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Does Firm Size Confound the Relationship Between Corporate Social Performance and Firm Financial Performance?

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Abstract

There has been some theoretical and empirical debate that the positive relationship between corporate social performance (CSP) and firm financial performance (FFP) is spurious and in fact caused by a third factor, namely large firm size. This study examines this question by integrating three meta-analyses of more than two decades of research on (1) CSP and FFP, (2) firm size and CSP, and (3) firm size and FFP into one path-analytic model. The present study does not confirm size as a third factor which would confound the relationship between CSP and FFP. That is, even if firm size is controlled for across studies (comprising, on average, over 15 000 observations), CSP and FFP remain positively correlated, showing a "true-score" corrected path coefficient p of 0.37.

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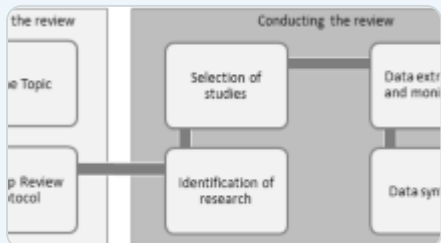
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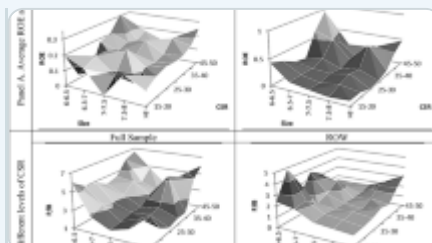
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