Does Corporate Social Performance Yield Any Tangible Financial Benefit During a Crisis? An Event Study of Lehman Brothers' Bankruptcy

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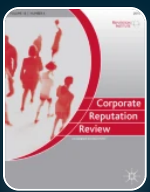

Corporate Reputation Review

Aims and scope →

Submit manuscript →

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Abstract

The aim of this article is to empirically test – through the event study methodology – whether Corporate Social Performance (CSP) had any impact on Corporate Financial Performance (CFP) in the context of the crisis due to Lehman Brothers' bankruptcy. Drawing on previous studies belonging to different streams of literature, this article proposes three mechanisms that may have linked CSP to CFP in the context of the crisis. Stock prices of the non-financial companies included in the S&P 500 stock market index are examined before and during the bankruptcy announcement. Empirical findings show that in the context of the crisis due to Lehman Brothers' bankruptcy, CSP was positively correlated with short-term CFP (Abnormal Returns), thus providing a buffer effect.

Notes

1. Peloza (2006) makes a similar argument, since he suggests that researchers should include both incremental gain and 'the moderating effect of CSR on negative firm behavior' (Peloza, 2006: 62).

2. Average Abnormal Returns (AARs) is the average of sample firms' AR for each day.

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