CSO was assigned in 2004. Moreover, according to the study by Gibbs and Soell (2010), 12% of the Fortune 1000 reports that their company has a C-suite or other senior level or title position dedicated to sustainability. These numbers show that this managerial functional field is growing. However, as far as I know there is no research on how the presence of a CSO moderates the impact of CSP on financial performance. Therefore, including the CSO in the relations of corporate social performance and financial performance may be helpful the better explain this relation and increase our understanding.

It can be expected, based on the upper echelon's perspective (Hambrick & Mason, 1984; Finkelstein et al., 2009) that TMT members' characteristics have an impact on organisational outcomes. For this research, I expect that the presence of the CSO will positively affect the relation between CSR and financial performance. Functional TMT roles can help bureaucratize. A CSO can help to create a formal corporate sustainability bureaucracy in which there is establishment of organisational structure, KPIs and processes. The formal structure exceeds any individual position or tenure and will help drive performance (Watson, 2006). Furthermore, the presence of a chief officer of corporate social responsibility has a symbolic value that shows the theme is important for the organisations, since it is part of the highest hierarchy (Finkelstein et al., 2009; Pfeffer, 1981; Strand, 2014,). Employees may experience that CSR has gained importance within the company and more likely be engaged to prioritize their CSR activities. This will drive CSP efforts because it influences employees to higher efforts within their own work and be part of the agenda within functional units. Moreover, the position of a CSO brings in a different set of characteristics, for example functional background (Strand, 2013; Park et al., 2007) that will increase the heterogeneity within the TMT. Heterogeneity in turn can increase the performance of a TMT (Wiersma & Bantel, 1992; Hambrick et al., 1996) Based on these three arguments I expect the presence of a CSO will help exploit the benefits of corporate social performance more and therefore positively moderate the effect of corporate social performance on financial performance.

This study contributes to existing literature on the relation between CSP and financial performance. Current empirical studies show conflicting results. Therefore, further understanding about this relationship is possible with the inclusion of a new variable: Presence of a chief sustainability officer. Furthermore, research on functional TMT members is

indicative on the environmental developments (Menz, 2012). This research comes at a time where there is a growing importance of CSR as well as emerging positions of the sustainability positions within organisations (Gibbs and Soell, 2010). However, even though the sustainability positions are growing, the number of chief officers of sustainability are declining within the TMT (Strand, 2013). This research is therefore relevant and of contemporary need. Researchers within the field of upper echelon have proposed to examine individual roles of TMT members to better understand the TMT compositions, processes, and outcomes (Hambrick, 2007; Menz, 2012).

To better understand and respond to the current environmental changes, research on the CSO in relation to the CSR and financial performance can help practitioners within the field of management. The important question for practitioners is: do we need to appoint a CSO in order to exploit our CSR activities more and as a result can we gain higher financial as result of this?. Therefore, the findings in this study can help practitioners on a tactical and strategical level in how to organize labour or functional roles and by gaining the potential benefits of it.

CSR can act as a source of competitive advantage for organisations (McWilliams et al., 2006). Organisations wish to benefit from this advantage by gaining financial profits. However, whether a CSO is required to gain these benefits is not (yet) known. The results of this study can help organisations on a structural and tactical level, and help explain the effects of a present CSO on the financial outcomes.

Concluding the introduction this leads to the following research question and is shown in Figure 1: *what is the effect of corporate social performance on corporate financial performance and how does the presence of a chief sustainability officer moderates this effect?*

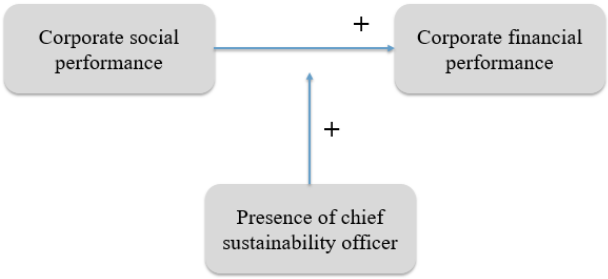

Figure 1: Conceptual model

Chapter 2 Theoretical background and hypothesis

2.1 Corporate Social Responsibility

Corporate social responsibility (CSR) is a broad construct that entails many different dimensions. For example, Dahlsrud's (2008) analysis of 37 definitions of CSR showed that there is no single comprehensive definition of CSR. However, all these definitions have one or more dimensions of CSR included. Dahlsrud (2008) identified the following dimensions: *environmental, social, economic, stakeholder, and voluntariness dimension.*

Many researchers express that there are different understandings of CSR because it is a broad construct (Dahlsrud, 2008; van Marrewijk, 2003). For this research, the following definition of CSR is used: "CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Commission of the European Communities, 2001). This definition is used because it proposes to integrate all different dimensions at the same time, and what is also very important: it puts emphasis on the integration within their business. Because it is an integral element of the business, it is possible to examine the CSR-performance of the firm, namely the corporate social performance (CSP). As Wood (1991a:693) defines CSP; "a business organization's configuration of principles of social responsibility, process of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships". Both definitions mention the integration within business. One example of integration within business is the integration of CSR within the strategy.

The strategy of a firm, which is also a firms' resource, can act as a source of sustainable advantage (McWilliams et al., 2006). CSR strategy can thus also act as a competitive advantage, because it is part of the firms' integral element of business. It is possible to use CSR strategy as a corporate-level differentiation strategy or it can be used to maximize profit (McWilliams et al, 2006). For example, McWilliams and Siegel (2001) present a model in which companies conduct a cost/benefit analysis to determine costs and benefits when they devote to CSR activities or attributes to products. They use the example of producing a product with and without CSR attributes. When CSR attributes are added, they calculate what the additional costs are and what the expected profits will be. If the organisation is motivated for economic reasons (maximizing profit), this cost/benefit analysis will help make the decision to add or not to add

CSR attributes. In this example strategy is used. However, it is of importance that it is about the actions that derive from the strategy that are observable. Based on all this information CSR is a broad construct with different dimensions, and organisations incorporate these CSR activities within their businesses. However, these actions must also be measurable to be able to give meaning on the performance, and to compare different organisations. In the following paragraph this will further be explained.

2.2 Corporate Social Performance

Observable CSP measures vary (Abowd, Milkovich & Hannon, 1990; Posnikoff, 1997; McWilliams & Siegel, 2000). Likewise, different dimensions of CSR have been the point of interest, such as the environmental (Russo and Fouts, 1997) and stakeholder (Hillman and Keim, 2001). All these different measurement strategies help us to tell something about the corporate social responsibility performance, which is defined in CSR literature as corporate social performance (Waddock and Graves, 1997; Orlitzky et al., 2003).

There is research that focusses on a single dimension of CSR, the environmental dimension. Asking the question: "does it pay to be green"? (Russo & Fouts, 1997). The impact of the environmental CSR is that organisations need to consider the environmental regulations into their business operations. These regulations have been a point of debate. On the one hand one may expect that these regulations generate additional costs that are disadvantageous for firms (Gingrich, 1995; Walley & Whitehead 1994). On the other hand, one may expect that environmental regulations will boost the efficiency and innovation of firms because strict regulations encourages organisations to re-engineer their technology (Gore, 1992; Porter, 1991). So what can we make out of this? To analyse the environmental performance of a firm Russo and Fouts (1997) use the resource based view of the firm (RBV), and in their study, they find a positive relation between environmental performance and financial performance. The firms' resources and capabilities represents the competitive advantage (Penrose, 1959; Barney, 1991). However, for the firms' resources to become competitive they should "neutralize threats and exploit opportunities" (Barney, 1991: 106; Prahaled and Hamel, 1990; Grant, 1991). Russo and Fouts (1997) suggest two intangible factors that improve environmental performance and in turn will enhance profits. First, the reputation of firms in environmental affairs will have a positive effect on the sales on customers that are sensitive to products that are produced without damaging the environment, "green products". Second, firms try to influence public policies in

ways that benefit their organisation. Influencing public policy with corporate political strategy is a firms' intangible asset and thus in turn can confer as a competitive advantage.

Other research focusses on complete measurement of CSR. For example, the study of Waddock and Graves (1997), use an overall Firm-Level Index of CSR. They emphasize some normative arguments for the positive relations of CSP and financial performance. For example, an enlightened employee relations policy may have very low costs, but can result in substantial gains in morale and productivity, yielding a competitive advantage in comparison to less responsible firms. Firms that are reported in "best companies to work for" for example, may find it easier to recruit top quality employees, possibly resulting in increasing productivity at relatively low costs.

Another perspective argued by Waddock and Graves (1997) is of good management theory and stakeholder theory (Freeman, 1984). Waddock and Graves (1997) argue that there is a correlation between good management (McGuire et al., 1988) practice and corporate social performance (CSP), because the domains of CSP improve relationships with key stakeholder groups, resulting in better overall performance For example, having good relations with employees will increase their morale, productivity and satisfaction. "Having excellent community relations might provide incentives for local governments to provide competition enhancing tax breaks, improved schools (and a better workforce over the long term), or reduced regulation, thereby reducing costs to the firm and improving the bottom line" (Waddock & Graves, 1997:307). This is because organisations are embedded in a social environment (Granovetter, 1985; Scott, 1981). Organisations therefore must maintain relations with others to maintain legitimacy and attract resources. Building strong relations with external partners, the management should be able socially perform superior. Strong social performance indicates that the organisations has talented management (Alexander & Bucholtz, 1978; Bowman & Haire, 1975) capable of building strong relations trough socially responsible activities (Moskowitz, 1972).

Other research also puts emphasis on the stakeholder management argument. Hillman and Keim (2001) report a positive result of CSP on financial outcome. CSR is conceived as a broad construct, comprised of stakeholder management and social issue management (Clarkson, 1995; Swanson, 1995; Wood, 1991). In the study by Hillman and Keim (2001) a positive relation between stakeholder management and financial outcome is found. Building better

relations with primary stakeholders like employees, customers, suppliers and communities (Freeman, 1984) could lead to increased financial returns by helping firms develop intangible but valuable assets which can be sources of competitive advantage (Penrose, 1959; Barney, 1991). For example, investing in stakeholder relations may lead to customer or supplier loyalty, reduced employee turnover, or improved firm reputation. These valuable assets, in turn, lead to a positive relation between stakeholder management and shareholder values. Thus, effective stakeholder management leads to improved financial performance. In addition, building strong relations with stakeholders helps building valuable goodwill that can help solve unforeseen problems and provide opportunities that are not available for organisations that perform less socially responsible (Fombrun et al., 2000).

Overall, different empirical studies such as Waddock and Graves (2000; 1997), Hillman and Keim (2001), (Russo and Fouts, 1997) show that high levels of CSP trough effective stakeholder management can help to create competitive advantage and higher financial performance. Therefore, for this study it is expected that high CSP is related to high financial performance. The following hypothesis is formulated:

Hypothesis 1: *CSP will be positively related to financial performance*

2.3 Chief Sustainability officer

Hambrick and Mason's (1984) "upper echelon perspective" has had an impact on the increasing field of research on top management teams (Carpenter, Gelentkanycz & Sanders, 2004). Based on the upper echelon theory TMTs can have an effect on organisational outcomes (Hambrick & Mason, 1984). This perspective states that organisational outcomes such as strategic choices and performance levels are partially predicted by TMT background characteristics. Organisational outcomes, strategies and effectiveness, are viewed as reflections of the values and cognitive bases of these powerful actors in the organisation (Hambrick & Mason, 1984). Research within this field has been on the composition of TMT (Beckman & Burton, 2011: Finkelstein et al., 2009), where the focus has been on the demographics of the individual TMT members. For example, research has been focussing on the composition of TMT and the CEO characteristics (Finkelstein, Hambrick, & Canella, 2009). Whereas, more recent research within this field focusses on individual TMT members, and more importantly their role (Menz, 2012). For example, the chief financial officer "(CFO; e.g., Geiger & North, 2006; Zorn, 2004), chief

information officer (CIO; e.g., Enns, Huff, & Higgins, 2003; Li & Ye, 1999), chief operating officer (COO; e.g., Hambrick & Cannella, 2004; Marcel, 2009; Zhang, 2006), chief marketing officer (CMO; e.g., Nath & Mahajan, 2008), and chief strategy officer (CSO; e.g., Angwin, Paroutis, & Mitson, 2009; Breene, Nunes, & Shill, 2007)" (Menz, 2012: 47). Research on functional TMT members is indicative of the development that organisations are making. Traditionally only few functional TMT roles existed such as the CEO and CFO. However, while organisations face new demands new TMT functional roles arose to face these demands appropriately. For example, information technology (IT) became increasing important during the late 1980's and early 1990's, and as a result many chief information officers arose (Menz, 2012).

A functional TMT role determines for a large part the demographics of the TMT member (Strand, 2013). Therefore, TMT role structure affects the demographic composition of the TMT, and the relationship between these roles (Menz, 2012). In turn this affects the group processes such as consensus and behavioural integration (Beckman & Burton, 2011). Paying attention to structure and individual roles within TMT helps to increase understanding processes and composition of the TMT (Hambrick, 2007). TMTs can affect organisational outcomes and not only the demographic composition but also the functional roles are important to focus at. For this study, the point of interest is the chief officer of corporate social responsibility, which will be referred to as the chief sustainability officers. The first CSO was appointed in 2004 (Bader, 2015). Since that moment, many other organisations have assigned a CSO. However, not in all organisations has the chief sustainability officer has been installed in the TMT (Strand, 2013). Strand (2014) identifies several reasons for an organisation to install a CSO in the TMT, based on Suchman's (1995) approach. Organisations install a CSO in the TMT reactively or proactively in a moment of crisis in which their legitimacy has been or will be affected. To exemplify Strand (2014) gives two examples. Reactively, Mattel's - the producer of children toys - restructuring of the TMT by assigning a SVP, Corporate Responsibility after children died from playing with Mattel's toys. Proactively, Storebrand installed added a CSR position within the TMT to help bind the organisations after it went through an acquisition. From an institutional perspective organisations need legitimacy to justify their right to exist to others on an institutional level (Dowling & Pfeffer, 1975). Concerning the organisational business legitimacy is important because "legitimacy provides organisations to import, transform, and export materials or information" (Maurer, 1971:361).

Based on upper-echelons perspective TMTs influence organisational processes and thus impact outcomes (Hambrick & Mason, 1984; Finkelstein et al., 2009). Based on this logic, it can be expected that the CSO too influences organisational processes and therefore outcomes. Following, three mechanisms will be discussed that positively influence CSP and thus positively moderate the effect on CFP.

The first mechanism entails bureaucratization of the organisation. It can be expected that functional TMT roles can help an organisation bureaucratise within their field of expertise. "Bureaucracy involves the establishment of formalized organizational structures with defined hierarchy, processes, and quantified elements such as KPIs that are intended to efficiently drive performances about a stated objective (Meyer & Rowan 1977; Watson, 2006, 2010; Weber, 1978). A CSO too can help create a formal corporate sustainability bureaucracy in which there is establishment of organisational structure, KPI and processes. The bureaucratisation of CSR, can increase the effectiveness and performance of CSR (Strand, 2014;700). The increased CSP effect can result in a stronger effect on CFP.

The second mechanism describes the symbolic value of CSP. The presence of a member within the TMT dedicated to CSR has a symbolic value, and expresses which way the organisation is headed (Finkelstein et al., 2009, Pfeffer, 1981). Having a CSR position within the TMT carries meaning and sends a message to all lower layers within the organization. It expresses that the organisation is dedicated to CSR. Other members within the organisation may interpret that CSR is important for the organisation. This message may influence the behaviour of units and employees in several ways. For example, it may lead to higher efforts with regards to CSR and sustainability activities within their own work, and within functional units be put on agendas (Strand, 2014). Therefore, it can be expected that the while it serves as an agenda setting purpose, the increased attention to CSR and higher efforts with regards to CSR and sustainability efforts of employees, may also result in a higher CSP. The increased levels of CSP will than lead to a higher CFP.

The third and final mechanism is the presence of the CSO. It can be expected that the CSO requires a different set of characteristics and competences from other functional roles. A present CSO therefore increases the diversity of a TMT making it more heterogeneous. Heterogeneity within the TMT can have an effect on organisational performances (Wiersma & Bantel 1992, Hambrick et al., 1996). Different cognitive bases are a source for diverse interpretations and

can lead to creativity and innovation (Bantel & Jackson, 1989; Murray, 1989). Previous studies have indicated that the concepts of CSR and sustainability require different qualities, namely "feminine" (Strand, 2011; Park et al., 2007; Casimir and Dutilh, 2003). The input of these different "feminine" qualities within the traditionally male-dominated TMT's have an impact on firm-level performances (Strand, 2014; Krishnan and Park 2005; Smith et al. 2006). A more heterogeneous TMT can act as a source for innovation and creative CSR practices. More new, innovative and creative opportunities will be created with the inclusion of the CSO. Therefore, new CSR opportunities can be explored and exploited. By exploiting new CSR opportunities, the CSP will be increased which will lead to a higher CFP.

The three described mechanisms will all influence CSP positively and increase its effect on CFP, leading to higher CFP levels. Therefore, the following hypothesis is formulated:

Hypothesis 2: *The presence of a CSO will positively moderate the effect of corporate social performance on financial performance*

Chapter 3 Methodology

3.1 Setting and sample

The nature of this study is quantitative and it consists of conducting desk research. Doing a quantitative research fits with the possibilities to study the corporate social responsibility performance of an organisation (Orlitzky et al., 2003) During the period from February 2017 until June 2017 this research is conducted. The data is derived from publically available sources such as Asset4 databases and SEC website.

The initial sample of hundred largest organisations is added to Appendix A. The final sample consists of 74 (n=74) companies. These companies have been selected from the Fortune 500 largest U.S. companies. From these 500 largest companies in the year 2015, the hundred biggest companies were initially selected due to several reasons. First, the year 2015 is selected because it is the most recent year of which can be expected that firms have published their corporate reports such as 10K's or annual reports. Second, this sample is selected due to the availability of data. These listed firms' corporate and financial reports are publically available and this data is required to test the hypotheses. In the case of missing data, for example the unavailability of a CSR performance score or financial data, the company was deleted from the sample, as has been the case within this sample. Therefore, 26 cases are deleted from the sample.

3.2 Independent variable: Corporate Social Performance

For this study, the Thomson Reuters Asset4 database is consulted. This database rates organisations based on 250 key performance indicators on their CSR performance. It combines different measurement points to the formation of a score. Some examples; annual reports are studied, social audits and concrete observable CSP processes and outcomes are studied trough observable resource use or emissions of individual firms. CSP principles and values are assessed trough controversy analysis or CSR strategy. Based on the ratings and the scores, meaning on the CSR performance via a score can be given. The Asset 4 methodology can be seen in Figure 2.

Each organisation is rated on the different - as Thomson Reuters expresses – pillars and is scored between 0 and 1. The different pillars are corporate governance, environment, economic and social. The scores range from 0 to 1 and are expressed in Table1. The score of 0 is the

lowest score and 1 is the highest score. From the different pillar scores a combined score is calculated, the equal weighted rating. This rating reflects a balanced score of the company's overall performance in the four CSR areas. For this study both the individual pillar scores and the equal weighted rating score is gathered. These scores are then used as the level of corporate social performance.

Table 1 Score range Asset 4

Score Range	**Grade**
0.0 <= score <= 0.083333	D -
0.083333 < score <= 0.166666	D
0.166666 < score <= 0.250000	D+
0.250000 < score <= 0.333333	C -
0.333333 < score <= 0.416666	C
0.416666 < score <= 0.500000	C+
0.500000 < score <= 0.583333	B -
0.583333 < score <= 0.666666	B
0.666666 < score <= 0.750000	B +
0.750000 < score <= 0.833333	A -
0.833333 < score <= 0.916666	A
0.916666 < score <= 1	A +

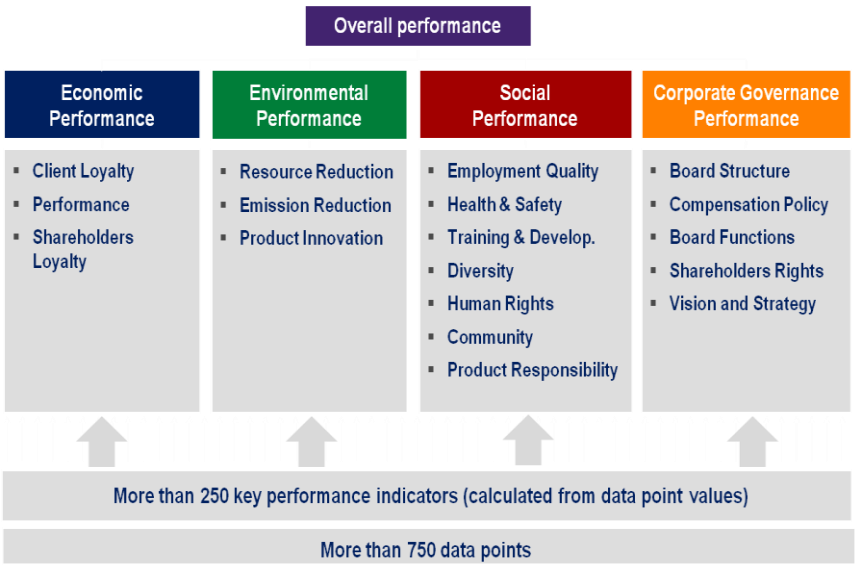

Figure 2: Asset 4 methodology

3.3 Dependent variable: Corporate financial performance

To measure the financial performance there are several measurement strategies (Orlitzky, et al. 2003). Market-based measurements such as investor returns can be used. For example, share price appreciation or market value added. With this measurement of financial performance, the focus is on the shareholders, that this group is the primary stakeholder group that affects companies' performance (Cochran and Wood 1984) Furthermore accounting based measurements such as return on assets or equity can be used. These measurements in contrast to market based measurements reflect the internal process of organisations and the efficiency of it. For this study, the accounting based measurements are chosen. The focus is on the internal organisations such as the TMT. And this financial performance measurement represents the internal processes. Moreover, in this study return on assets (RoA) is used as the operationalization of financial performance. This is chosen because RoA can be used to compare different organisations across industries. To calculate the RoA the net income (2015) is divided by the total assets (2015). This data is derived from several sources. Primarily from the SEC website (www.sec.gov) on which organisation publically publish their 10K's. Furthermore, listed companies publish financial data on the website of Nasdaq (www.nasdaq.com).

The data of the fiscal year 2015 is used. Most organisations have their fiscal year starting from January 1st till December 31st. However, some organisations for example company MCK, ranked 11 in the sample, have a fiscal year ending March 31st. Other examples in the sample are Costco ranked 15 in the sample have their fiscal year ending 31st of August, and Oracle which have their fiscal year ending May 31st. Consequently, this causes a problem because the results cannot purely be allocated to the year 2015. To overcome this problem, the fiscal year is selected in which the most months occur in 2015. For example, Costco posts fiscal year ends 31st of August. Therefore, the financial reports of the fiscal year ending in 2015 is taken. Another example is Oracle which have their fiscal year ending on May 31st the fiscal year ending in May 2016 is taken.

3.4 Moderator variable: Presence of Chief Sustainability Officer

In this study, the presence of the chief sustainability officer accounts as a moderating variable. First step is to identify the TMT. For this study, the executive officers of the registrant are used

to identify the top-management-team. These are reported in the 10K's and/or proxy statements. The same problem with the financial data is that not all reports start on January 1st and end on December 31st. The same procedure is followed as with the financial data.

"There is no clear consensus among researchers regarding an operational definition of TMT membership" (Finkelstein et al.,2009, p. 127). Simultaneously, the position title of Chief Sustainability Officer does not commonly exist in TMTs (Strand, 2013). Organisations use many different position titles for the functional roles. Even though organisations have different use of language, one would expect that a "Chief Officer" would be part of the TMT. However, in some organisations this does not apply. For example, Google and AT&T both report that they have a Chief Sustainability Officer. However, in the 10Ks these are not reported as executive officers of the registrant. Meaning that by just having a Chief Sustainability Officer this does not always imply that it is part of the TMT (Strand, 2012).

To identify the chief sustainability officers that are part of the TMT the same approach as Strand (2013) is used to identify the CSO's in the TMTs. In the study *The Chief Officer of Corporate Social responsibility: A Study of Its Presence in Top Management Team* (Strand, 2013) a system is developed with keywords that are associated with CSR. Based on these keywords chief officers of corporate social responsibility or in this study called CSO, are identified. Following this identification strategy, the following CSO's are identified that are expressed in Table 2. The identification of the CSO is converted into a dichotomous dummy variable in the analysis. Presence of CSO in the organisation (dummy; 1 = "yes", 0 = "no").

No compliance related TMT positions are selected because in comparison to other countries compliance related functions are highly represented in U.S. firms (Strand, 2013). Therefore, to avoid biased measurements, the TMT titles with the term compliance are left out.

Table 2 Identification of CSO

Category	**Keywords**	**Prevalence, company & position title**
CSR strict	Corporate Social Responsibility, CSR, Corporate Responsibility, CR, Social Responsibility	Archer Daniels: Chief sustainability officer Target: Executive Vice President and Chief Corporate Social Responsibility
CSR synonyms	Sustainability, Sustainable, Citizenship, Ethics, Stakeholder, Triple Bottom Line, Stewardship	Ford Motor: Group Vice President, Government and Community Relations

		UPS: Senior Vice President, Global Engineering and Sustainability HCA Holdings: Senior Vice President and Chief Ethics and Compliance Officer
CSR related terms	Health, Safety, Environment, Community, Diversity, Inclusion, External Relations, External Affairs, Philanthropy, Green, Renewable	DOW: Senior Vice President, Operations, Manufacturing & Engineering, Environment, Health& Safety Operations, and Emergency Services & Security

3.5 Control variables

Previous studies indicated size (Ullman, 1985) and industry (Waddock & Graves, 1994) as factors that affect CSR and the financial performance. Smaller firms may not engage in as many CSR activities as large firms and the industry determines for a large fact the R&D investments that in turn affects financial outcomes. Therefore, these two variables are controlled for in this study. Proxies for size are the total amount of sales (Waddock & Graves, 1997). The total amount of sales follow the similar procedure of collecting data as the other financial data.

The industry is determined using the SIC code. This SIC code can be derived from the Nasdaq website. Industry is controlled for because in different industries different CSR norms can be expected. For example, comparing manufacturing companies with insurance companies different scores on CSR measures can be expected. Manufacturing companies will logically be more focussed on minimizing pollution than insurance companies.

Risk is controlled in the study, managements' position towards risk can result in "(1) elicit savings (e.g., a recycling or waste reduction effort, costly at first but potentially money saving in the long run, such as 3M Corporation's Pollution Prevention Pays program; (2) incur future or present costs (e.g., pollution control equipment that helps avoid future fines), or (3) build (environmentally friendly firm) or destroy (perceived as unfriendly to certain types of people) markets" (Waddock & Graves 1997). Risk is determined by the long-term debt of a firm. This data is derived from several sources. Primarily from the SEC website (www.sec.gov) on which organisation publically publish their 10Ks. Furthermore, listed companies publish financial data on the website of Nasdaq (www.nasdaq.com).

TMT size is added as a control variable. Teams that are larger in size tend to be more heterogeneous (Amason and Sapienza, 1997). Diverse teams and variety increase the ability of

an organisation to adapt (Katz, 1982). At the same time group heterogeneity is associated with creativity and innovation (Bantel & Jackson, 1989; Katz, 1982). This is caused because a highly diverse group members have different point of views. They can deal with more issues at the same time, can focus on a wider range of issues and engage in more detailed discussion, and challenge each other's viewpoints (Hoffman & Maier, 1961).

Chapter 4 Results

4.1 Pre-analysis

Before running the analysis, there are a few steps that must be taken. First, the data is checked for missing values. The missing data and organisation is deleted from the sample. Then, the descriptive statistics are explored. Table 3 presents an overview of the descriptive statistics of all the variables before transformation. The first thing that stands out is that the scores of the independent variables are spread out in comparisons to each other. All the independent variables are on the same scale, varying from 0 to 100. Here it can be observed that the scores for the environmental scores are the most spread out and the corporate governance scores the least. Furthermore, it is remarkable that there is a negative minimum return on assets score of -4,54. This means that at least one organisation within the sample has a negative return on assets and therefore suffered losses. This is quite surprisingly considering the magnitude of these companies and the current economic conditions.

Looking at the financial data, such the control variables total assets, long term debt and total sales, the magnitude of these numbers is striking. The value of these assets and the amount of sales goes into the billions and hundreds of billions. Looking at the minimum and maximum of the total sales, the difference between the lowest and the highest score is in relative and absolute terms very large.

Finally, the control variable TMT size shows that there is also a big difference between the minimum and the maximum size of TMTs. However, it also shows that most TMTs are within the range of 4 and 14 TMT members.

Table 3 Descriptive statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
1.CSP Weighted Rating	74	46,87	96,09	85,8386	11,10555
2.Corporate Governance Score	74	50,04	96,99	85,3728	8,29553
3.Economic Score	74	16,56	96,30	76,0593	17,37684
4.Environmental Score	74	11,70	95,15	80,2507	21,51979
5.Social Score	74	18,70	95,20	76,5123	15,81906
6.CFP Return on Assets	74	-4,54	18,38	6,5955	4,61539
7.CSO Presence	74	,00	1,00	,0811	,27482
8.Total Assets	74	5609132,00	2351698000,00	229379751,8000	462527926,80000
9.Total Sales	74	4103728,00	485651000,00	78384372,0000	67235432,48000
10.Industry	74	1,00	6,00	3,6081	1,40271
11.Long term debt	74	362919,00	318787000,00	29758611,0700	52550495,52000
12.TMT Size	74	4,00	25,00	9,4189	4,54508

Note: Descriptive Statistics variables before transformation and centering

After exploring the descriptive statistics, the normality of the data is checked. The histograms are plotted and analysed if they follow the normal distribution line. All histograms and transformed variable histograms are shown in Appendix B. Table 4 gives an overview of the transformed variables and the transformation method that is used. The variables that are skewed to the left in the histograms are transformed by Log10, and the variables that are skewed to the right are reflected by Log10 transformations. This is computed as following: Log10(Max score + 1 – variable). For example; Log10(96,09 + 1 – IV_Weighted_Rating). After this transformation, the reflected variables are transformed once more by making the highest score the lowest and the lowest score the highest via the formula: (max score + minimal score) - variable.

Table 4 Overview transformed variables

Variable	**Normally distributed**	**Transformation**	**Normally distributed after transformation**
1. CSP Weighted Rating	No	Reflected log transformation	Yes
2.Corporate Governance Score	Yes	No	-
3.Economic Score	Yes	No	-
4.Environmental Score	No	Reflected log transformation	Yes
5.Social Score	Yes	No	-
6.CFP Return on assets	Yes	No	-
7.CSO Presence	No	No	-
8.Total Sales	No	Log transformation	Yes
9.Total Assets	No	Log transformation	Yes
10.Industry	Yes	No	-
11.Long term debt	No	Log transformation	Yes
12.TMT Size	Yes	No	-

Finally, before proceeding with the analysis the correlations between the variables are checked and expressed in Table 5. The significant correlations are highlighted bold. This will give a first insight into the correlations and relations between the variables. The significant results are discussed.

First, the dependent variable return on assets and the control variable total assets are correlated (-.414**). An increase of one causes a decrease of the other variable. When looking at the control variable total assets it is correlated with four other variables. For organisation size two proxies are added, namely total assets and total sales. Because the variable total assets is correlated with four other variables only total sales is used in the study. Secondly, and not surprising, the CSP weighted rating score is strongly correlated with the individual pillar scores of CSP with a

positive sign. For example, with the environmental score the correlation has the value of (0.791**). However, it is not expected that this will form a problem for the analysis. Because these relation with CFP will be separately tested. Between the other pillar scores a strong relation can be seen as well. Furthermore, the moderator variable presence of the CSO is strongly correlated with the TMT size (-.444**) with a negative sign. This indicates that the TMTs with a CSO are larger than TMTs without a CSO. The control variable long term debt is correlated with environmental score (.233*) and total assets (.712**). Because the variable total assets is deleted for the analysis the significant correlation with one other variable will not cause any issues.

Table 5 Pearson correlation

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1.CSP Weighted Rating	1															
2.Corporate Governance Score	.445**	1														
3.Economic Score	.578**	.248*	1													
4.Environmental Score	.791**	.214	.249*	1												
5.Social Score	.786**	.314**	374**	.615**	1											
6.CFP Return on Assets	.132	.204	.108	.046	-.052	1										
7.CSO Presence	-.078	-.092	-.077	-.070	-.070	-.029	1									
8.Total Assets	.150	-.054	-.061	.304**	.038	-.414**	.120	1								
9.Total Sales	-.074	.006	-.162	-.094	-.190	-.133	-.031	.406**	1							
10.Industry 1 Agriculture, Forestry and Fishing	.005	.048	-.076	.026	.057	-.122	.035	-.089	-.154	1						
11.Industry 2 Finance, Insurance, and Real Estate	-.126	-.176	-.087	-.030	-.096	-.474**	.143	.541**	-.036	-.057	1					
12.Industry 3 Manufacturing	.364**	.071	.096	.360**	.467**	.202	-.057	-.137	-.080	-.097	-.399**	1				
13.Industry 4 Retail Trade	-.112	-.045	-.058	-.162	-.272*	.046	-.015	-.227	.252*	-.049	-.202	-.345**	1			
14.Industry 5 Services	-.086	-.023	.017	.014	-.154	.080	-.148	.017	-.025	-.028	-.115	-.197	-.100	1		
15.Long term debt	.174	.046	-.052	.233*	.053	-.213	.040	.712**	.310**	-.002	.240*	-.120	-.096	.024	1	
16.TMT Size	.062	-.125	.052	.071	.114	.014	-.444**	-.102	-.137	-.037	.047	.088	.003	.176	-.200	1

**Correlation is significant p < .05 (two tailed), **Correlation is significant p < .01 (two tailed)*
Note: Correlations after transformation and centering

4.2 Analyses

After the pre-analysis, the multiple regression analysis is performed. For the analysis, the transformed variables are used as presented in Table 4. Furthermore, in the analysis, the independent variable is centred, by extracting the mean of the variable to each score, to reduce the VIF as much as possible.

In four models the hypotheses are tested. In the first model, all the control variables are entered. In the second model the independent variable is entered to test the first hypothesis. In the third model the moderator variable is entered. Finally, in the fourth model the interaction term between the independent variable and the moderator variable is added to test the second hypothesis. The regression table is presented in Table 6.

Table 6 Regression analysis with Return on Assets as dependant variable

Variable	Model 1	Model 2	Model 3	Model 4
Constant	29.090 (13.280)	29.700 (13.324)	27.597 (13.957)	27.588 (14.119)
Total Sales	-2.235 (1.723) [1.260]	-2.022 (1.743) [1.285]	-1.944 (1.759) [1.294]	-1,945 (1.785) [1.312]
Long term debt	-.500 (1.103) [1.270]	-,783 (1.152) [1.381]	-.748 (1.161) [1.385]	-.747 (1.194) [1.442]
TMT Size	.006 (.115) [1.164]	-,002 (.116) [1.171]	.030 (.131) [1.479]	.031 (.135) [1.562]
CSP Weighted Rating		1.185 (1.367) [1.262]	1,220 (1.376) [1.265]	1.259 (5.223) [17.936]
CSO Presence			1,101 (2.048) [1.327]	1.108 (2.237) [1.557]
CSP Weighted Rating*CSO Presence				-,042 (5.467) [18.092]
Industry Dummies	Included	Included	Included	Included
F value	3.193	2.911	2.619	2.343
R^2	0.282	0.290	0.294	0.294
R^2 Change	0.282	0.008	0.003	0.000

*** Significant at p < .01*
** Significant at p < 0.05*
Note: Two-tailed test. N=74. Unstandardized coefficients are reported.
Standard errors are between brackets ( ).
VIF coefficient between brackets [ ].

Hypothesis 1

The first hypothesis is tested in the second model in output 3 (Appendix D). This hypothesis tested the effect of corporate social performance on corporate financial performance. The data suggest no support for the hypothesis with a p-value of 0.389 with a standardized coefficient of 0.103 and unstandardized coefficient of 1.185. Based on these results it cannot be stated that higher performance levels of CSP lead to higher financial performance.

Hypothesis 2

The second hypothesis is tested in the fourth model in output 3 (Appendix D). This hypothesis tested the moderating effect of the presence of a CSO on the relation of corporate social performance on corporate financial performance. The data strongly shows no support for this hypothesis with a high p-value of 0.994 with a standardized coefficient of -0.003 and unstandardized coefficient of -0.042. Simultaneously Table 4 contains the VIF coefficient. Here it is visible that in model 4 the VIF exceeds the value of 10. In general, the VIF factor will need to be reduced in order to be lower than 10, because this will indicate that the other variables will be accounted for the explained variance too much, and the problem of multicollinearity occurs (Pallant, 2013). However, in this study the high VIF can be explained due to that the dummy variables represented only two categories combined with a lower variance.

4.3 Additional analysis

In the initial analyse, no significant results were found. However, as some would suggest only specific dimensions of CSR have a positive effect on financial performance. For example, the economic dimension (Russo and Fouts, 1997). Therefore, for each dimension of CSP the regression analysis is performed in order to see if there are any results that can be found in the data. The regression tables are displayed in Appendix C.

The four dimension scores of CSP in the analysis indicate no significant results as well. The results are summarized in Table 7. Suggesting, that based on these results no individual dimension of CSP influences CFP and neither does the presence of a CSO (positively) moderates this effect.

Table 7 Summary results additional analysis

Dimension	**Direct effect**	**Moderation effect**
Corporate Governance score	P-value (0.212) Standardized coefficient (0.136)	P-value (0.974) Standardized coefficient (-0.91)
Economic score	P-value (0.814)	P-value (0.715)

	Standardized coefficient (0.026)	Standardized coefficient (0.478)
Environmental score	P-value (0.616) Standardized coefficient (0.062)	P-value (0.974) Standardized coefficient (-0.018)
Social score	P-value (0.237) Standardized coefficient (-0.149)	P-value (0.530) Standardized coefficient (-0,551)

Chapter 5 Discussion

5.1 Findings

In this study, no support is founded for the hypothesis that CSP has an effect on CFP, and that the CSO moderates this effect. In search for alternative other relations, individual dimensions of CSR in relation to CFP are examined. For the individual dimensions, no relation is found as well. From several point of views these results can be viewed and evaluated. First, the conclusion can be that there is simply no relation between CSP and CFP. However, this would be a surprising result considering the fact, that even though both positive and negative results are being reported, in general CSP is founded to be positively related to CFP (Orlitzky et al., 2003).

Second, no support for the hypotheses are found based on methodological arguments such as the sample strategy and research design. The sample consists of the Fortune 500 hundred largest U.S. based organisations. Because the organisations are large and successful, this will naturally have some implications. It can be expected that all organisations or at least most will have relatively high financial outcomes. Furthermore, it can be expected that these organisations will engage in CSR activities in high intensity for several reasons. Due to the successfulness and size these organisations are impacted by a lot of attention. As a consequence, these organisations could potentially engage in CSR and use it for reputation building (Sethi et al., 2016). Furthermore, it can be expected that these organisations are affected by CSR regulations (Sethi et al., 2016). These two examples illustrate the high intensity of CSR engagement by these large organisations. The initial data also indicate this. Underlining this argument, the CSP score was skewed to the right, meaning that most organisations tended to have a high score on CSP.

Since no support for the second hypothesis was found the moderator variable needs to be questioned. Perhaps a different moderator variable should be used to explain the contradicting positive and negative results concerning the impact of CSP on CFP. Namely, the results from this study shows that just the presence or absence of a CSO alone does not help to explain the different results. This may be due to several reasons. From this study, and a previous study by Strand (2013), it came forth that a relatively low percentage of organisations have a CSO as part of their TMT. Even more striking is that in a follow up study, Strand (2014) identified that

the percentage of CSO part of the TMT is declining. This occurs after time passes because the CSOs will have completed the objectives completed, and therefore do not need to be a part of the TMT anymore. In words of Strand (2014:703) “we find that the removal of the corporate sustainability focuses TMT position may not necessarily be a signal of failure. Rather, this may serve as the successful incorporation of attention to sustainability in the form of a bureaucratic structure including processes and KPIs to drive the sustainability agenda”. Therefore, the absence of a CSO does not necessarily mean an unsuccessful implementation of corporate sustainability. This however does bring up new possibilities for future research. Namely, is the inclusion of time. For future research, I suggest the possibility to study the organisations over a longer period of time in which they before have had a CSO within the TMT in the past and whether this affects organisational performance in any way.

5.2 Contributions

This study contributes to the existing literature on functional TMT roles (Menz, 2012). Strand (2013) has started with research on the functional position of the chief officers of corporate social responsibility. However, not in its relation to financial performance. With this study, even though no significant results have been found, the question remains whether it really has no effect at all. To the best of my knowledge, no other studies on the relation between of the CSO and financial outcomes have been performed. To conclusively exclude the CSO as a variable that does not impact the CSP CFP relation, more research in different settings with a different sample should be performed. Although, no significant results have been found, this study opens a new view on the role of the CSO and the effects of the presence it may have on organisational outcomes.

This study can be helpful to practitioners. In this study, the presence of the CSO is presented to positively influence the CSP in its relation to CFP. Even though in this study I did not found any support for a positive relation between CSP and CFP, organisations express the importance of and commitment to corporate sustainability and many report they have a CSO (Gibbs and Soell, 2010). In the theoretical framework arguments are presented why the presence of a CSO can help benefit the performance of an organisations. These are that (a) the presence of a CSO can increase heterogeneity and an increased heterogeneity will help engage in new CSP opportunities, (b) a CSO can help to create a sustainability bureaucracy, and (c) a CSO can be of symbolic value that will increase the engagement of employees on CSR activities. Moreover,

all three can positively influence the CSP activities that drive financial performance. These three arguments can be used by practitioners on both tactical and strategical level. For example, these arguments can be used to evaluate whether or not to devote a positon within the organisation to further drive the CSP performance.

5.3 Limitations & Future research avenues

Inherently each (social) study brings forth some limitations. The first limitation of this study is caused by the composition of the data. Before running the analysis, the data is checked for normality. In this phase, it was clear that some variables needed to be transformed in order to be used, due to the skewness of the data. By transforming the values change and interpretation becomes more difficult, because the data does not represent the initial values any more.

The second limitation of this study is regarding the CSO. As mentioned before earlier in this chapter, there is a low percentage of CSOs in this study. This naturally creates limitations because the variance is low. Quantitative studies are affected by small sample and low variance. The fact that only six out of the 74 organisations have a CSO in their TMT hinders the strength of this study. This makes it difficult to investigate the proposed relationships. However, this does open up new possibilities for future research. For example, why is the CSO not included as much in the TMT as these organisations report (Gibbs and Soell, 2010) that they have a CSO or senior position of sustainability within their organisations. The data does indicate that larger TMTs are more likely to have a CSO in their TMT. This may explain why CSOs have not entered the TMT. Because there are only limited positions within a TMT, organisations choose to not incorporate a CSO. Even though expressing the importance of CSR.

The third limitation is the selection of the CSO. This selection process has been treated with great preciseness and consistency. However, not all organisations follow similar procedures with regard to reporting the TMT, particularly in the same fiscal year. Some organisations have their fiscal year ending on the 31st of December and other on the 31st of May. With selecting the TMT members for this study some overlap in years was caused due to time of reporting and range of the fiscal year. Therefore, not all CSOs can completely be assigned to the entire year of 2015 and neither be accounted for the corporate social performance score and corporate financial performance score of 2015.

This study opens possibilities to engage in future research avenues. From a methodological point of view there are several possibilities. For example, the sample used in this study has been small. This affects statistical analysis. A larger sample would statistically be more powerful. Therefore, replication with a larger sample size would be favourable. Furthermore, American based companies are used in the sample. Other samples such as Scandinavian based organisations can be used. This would even benefit the study further because Scandinavian countries have relatively more CSO positions within the TMT (Strand, 2014) than U.S. based. Therefore, it would be interesting to see whether geographical disparities would make a difference.

The effect of the presence of a CSO on the relationship between CSP and CFP have been studied. However, there are several other possibilities for further research regarding this topic. Strand (2013) identified that organisations with a CSO are more likely to be included in the Dow Jones Sustainability Index. Other effects may be further examined as well. For example, whether the CSO directly affects the financial performance. In addition, other relations such as the effect of the CSO on group processes and interaction with other functional TMT members can be examined. Research on the interaction with other functional TMT members and the CEO is still relatively sparse (Menz, 2012).

5.4 Conclusion

Finally, reflecting to the research question and hypotheses the conclusion will be presented. This research aimed to find answers to the different results reported in the literature between CSP and CFP by adding a moderator variable, the CSO. The research question and hypotheses were formulated as following:

Research Question: What is the effect of corporate social performance on corporate financial performance and how does the presence of a chief sustainability officer moderates this effect?

Hypothesis 1: CSP will be positively related to financial performance

Hypothesis 2: The presence of a CSO will positively moderate the effect of corporate social performance on financial performance

To test the proposed relations a multiple regression analysis was performed. A sample of the hundred largest Fortune 500 organisations were selected. The final sample used consisted of 74 organisations. For both hypotheses, no significant results were found. Therefore, based on this study no support for the proposed relations and expected results was found. To conclude, this study has not provided an answer on the research question on what the effect of corporate social performance on financial performance is and in what way the presence of a CSO moderates this effect. However, alternative explanations were given and possibilities for new research avenues were provided.

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Chapter 8: Appendixes

Appendix A: Sample

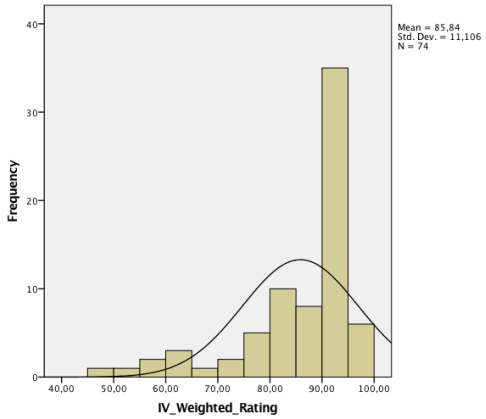
Rank	Company	Website
1	Walmart	www.walmart.com
2	Exxon Mobil	www.exxonmobil.com
3	Chevron	www.chevron.com
4	Berkshire Hathaway	www.berkshirehathaway.com
5	Apple	www.apple.com
6	General Motors	www.gm.com
7	Phillips 66	www.phillips66.com
8	General Electric	www.ge.com
9	Ford Motor	www.ford.com
10	CVS Health	www.cvshealth.com
11	McKesson	www.mckesson.com
12	AT&T	www.att.com
13	Valero Energy	www.valero.com
14	UnitedHealth Group	www.unitedhealthgroup.com
15	Verizon	www.verizon.com
16	AmerisourceBergen	www.amerisourcebergen.com
17	Fannie Mae	www.fanniemae.com
18	Costco	www.costco.com
19	HP	www.hp.com
20	Kroger	www.thekrogerco.com
21	JP Morgan Chase	www.jpmorganchase.com
22	Express Scripts Holding	www.express-scripts.com
23	Bank of America Corp.	www.bankofamerica.com
24	IBM	www.ibm.com
25	Marathon Petroleum	www.marathonpetroleum.com
26	Cardinal Health	www.cardinal.com
27	Boeing	www.boeing.com
28	Citigroup	www.citigroup.com
29	Amazon.com	www.amazon.com
30	Wells Fargo	www.wellsfargo.com
31	Microsoft	www.microsoft.com
32	Procter & Gamble	www.pg.com
33	Home Depot	www.homedepot.com
34	Archer Daniels Midland	www.adm.com
35	Walgreens	www.walgreensbootsalliance.com

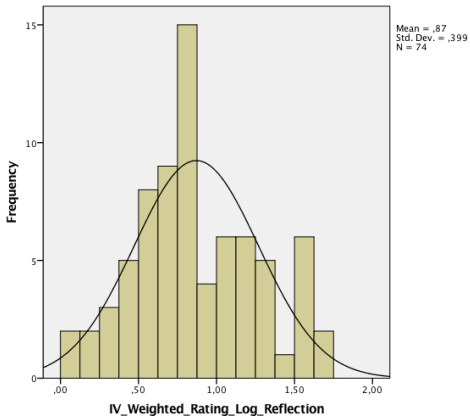
36	Target	www.target.com
37	Johnson & Johnson	www.jnj.com
38	Anthem	www.antheminc.com
39	MetLife	www.metlife.com
40	Alphabet	www.google.com
41	State Farm Insurance Cos.	www.statefarm.com
42	Freddie Mac	www.freddiemac.com
43	Comcast	www.comcastcorporation.com
44	PepsiCo	www.pepsico.com
45	United Technologies	www.utc.com
46	AIG	www.aig.com
47	UPS	www.ups.com
48	Dow Chemical	www.dow.com
49	Aetna	www.aetna.com
50	Lowe's	www.lowes.com
51	ConocoPhillips	www.conocophillips.com
52	Intel	www.intel.com
53	Energy Transfer Equity	www.energytransfer.com
54	Caterpillar	www.caterpillar.com
55	Prudential Financial	www.prudential.com
56	Pfizer	www.pfizer.com
57	Walt Disney	www.disney.com
58	Humana	www.humana.com
59	Enterprise Products Partners	www.enterpriseproducts.com
60	Cisco Systems	www.cisco.com
61	Sysco	www.sysco.com
62	Ingram Micro	www.ingrammicro.com
63	Coca-Cola	www.coca-colacompany.com
64	Lockheed Martin	www.lockheedmartin.com
65	FedEx	www.fedex.com
66	Johnson Controls	www.johnsoncontrols.com
67	Plains GP Holdings	www.plainsallamerican.com
68	World Fuel Services	www.wfscorp.com
69	CHS	www.chsinc.com
70	American Airlines Group	www.aa.com
71	Merck	www.merck.com
72	Best Buy	www.bestbuy.com
73	Delta Air Lines	www.delta.com
74	Honeywell International	www.honeywell.com
75	HCA Holdings	www.hcahealthcare.com
76	Goldman Sachs Group	www.gs.com
77	Tesoro	www.tsocorp.com

78	Liberty Mutual Insurance Group	www.libertymutual.com
79	United Continental Holdings	www.unitedcontinentalholdings.com
80	New York Life Insurance	www.newyorklife.com
81	Oracle	www.oracle.com
82	Morgan Stanley	www.morganstanley.com
83	Tyson Foods	www.tysonfoods.com
84	Safeway	www.safeway.com
85	Nationwide	www.nationwide.com
86	Deere	www.johndeere.com
87	DuPont	www.dupont.com
88	American Express	www.americanexpress.com
89	Allstate	www.allstate.com
90	Cigna	www.cigna.com
91	Mondelez International	www.mondelezinternational.com
92	TIAA-CREF	www.tiaa-cref.org
93	INTL FCStone	www.intlfcstone.com
94	Massachusetts Mutual Life Insurance	www.massmutual.com
95	DirecTV	www.directv.com
96	Halliburton	www.halliburton.com
97	Twenty-First Century Fox	www.21cf.com
98	3M	www.3m.com
99	Sears Holdings	www.searsholdings.com
100	General Dynamics	www.generaldynamics.com

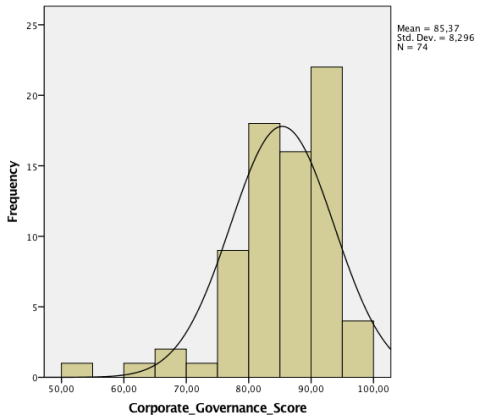
Appendix B: Histograms

1. Independent variable: corporate social performance score/weighted rating

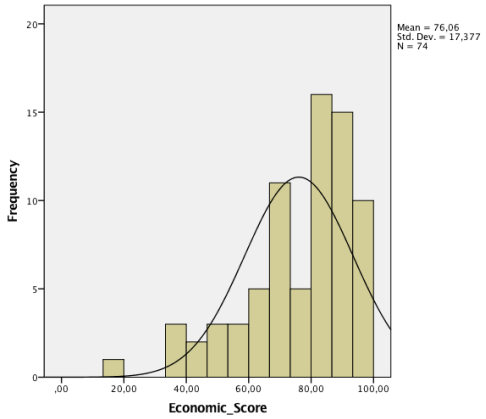




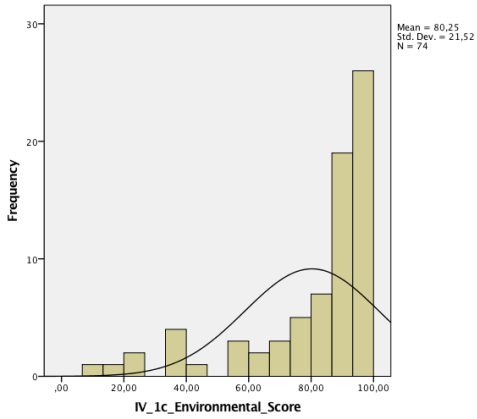
2. Independent variable: corporate governance score

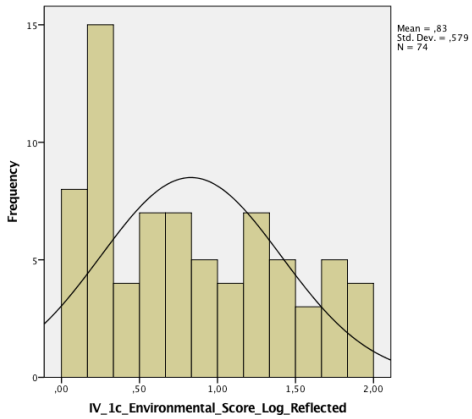


3. Independent variable: economic score

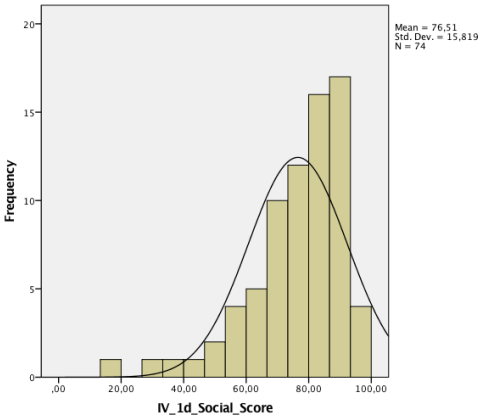


4. Independent variable: environmental score

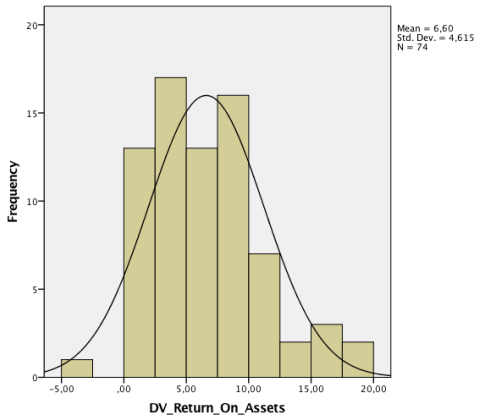




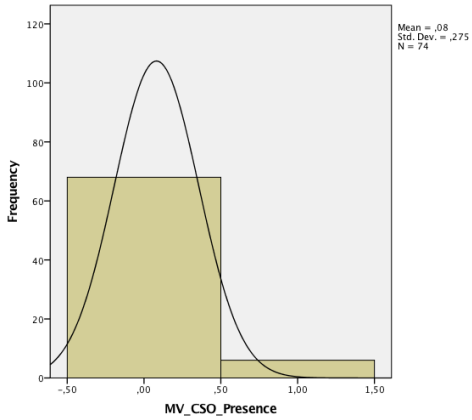
5. Independent variable: social score



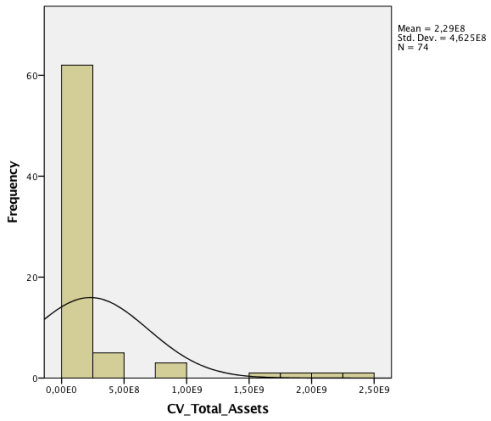
6. Dependant variable: return on assets

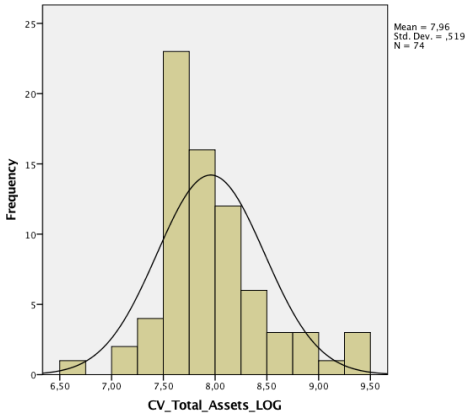


7. Moderator variable: CSO Presence

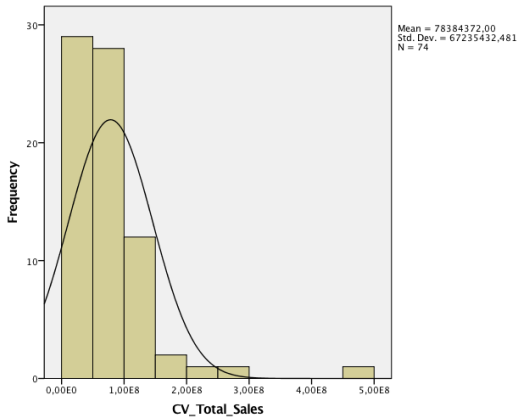


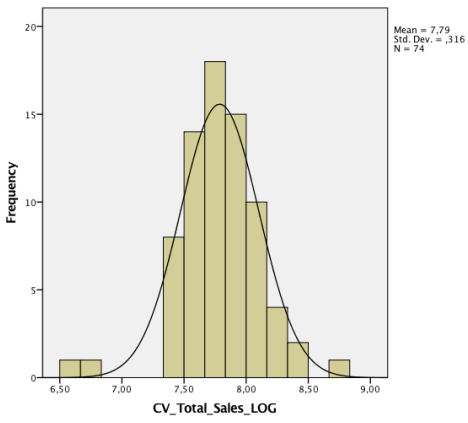
8. Control variable: total assets



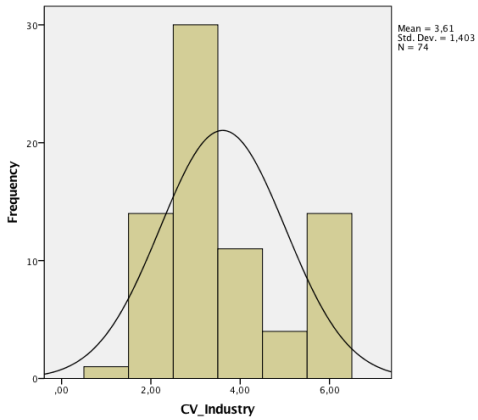


9. Control variable: total sales

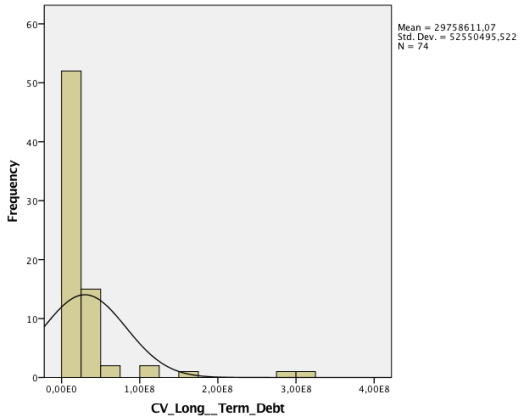


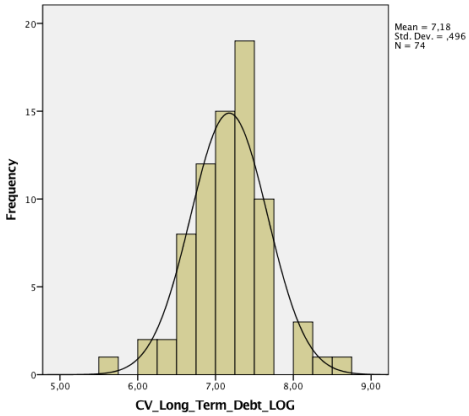


10. Control variable: industry

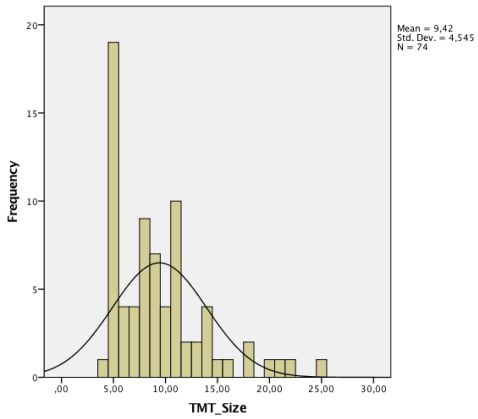


11. Control variable: long term debt





12. Control variable: TMT size



Appendix C: Regression tables additional analysis

Table 8 Regression analysis Corporate Governance Score with Return on Assets as dependant variable

Variable	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Constant	29.090	22.854	19.743	18.229
	(13.280)	(14.117)	(14.911)	(48.147)
Total Sales	-2.205	-2.206	-2.113	-2.112
	(1.715)	(1.715)	(1.728)	(1.742)
Long term debt	-.500	-.596	-.549	-.548
	(1.103)	(1.101)	(1.108)	(1.117)
TMT Size	0.006	0.018	.059	0.060
	(.115)	(.115)	(.131)	(0.138)
Corporate Governance Score		.076	0.081	0.098
		(.060)	(0.061)	(5.11)
CSO Presence			1.380	2.885
			(2.049)	(45.512)
Corporate Governance Score*CSO Presence				-0.017
				(0.513)
Industry Dummies	Included	Included	Included	Included
F value	3.193	3.040	2.758	2.467
R^2	0.282	0.299	0.304	0.304
R^2 Change	0.282	0.017	0.005	0.000

*** Significant at p < .01*
** Significant at p < 0.05*
Note: Two-tailed test. N=74. Unstandardized coefficients are reported. Standard errors are between brackets

Table 9 Regression analysis Economic Score with Return on Assets as dependant variable

Variable	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Constant	29.090	28.111	25.975	32.599
	(13.280)	(14.005)	(14.703)	(23.352)
Total Sales	-2.235	-2.167	-2.090	-2.082
	(1.723)	(1.759)	(1.775)	(1.788)
Long term debt	-.500	-.509	-.469	-.490
	(1.103)	(1.112)	(1.121)	(1.130)
TMT Size	.006	.005	.036	.026
	(.115)	(.116)	(.131)	(.135)
Economic Score		.007	.008	-0.072
		(.029)	(.029)	(.220)
CSO Presence			1.045	-5.627
			(2.061)	(18.310)
Economic Score*CSO Presence				.082
				(.223)
Industry Dummies	Included	Included	Included	Included
F value	3.193	2.803	2.519	2.271
R^2	0.282	0.283	0.286	0.287
R^2 Change	0.282	0.001	0.003	0.002

*** Significant at p < .01*
** Significant at p < 0.05*
Note: Two-tailed test. N=74. Unstandardized coefficients are reported. Standard errors are between brackets

Table 10 Regression analysis Environmental Score with Return on Assets as dependant variable

Variable	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Constant	29.090	28.958	28.886	26.729
	(13.280)	(13.359)	(14.011)	(14.907)
Total Sales	-2.235	-2.086	-2.007	-2.021
	(1.723)	(1.757)	(1.774)	(1.833)
Long term debt	-.500	-.692	-.661	-.648
	(1.103)	(1.173)	(1.181)	(1.251)
TMT Size	.006	.003	.035	.036
	(115)	(.116)	(.131)	(.135)
Environmental Score		.494	.522	.639
		(.979)	(.986)	(3.714)
CSO Presence			1.072	1.245
			(2.057)	(5.659)
Environmental Score*CSO Presence				-.133
				(4.061)
Industry Dummies	Included	Included	Included	Included
F value	3.193	2.834	2.548	2.280
R^2	0.282	0.285	0.288	0.288
R^2 Change	0.282	0.003	0.003	0.000

*** Significant at p < .01*
** Significant at p < 0.05*
Note: Two-tailed test. N=74. Unstandardized coefficients are reported. Standard errors are between brackets

Table 11 Regression analysis Social Score with Return on Assets as dependant variable

Variable	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Constant	29.090	33.165	31.329	24.033
	(13.280)	(13.669)	(14.340)	(18.461)
Total Sales	-2.235	-2.601	-2.535	-2.695
	(1.723)	1.744	(1.761)	(1.788)
Long term debt	-.500	-.258	-.225	-.113
	(1.103)	(1.118)	(1.127)	(1.146)
TMT Size	.006	.023	.050	.060
	(.115)	(.116)	(.131)	(.132)
Social Score		-.043	-.043	.051
		(.037)	(.037)	(.153)
CSO Presence			.922	8.903
			(2.038)	(12.789)
Social Score *CSO Presence				-.098
				(.155)
Industry Dummies	Included	Included	Included	Included
F value	3.193	3.015	2.700	2.468
R^2	0.282	0.298	0.300	0.305
R^2 Change	0.282	0.016	0.002	0.004

*** Significant at p < .01*
** Significant at p < 0.05*
Note: Two-tailed test. N=74. Unstandardized coefficients are reported. Standard errors are between brackets