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Does it Pay to Be Good...And Does it Matter? A Meta-Analysis of the Relationship between Corporate Social and Financial Performance

68 Pages

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Abstract

In an era of rising concern about financial performance and social ills, companies' economic achievements and negative externalities prompt a common question: Does it pay to be good? For thirty-five years, researchers have been investigating the empirical link between corporate social performance (CSP) and corporate financial performance (CFP). In the most comprehensive review of this research to date, we conduct a meta-analysis of 251 studies presented in 214 manuscripts. The overall effect is positive but small (mean $r = .13$, median $r = .09$, weighted $r = .11$), and results for the 106 studies from the past decade are even smaller. We also conduct sensitivity analyses to determine whether or not the relationship is stronger under certain conditions. Except for the effect of revealed misdeeds on financial performance, none of the many contingencies examined in the literature markedly affects the results. Therefore, we conclude by considering whether, aside from striving to do no harm, companies have grounds for doing good - and whether researchers have grounds for continuing to look for an empirical link between CSP and CFP.

Keywords: corporate social performance, social responsibility, financial performance, governance, meta-analysis, ethics[Suggested Citation](#) >[Show Contact Information](#) > Download This Paper (Delivery.cfm/SSRN_ID1866371_code330833.pdf?abstractid=1866371&mirid=1)

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