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A Corporate Social Responsibility Framework for Accounting Research

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A B S T R A C T

Over the past two decades, there has been growing interest in corporate social responsibility (CSR) among accounting scholars. As a testament to this growing interest, two review papers on CSR were published last year in accounting journals. Implicitly guiding hypothesis development in CSR studies is the notion of a conflict between shareholders and stakeholders. We define CSR in terms of a win-win situation for shareholders and stakeholders: a CSR framework for strategic business purposes. We provide evidence supporting this outlook for CSR using cases pertaining to specific companies and findings from archival empirical studies. According to our CSR framework, resources allocated for CSR activity also help propel business strategy; as such, it is difficult to isolate CSR inputs and/or outputs due to problems of non-separability and multidimensionality. While measurement is a challenge, our framework nonetheless opens up various promising avenues for future research.

1. Introduction

Over the past two decades, accounting scholars have become increasingly interested in corporate social responsibility (CSR). As a testament to this growing interest, two review papers on CSR were published in accounting research journals last year. Cohen and Simnett (2015) reviewed the academic literature on assurance services and CSR, discussing future research avenues. Huang and Watson (2015) summarized the literature on CSR and its determinants, such as the relationships between CSR and financial performance, earnings quality and information asymmetries, and assurance services. Against the backdrop of this recent interest, the objective of this paper is to highlight an underlying premise to the majority of CSR research—the apparent conflict between stakeholders and the shareholders. We argue that this assumption is unfounded and offer an alternative framework that sees CSR as a strategic business initiative. We highlight challenges that the new framework brings to light, along with potential avenues for future research.

The remainder of the paper is organized as follows. Section 2 defines CSR and provides evidence through cases and empirical studies to support our definition. Section 3 highlights the possibilities that the new definition opens up for conducting accounting research. Section 4 discusses trends that illustrate our alternative CSR framework. Section 5 provides concluding remarks.

2. CSR framework

2.1. *Defining CSR*

CSR is defined in the literature in myriad ways and encompasses a range of concepts. Huang and Watson's (2015) definition

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provides a crux for the framework guiding most CSR research:

> We define corporate social responsibility as firms' efforts to surpass compliance by voluntarily engaging in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams & Siegel, 2001)…[This] represents a potential departure from shareholder theory, in which firms strive to maximize shareholder wealth… Shareholder theory has been the dominant assumption throughout research in economics, finance and accounting. Corporate social responsibility is intriguing because it suggests that firms are motivated to make decisions that are not always shareholder-wealth-maximizing. Under the stakeholder theory suggested by some CSR scholars, firms strike a balance between shareholder interests and the interests of other stakeholders (Carroll, 1991). This tension generates important questions that accounting researchers have a voice answering. (p. 2)

This definition captures the essence of much CSR research in accounting—that corporate responsibility entails going beyond compliance and doing what is ethically and morally "right" (see also Parker, 2014). This, however, raises the following questions: What is the "right" thing to do, and which group should stand to benefit from CSR endeavors? As Huang and Watson (2015) point out, the debate over whether firms should orient to the well-being of shareholders/investors or stakeholders (customers, suppliers, employees, community, or government) stems from Friedman's (1970) contention that "the social responsibility of business is to increase its profits." A compromise would entail advocates striking a balance between stakeholder and shareholder interests (see Carroll, 1991). Similar to the accounting literature, the definition of CSR in economics—for instance, from Elhauge (2005)—emphasizes this balance by using the notion of "sacrifice;" in particular, Elhauge (2005) defines CSR as "firms sacrificing profits in the social interest."[1] Underlying this premise is that one group (the stakeholders) wins and another group (the shareholders) loses—hence the need for balance and sacrifice.

Taking a different tack, Avi-Yonah (2005) uses "real entity theory" to offer a theoretical approach to CSR activities. Real entity theory proposes that a firm is a separate entity controlled by its managers. Avi-Yonah thus argues that firms are better positioned to foster human development than both the government and non-profit enterprises, as they are less bureaucratic and corrupt than governments (especially in emerging markets) and have greater financial and technical capabilities than non-profits. Given that firms are essentially groups of managers that are likely more efficient than other societal institutions, Avi-Yonah argues that CSR—even if it does not benefit shareholders—should be allowed. Overall, while Avi-Yonah argues for firms to engage in CSR initiatives because they are in the best position to do so, shareholders ultimately have to bear the costs of such initiatives; i.e., they must sacrifice. Here, again, we find the sense that CSR is a zero-sum game, with one group winning and the other losing.[2]

In contrast to these definitions and frameworks, we highlight a win-win view of CSR. We start by defining CSR below.

> **Corporate Social Responsibility Definition:** Corporate social responsibility entails the allocation of resources and actions that are part of the business model that help address social issues indirectly, mitigating negative externalities and promoting positive externalities.

There are several features that distinguish our definition from previous understandings of CSR. First, in contrast to the outcome-based definitions of CSR, which focus on whether stakeholders or shareholders benefit, we emphasize inputs and resources. This is important as managers make decisions about how resources and inputs are allocated, which in turn leads to outputs, i.e., benefits to various stakeholders and shareholders. As such, our definition will be helpful in developing and guiding managerial decisions and disclosures.

Second, our definition emphasizes "indirect social benefit" and resource allocation "within the business model." Looking "within the business model" implies that the actions or resources under consideration are required for the business to function. For example, for firms operating in high-technology environments, recruiting workers who are highly skilled in science and mathematics is essential. To attract these skilled workers, a firm could support high school or university education. Would such support for education qualify as CSR? Viewed in isolation, it typically would. Would the support be seen as at odds with shareholders' interests? It likely would not because of the long-term goal of recruitment. Does the firm decide to provide support with the objective of providing a direct benefit to society? The benefit to society occurs indirectly. In other words, this example shows that the allocation of resources within the business model can provide social benefits as well—a win-win situation for business and society. We refer to this integration of CSR within the business model as CSR for strategic business purposes.

Third, the definition emphasizes resource allocations within the business model as a means to mitigate negative externalities and enhance positive externalities. Negative (positive) externalities are harms (benefits) incurred by society as a result of firm decisions or actions. For example, carbon emissions are a negative externality of industry; basic research and development advances are a positive externality. The economics literature features ample research on the difficulty of measuring and influencing externalities through

[1] Archel, Husillos, and Spence (2011) examined government-led CSR initiatives in Spain and conclude that the "business capture" of CSR is ingrained into the institutional process. Similarly, Cooper and Owen (2007) examined the potential disclosures of CSR activities and argue that such disclosures are not beneficial to organizational stakeholders. Thus, they are not exercises in accountability. These apparent conflicts are at best counterproductive to understanding the importance of CSR activities.

[2] Noting that all stakeholders other than shareholders have quid pro quo arrangements stated in contracts, it is only the shareholders who are not promised a return in the form of dividends. It stands to reason that there are various mechanisms that society has developed to protect their interests—for example, securities regulations, audit requirements, corporate governance, and so on. As such, it is not surprising that the economics and finance theories emphasize what is characterized as a shareholder orientation.

incentives. By defining CSR in relation to externalities, our definition highlights that insights from research on externalities can be applied to improve our understanding of CSR.

There are a few further points worth highlighting. Our definition emphasizes the non-separability of CSR activities. For example, human resource personnel who spend time identifying relationships with educational institutions may also directly interview and train workers. These functions thus become inseparable. When decisions are made within the business model, allocating an input's cost between CSR and profit-maximizing functions is challenging, if not impossible. What does the non-separability of CSR and profit-maximization decisions imply for CSR research? Managerial accounting insights for joint products and joint costs—for example, allocating the costs of input over the joint products of butter and milk—can be utilized in the CSR arena as well. More generally, to glean insights into CSR's strategic value, it is important to examine the mechanisms through which CSR activities benefit the firm.

By jettisoning the notion of "balance" or zero-sum game between shareholders and stakeholders, scholars could examine CSR activities as any other resource allocation decision, evaluating the costs and benefits to the enterprise in the long run.

Before proceeding to validate our CSR definition and framework, we highlight its relationship to agency issues. Because our definition revolves around resource allocation, conflicts between managers and other stakeholders or shareholders, i.e., agency problems (Jensen & Meckling, 1976), are likely to influence CSR resource allocation decisions. We highlight this potential to emphasize that although our definition and framework eschews conflict between shareholders' interests and stakeholders' interests, agency problems may still lead managers to underinvest or overinvest in CSR-related activities.[3] Using a sample of 358 firms from 22 countries to explore CSR activities, Surroca and Tribó (2008) find that CSR in firms with entrenched management exhibit poor financial performance. Using survey data from Canadian manufacturing firms, Henri and Journeault (2010) show that financial and strategic control methods to reduce agency problems are associated with economic performance when firms had higher environmental exposure and public visibility. Collectively, these findings suggest that resource allocation decisions related to CSR activities are also subject to agency problems. To summarize, agency conflicts that can arise due to the separation of management and owners (and other stakeholders) are likely to influence CSR activities as well. Thus, scholars should consider agency issues when developing their theses; more importantly, although our definition of CSR emphasizes a win-win, non-zero-sum view, it does not imply that agency issues are insignificant.

We next turn to validating our CSR definition and framework. In the following subsections, we validate our win-win approach to CSR, first, through case studies, then through studies that examine how negative externalities impact shareholders, and finally, through empirical studies that link CSR activities to shareholders' financial performance.

2.2. *Cases highlighting CSR activities for strategic business purpose (within the Business **Model**)*

To validate our CSR framework's within-business-model approach and our focus on externalities, we look to both recent cases and cases from the more distant past.[4] During the industrial revolution and up until roughly a century ago, workers were frequently exploited by firms. In response, many firms engaged in workplace practices that were not only socially responsible but also enhanced productivity. In the late 1800s, for example, Cadbury built an immense factory in Bournville, England, outside Birmingham. Workers were viewed as part of the Cadbury family and as such were provided with fields in which to play sports, a kitchen to heat their lunches, heated dressing rooms, and rooms for morning prayers and Bible readings. Cadbury also instituted many workplace practices such as education and training for workers and mechanisms for workers to discuss and provide solutions for all worker-related matters. This led to enhanced innovation and productivity. Clearly, this social good, benefitting both workers and the community of Bournville, was beneficial for everyone.[5]

In the late 1800s, the American industrialist H. J. Heinz studied the paternalism of German factories to ensure that workers at his factories were content and that there were no work stoppages or strikes. Specifically, Heinz bestowed luxuries on his employees, such as showers, private lockers, laundered uniforms, manicures, and restrooms, and provided suggestion boxes for workers to submit their opinions about conditions. These humane practices toward workers enhanced productivity and reduced disruptions. But they also had business benefits. The luxurious manicures that workers received also helped keep the food products free from bacteria, probably enhancing their shelf life and enabling them to be exported to Europe. In an interview with a reporter in 1900, Heinz was asked whether it was a prudent business practice to offer so many services and amenities to his employees. He answered, "I have never given that side of the matter any thought. We are fully repaid when we see our employees enjoying themselves" (Butko, 2014, p30). The reporter, not believing this statement, pressed him. Heinz followed by saying, "If you don't like the sentiment that attaches to the plan, I want you to distinctly understand that it is good business as well. It pays, it increases my output. But I don't want to put it merely on a dollars and cents basis." These workplace practices illustrate that Heinz thought out his social benefit initiatives strategically, resulting in a positive outcome for all stakeholders.[6]

[3] Evidence of agency problems in CSR activities can be gleaned from firms' charitable giving. In a study by Bonini and Chenevert (2008), 45% of respondents said the CEO's personal interests were the main force in determining firms' philanthropic giving and programs. Consistent with this finding, Werbel and Carter (2002) report that the actual act of charitable giving is relatively more targeted to non-profit organizations with which CEOs have some affiliation. Galaskiewicz (1997) suggests that firms give more to non-profits when top executives and board members are connected to elite social networks. Atkinson and Galaskiewicz (1988) further note that firms with more CEO ownership give less to charities. Conversely, Brown et al. (2006) posit that firms with larger boards are more generous givers to charity.

[4] For the case studies, we do not use counterfactuals to "prove" that our definition is correct. We simply provide examples that are consistent with various facets of our definition.

[5] See https://www.cadbury.co.uk/the-story.

[6] See Butko (2012).

In the early 1900s, after inventing assembly line technology, the Ford Motor Company had roughly 15,000 employees. Ford instituted many innovative employee-centric practices. For example, the firm paid workers twice the legal minimum wage, or $5 per day (the equivalent of $120 in 2014), but stipulated that the workers must live by a set of rules: they had to be thrifty and keep their homes clean and their children healthy. An enforcement arm conducted surprise visits to workers' homes to verify that the rules were being followed.[7] These initiatives helped Ford's workers maintain happy families, reduce alcoholism, and promote good living. Ford also set up an English language school for workers, such that workers who were non-native English speakers could communicate effectively on the shop floor and reduce accidents. Collectively, these employee-centric initiatives not only improved the community but also helped the Ford Motor Company enhance its productivity.[8]

The railroad companies in the United States worked with the Young Men's Christian Association (YMCA) in the late 1800s, providing lodging facilities and meeting spaces for railroad workers, especially in the sparsely populated regions of the Midwest. The railroad companies helped the charitable institution to ensure that workers laying tracks in remote places could have decent places to live and socialize. However, this social good also helped the railroad companies recruit workers to lay the network of tracks. Similarly, in the early 1900s, Sears helped build YMCAs for African Americans, providing clean, safe dormitory rooms and eating facilities to help black travelers, who were a potentially large market segment for Sears. These initiatives a century ago highlight how corporate practices promoting the social good can result in a winning situation for both stakeholders and firms.[9]

These cases highlight how CSR activities can be understood as a strategic resource allocation decision within the business model. Successful enterprises pursue these practices. As demonstrated above, CSR is a value-enhancing business activity that has been practiced for many decades. Specifically, CSR activities provide a competitive advantage when they are well designed and carefully executed for strategic business purposes. Allocating resources to actions or programs that enhance the business model but simultaneously mitigate social issues constitutes a highly successful business strategy. More importantly, the cases illustrate that the conflict between shareholders/investors and other stakeholders is simply *a scholarly fiction*. The first part of our CSR definition emphasizes this.

More recent cases highlight the same integration of CSR activities within business strategy. In 2013, a new law in India required Indian firms satisfying certain profitability and size thresholds to spend at least 2% of their net income on CSR activities. In particular, the law explicitly required firms to expend resources on CSR *without direct connection or benefit to the business strategy*. The same assumptions about CSR as a win-lose or zero-sum game that guide academic definitions of CSR (Avi-Yonah, 2005; Elhauge, 2005; Huang & Watson, 2015) also prompted the Indian lawmakers to institute such a law. Specifically, the notion that maximizing shareholder benefits proceeds at the expense of stakeholders or society drives such CSR requirements. Manchiraju and Rajgopal (2017) provide evidence that the CSR rule in India is sub-optimal. If the Indian lawmakers adopted our framework, and if scholars developed our framework to address questions guiding lawmakers, then such sub-optimal laws could be avoided. In short, our definition provides a foundation for further research by showing that CSR activities within the business model is valuable to both shareholders and stakeholders simultaneously. These are the types of CSR initiatives that regulators and society should encourage firms to engage in.

2.3. *Case studies highlighting CSR activities to mitigate negative externalities helping shareholders*

The role of the firm in society has undergone a marked change in recent decades. Businesses are now held responsible for a range of issues, such as mitigating climate change, protecting human rights, and safeguarding the environment. These are all activities directed at alleviating negative externalities within society. As "good citizens," firms need to pursue practices that preserve society's common resources.[10]

With the rise of multinational corporations (MNCs) and increased globalization in the 1960s, local governments' ability to control and regulate MNCs has diminished. This led to strong public protests in opposition to globalization in the 1990s. Such protests targeted firms (rather than governments) and directed firms' attention to CSR activities (see Stopford, Strange, & Shenley, 1991). Newell (2000, p. 38) argues that social norms are becoming more important than legal requirements. Sklair (2001) notes that firms require new forms of legitimacy and social licenses to operate, which are fulfilled by CSR. This commentary and framework also embeds the notion of CSR as necessitating a sacrifice on the part of shareholders. However, there is ample evidence to the contrary.

Over the past four decades, examples of high-profile corporate disasters inflicting negative externalities on society abound. For example, the Love Canal, located near Niagara Falls in upstate New York, was home to a thriving suburb with homes and schools sitting atop 21,000 tons of toxic industrial waste buried by a local company in the 1940s and 50s. Eventually the waste bubbled up and destroyed the community, becoming the impetus for the Environmental Protection Agency's superfund program, formed in 1980. Across the Pacific, Japan's Chisso Corporation, a large petrochemical and plastics firm, discharged effluents into Minamata Bay. This caused thousands of fatalities and residents suffering severe health issues due to the high levels of mercury and heavy metals. In 1984, the Union Carbide plant in Bhopal, India, had an accident that spewed 45 tons of poisonous methyl isocyanate into the atmosphere,

[7] The enforcement arm was widely criticized for its invasion of privacy practices—a moral dilemma.

[8] See Ballaban (2014).

[9] See http://www.ymca.net/history/1870-1890s.html and http://www.ymca.net/history/1900-1950s.html

[10] Patten (1998) examined the government's role and found a positive relationship between states' environmental performance and its spending on environmental programs. This shows that government programs are also important for mitigating negative externalities.

leading to the death of 15,000 residents. Nike has been cited for its low-cost sourcing sweatshop practices in emerging economies and for paying scant attention to human rights (Greenhouse, 1997). Shell Oil has been cited for its polluting practices in the Niger Delta, which adversely affected the local community.[11]

These examples illustrate the heightened scrutiny that firms face and demonstrate that all stakeholders, including shareholders and investors, are adversely affected by negative externalities, such as air and water pollution and human rights violations. In terms of harm, there is no distinction between shareholders and other stakeholders. If this is the case, then why is there a perceived conflict between business and regulators? The main issue here revolves around the decision horizon of the problem. This is a fundamental issue that is not isolated to CSR activities. The horizon problem arises with any conflict—in this case, it is between shareholders and stakeholders. The shareholders of a coal-fired electricity plant will want the plant to operate even if it is not good for society, as the shareholders' horizon is short. In contrast, society's horizon is by definition long, especially when we consider future generations. If the polluting enterprise does not bear an immediate additional cost, then they will not internalize the negative externality of pollution imposed on society. In economic terms, the consequence of the horizon problem results in under-investments in clean technologies and thus negative externalities imposed on society.[12]

The economics literature shows that taxes and subsidies are incentive mechanisms through which negative externalities can be mitigated (see, for example, the energy taxes examined in Jeffrey & Perkins, 2014, 2015). This is a fruitful avenue for future research in accounting, especially in the arena of tax and subsidy disclosures as it relates to carbon taxes.

2.4. Studies relating CSR activities to shareholders' financial performance highlighting within-business-model CSR activities

In this subsection, we highlight studies showing that CSR activities benefit the shareholders in terms of enhancing financial performance. These findings are consistent with the notion that CSR activities are aligned with business strategy (i.e., within the business model).

According to our definition/framework, although CSR activities can strategically benefit both shareholders and stakeholders, resource allocation decisions are still likely to be influenced by agency conflicts that arise from internal agency problems, i.e., information asymmetries between managers, shareholders, and various stakeholders. As such, even if CSR initiatives result in a win-win scenario, agency problems can impose a heavy cost, resulting in a negative relationship between CSR activities and financial performance. Furthermore, if our supposition of win-win outcomes is inappropriate, then we should also observe a negative relationship between CSR activities and financial performance. Accordingly, in this section, we highlight evidence for the relationship between CSR activities and firms' improved financial performance.

Studies use exogenous shocks as powerful settings to infer a causal relationship between CSR activities and financial performance. Shane (1995) showed that the Clean Air Act Amendments of 1970 (which established the Environmental Protection Agency [EPA]) had a negative effect on a portfolio of stocks comprising 47 highly visible firms in four polluting industries. Hughes (2000) found that high-polluting firms targeted by Phase I of the 1990 Clean Air Act Amendments experienced a decline in market capitalization of roughly 16% and that this decline reversed when the estimated compliance costs were reduced due to changing economic and technological conditions. Flammer (2015a) used shareholder proposals involving CSR initiatives to compare the financial performance of firms with proposals that passed by a small margin with those that failed by a small margin, finding evidence that CSR activities are positively linked to financial performance. Collectively, these studies again show a positive link between CSR activities and financial performance.

In a meta-analysis of 251 research studies, Margolis, Elfenbein, and Walsh (2009) report that 28%, 59%, and 2% of the studies examined found positive, negative, and no associations, respectively, between CSR activities and financial performance.[13] This suggests that although on average, CSR activities do not appear to have any harmful effects, there does not appear to be a strong positive association either. However, it should be noted that if all firms appropriately engaged in CSR activities within their business models, then the surplus would likely not create a competitive advantage that enhances the bottom line. As such, the large number of studies showing no relationship between CSR activities and improved financial performance may actually indicate that CSR activities are appropriate. This has prompted scholars to examine the mechanisms through which CSR activities engender benefits to shareholders.

CSR activities can influence financial performance through various channels, such as competitive advantage, increased sales, improved operational efficiencies, and minimized litigation risk. Using a sample of U.S. firms from the paper and pulp; chemical, oil and gas; and metals and mining industries, with data from 1990 to 2003, Clarkson, Li, Richardson, and Vasvari (2011) explored the causal relationship between firms' environmental performance (measured by the inverse of toxic release inventory), financial resources (measured by profitability and leverage), management capability (measured by research intensity, sales growth, and enterprise value to assets), and firm value. They found prior changes in firms' financial performance to be positively associated with their relative environmental performance in subsequent years. Conversely, changes in environmental performance in prior periods are positively associated with financial performance in subsequent years. Flammer (2015b) used changes in import tariffs to examine whether this change is linked to the likelihood that firms engage in CSR activities and finds that it does. Johnston (2005) decomposed

[11] https://www.theguardian.com/environment/2011/aug/03/shell-oil-spills-niger-delta-bodo

[12] Hassel, Nilsson, and Nyquist (2005) found that environmental performance is negatively associated with the market value of Swedish firms, indicating a value-destroying activity; this is one paper that provides evidence to the contrary of our definition.

[13] 10% of the studies did not report sample sizes, and as such, it was not possible to test for significance.

environmental capital expenditures into regulatory and voluntary portions. He found that regulatory environmental capital expenditures are negatively associated with future abnormal earnings and market value, whereas voluntary environmental capital expenditures are positively associated with future abnormal earnings and market value. Lys, Naughton, and Wang (2015) argue that firms undertake CSR activities when they expect superior future financial performance; as such, CSR activities are a signal of managers' private information and thus better future performance. Collectively, these results suggest that firms proactively investing in CSR and mitigating negative externalities are likely to improve their financial performance in the future.

Firms can enhance their brands' reputation through CSR activities in markets where their customers care about social issues (Brown & Dacin, 1997). A survey of firm executives recognized as leaders in CSR activities indicates that CSR activities enhance operational efficiency (see MIT Sloan Management Review, 2009). Firms with CSR programs that improve the welfare of their employees attract better talent and improve productivity (Edmans, 2011; Roberts & Dowling, 2002; Waddock & Graves, 1997). Brown, Helland, and Smith (2006) found that firms in more stringently regulated industries with highly developed CSR initiatives are more likely to obtain favorable treatment from regulators.

Charitable contributions are a particularly compelling element of CSR activities to examine because the CSR resource inputs are more readily measurable. Baron (2001) shows that firms' charitable giving to local causes improved quality of life in the communities where companies do business and helped managers build relationships with government officials and community leaders. This can reduce adverse regulatory and special interest group interventions. As Porter and Kramer (2002) argue, corporate giving can also help develop emerging markets; these, in turn, can enhance the size and quality of a firm's customer base. A commitment to philanthropy also facilitates a firm's efforts to recruit and retain talented employees. Finally, as Neiheisel (1994) explains, a firm's charitable giving to universities can stimulate innovation and access to technical expertise, thereby enhancing its financial performance.

Various studies have documented the positive relationship between firms' charitable giving and sustained financial performance. Lev, Petrovits, and Radhakrishnan (2010) show that increases in charitable giving are positively associated with future revenue growth for consumer product companies. However, the inverse is not true—current increases in revenue are not associated with growth in future charitable giving. This indicates that charitable giving is likely to result in future sales growth, as opposed to the idea that firms with successful sales necessarily become generous givers. Turban and Greening (1997) point out that potential employees perceive companies with strong community ties as being more attractive in terms of employment opportunities. Wilson and Hicks (2010) report that employees have higher job satisfaction at firms with more firm-sponsored volunteer experiences, as these provided opportunities to develop their leadership skills. The Committee Encouraging Corporate Philanthropy (CECP, 2010) documents that high-tech firms are the largest contributors to higher education because they are the most likely to demand knowledgeable workers. Werbel and Wortman (2000) observe that firms are more likely to use charitable giving as a mechanism to repair damaged reputations.

Collectively, these studies show that CSR activities in general, and charitable giving in particular, can influence financial performance through various strategic channels that complement and extend a firm's business model.

2.5. Summary

This section illustrated that CSR activities are, in general, advantageous for business strategies—that is, they can be understood as situated within a firm's business model. This lends support to our understanding of CSR as a win-win proposition, benefitting both stakeholders and shareholders. Most importantly, CSR activities need not benefit the stakeholders at the expense of the shareholders, and vice versa. As such, CSR activities are similar to other investment and operational activities that firms engage in to utilize capital most efficiently. We refer to the win-win CSR activities as CSR activities for strategic business purposes.

In the next section, we highlight the measurement and reporting aspects that accounting scholars can provide to advance our understanding and guide mangers' decisions on CSR-related activities.

3. CSR and accounting research opportunities

In this section, before we relate our definition and framework for understanding CSR to accounting research opportunities, we provide a listing of studies published in the accounting literature to provide a quick reference for accounting scholars interested in embarking on CSR research.

3.1. CSR research in accounting over the past two decades

Table 1 provides the number of general CSR and environmental studies (a major category of CSR) published in 13 accounting journals from 1995 to 2015.

After considering a total of 120 studies, we found that the *Journal of Accounting and Public Policy* (JAAP), *Accounting Organizations and Society* (AOS), and *European Accounting Review* (EAR) are the top three publication outlets, with 30, 22, and 15 CSR studies published, respectively, during this period. This amounts to roughly 55% of all publications. The number of CSR studies has increased over time: 42 studies were published between 1995 and 2004, and 78 studies were published from 2005 to 2015. This corresponds to roughly 4.20 studies per year from 1995 to 2004, compared to 7.09 studies per year from 2005 to 2015, an increase of 69% in the number of studies. This increase may be due in part to increased media and regulatory attention to corporations' societal and environmental impacts over the past two decades. Although the increase in publications and accounting scholars' growing interest in CSR are welcome, there are considerable avenues for future research that can help enhance the framework for CSR reporting and CSR

Table 1
CSR-related papers published in accounting journals.

Year	Total	AOS	AJPT	CAR	EAR	JAAF	JAE	JAPP	JAR	JBFA	JMAR	RAST	TAR	TIJA
1995	2	1	0	0	0	1	0	0	0	0	0	0	0	0
1996	3	0	0	0	0	0	0	0	0	0	0	0	0	3
1997	9	0	0	1	0	2	0	4	0	0	0	1	0	1
1998	3	1	0	0	0	0	0	2	0	0	0	0	0	0
1999	4	0	0	0	0	2	0	0	0	0	0	0	0	2
2000	7	0	2	0	3	0	0	1	0	0	0	0	1	0
2001	5	1	0	0	0	1	0	1	0	2	0	0	0	0
2002	3	1	0	0	1	0	0	0	0	0	0	0	0	1
2003	2	0	0	0	0	0	0	2	0	0	0	0	0	0
2004	4	1	0	0	1	0	0	1	0	0	0	0	1	0
2005	9	1	0	0	3	1	0	3	0	0	0	0	0	1
2006	3	1	0	0	0	0	0	1	0	1	0	0	0	0
2007	4	2	0	0	0	0	0	1	0	1	0	0	0	0
2008	5	1	0	0	3	0	0	0	0	1	0	0	0	0
2009	7	2	1	0	2	1	0	0	0	0	0	0	1	0
2010	4	2	0	0	0	0	0	2	0	0	0	0	0	0
2011	8	2	1	2	0	0	0	2	0	0	0	0	1	0
2012	7	1	0	0	0	0	0	2	0	1	0	0	3	0
2013	6	1	0	0	0	0	0	4	0	0	0	0	1	0
2014	10	3	0	0	1	0	1	1	0	0	0	0	2	2
2015	15	1	6	0	1	0	1	3	0	0	0	0	0	3
	120	22	10	3	15	8	2	30	0	6	0	1	10	13

AOS: *Accounting, Organizations & Society.*
AJPT: *Auditing: A Journal of Practice & Theory.*
CAR: *Contemporary Accounting Research.*
EAR: *The European Accounting Review.*
JAAF: *Journal of Accounting, Auditing & Finance.*
JAE: *Journal of Accounting & Economics.*
JAPP: *Journal of Accounting & Public Policy.*
JAR: *Journal of Accounting Research.*
JBFA: *Journal of Business Finance & Accounting.*
JMAR: *Journal of Management Accounting Research.*
RAST: *Review of Accounting Studies.*
TAR: *The Accounting Review.*
TIJA: *The International Journal of Accounting.*

disclosures.

Table 2, Panel A provides a summary of the methods used across the studies reviewed here. Most use the archival-empirical method.

Table 2, Panel B provides a summary of the countries from which data are used in archival-empirical studies. The number of environment-related studies is roughly two and a half times greater than that of general CSR-related studies. This likely reflects the difficulty of obtaining data for general CSR-related studies relative to environment-related studies.

Table 3 explores whether obtaining data is a driving force behind the lower number of studies in the general CSR area.

Table 3, Panel A (B) provides data sources for general CSR (environmental) archival empirical studies. In both areas, the studies hand-collect data from public sources; data availability is thus not a significant factor in explaining the differences between the two subjects. A more likely explanation is that in the general CSR research, the construct is too broad to enable targeted questions to be addressed. Further, the data are obtained from more varied sources, with annual reports, KLD, and toxic release inventories used most often. This also indicates the multidimensional nature of CSR activities.

Table 4 provides the studies that examine CSR-related voluntary disclosures published in the 13 accounting research journals between 1995 and 2015.

There have been a number of accounting studies examining the practice of CSR disclosures (e.g., who discloses, and the contents and venue of disclosures).[14] This is not surprising, given that the disclosure of non-financial information is one of the most important areas in accounting research. With this backdrop, we now evaluate how the framework most often used to study accounting disclosures relates to our revised framework for understanding CSR. This will help identify research opportunities in the accounting area.

[14] Most of the other studies tabulated in Table 1 are on the consequences of CSR activities and CSR disclosures. Broadly, these have documented that CSR activities/disclosures (a) are value-relevant, (b) are positively associated with firm value, (c) are positively associated with future cash flows, (d) are negatively associated with cost of equity capital, (e) improve analysts' forecast accuracy, (f) reduce bid-ask spreads, (g) are relevant for the debt market, and (h) are priced into CEO compensation.

Table 2
Research method and country.

Panel A: Research Method

Method	CSR-related	Environment-related	Total
Analytical	8	9	17
Archival/empirical	23	57	80
Experimental	6	2	8
Survey/interview	4	4	8
Commentary/framework	2	1	3
Case Study	4	0	4
	47	73	120

Panel B: Archival Data Country

Country/Region	CSR-related	Environment-related	Total
United States	10	32	42
Canada	0	7	7
United Kingdom	1	1	2
France	0	1	1
Australia	1	0	1
New Zealand	0	0	0
Cross-country studies	7	6	13
Europe only	2	8	10
Asia only	2	0	2
North America only	0	1	1
South African only	0	1	1
	23	57	80

Table 3
Data sources for archival studies.

Panel A: CSR-Related Studies

	Data Source	Number of Papers
1	Annual reports	5
2	CSR/sustainability reports	6
3	ASSET4 database	2
4	EIRIS database	1
5	KLD	5
6	*Msc*I	1
7	Other sources	3
		23

Panel B: Environment-Related Studies

	Data Source	Number of Papers
1	Annual reports	30
2	CSR/Sustainability reports	1
3	Carbon disclosure project (CDP) data	3
4	Toxic release inventory	10
5	Other sources	13
		57

3.2. Framework for studying measurement, disclosure, and reporting of CSR activities

A survey of investors conducted by Mercer Consulting in 2006 highlighted the CSR issues deemed to be most important by investors based on percentage of investment: 39% employee relations, 33% human rights, 25% water, 18% environmental management, and 7% climate change (see Starks, 2009). Although there is no majority for any one issue, there is enough in this survey to support the premise that information on CSR activities is helpful to investors. Consistent with this, many social responsibility indexes, such as the Dow Jones Sustainability Index, have emerged over the past two decades; increasing shareholder activism is also seen in shareholder proposals related to CSR activities. This casual empirical evidence suggests that CSR-related information is helpful to investors, lending support to our notion that CSR activities can be incorporated into strategic business purposes.

Our definition of CSR activities as involving resource allocation for strategic business purposes is buttressed by an abundance of

Table 4
Accounting research on voluntary CSR disclosures.

Who demands CSR-related disclosures?
O'Dwyer, Unerman, and Hession (2005); Solomon, Solomon, Joseph, and Norton (2013)
Who discloses CSR-related activities?
Firm characteristics
Wiseman (1982); Barth, McNichols, and Wilson (1997); Cormier and Magnan (1999); Gray, Javad, Power, and Sinclair (2001); Cormier and Magnan (2003); Cormier, Magnan and Velthoven (2005); Haniffa and Cooke (2005); Brammer and Pavelin (2006); Barbu, Dumontier, Feleagă, and Feleagă (2014)
Triggering events for voluntary disclosure
Jaggi and Zhao (1996); Neu, Warsame, and Pedwell (1998); De Villiers and van Staden (2006); Cho and Patten (2007); Rupley, Brown, and Marshall (2012); Cho, Laine, Roberts, and Rodrigue (2015); Plumlee, Brown, Hayes, and Marshall (2015);
Political costs, voluntary disclosures
Li, Richardson, and Thornton (1997)
Mimicking behavior of firms
Darrell and Schwartz (1997); Patten and Nance (1998); Patten and Trompeter (2003); Aerts, Cormier, and Magnan (2006)
International studies
Gamble, Hsu, Jackson, and Tollerson (1996); Williams and Pei (1999); Williams (1999); Freedman and Jaggi (2005)
Content of environmental disclosures
Niskala and Pretes (1995); Moneva and Llena (2000); Johansen (2010); Laine (2010); Bouten, Everaert, and Roberts (2012); Tregidga, Milne, and Kearins (2014)
Voluntary disclosure of CSR good news
Li and McConomy (1999); Hughes, Anderson, and Golden (2001); Patten (2002); Al-Tuwaijri, Christensen, and Hughes (2004); Clarkson, Li, Richardson, and Vasvari (2008); Cho, Guidry, Hageman, and Patten (2012)
Disclosure of sanctions in annual reports
Li et al. (1997); Larrinaga, Carrasco, Correa, Llena, and Moneva (2002); Patten (2005); Peters and Romi (2013)
Venue of disclosure
Aerts and Cormier (2009); De Villiers and van Staden (2011)
Content of environmental disclosures
Mishra, Newman, and Stinson (1997); Rodgers and Housel (2004); Simnett, Vanstraelen, and Chua (2009); Coram, Monroe, and Woodliff (2009); O'Dwyer (2011); O'Dwyer, Owen, and Unerman (2011); Pflugrath, Roebuck, and Simnett (2011); Brown-Liburd and Zamora (2015); Casey and Grenier (2015); Cohen and Simnett (2015); Cheng, Green, and Ko (2015); Peters and Romi (2015); Trotman and Trotman (2015)

evidence that firms, in general, appear to engage in CSR activities within their business model (i.e., CSR activities linked to shareholders' financial performance). This suggests that like any other business activity, information on CSR activities will be important for shareholders', investors', and stakeholders' decisions. Specifically, financial capital providers (i.e., equity and debt holders) and stakeholders providing other types of capital (e.g., relationship-specific capital, knowledge capital, educational capital, and infrastructure capital) all require information to evaluate a firm's future prospects (the planning and valuation role) and to monitor capital expenditure (the control and stewardship role). Financial capital is only one input factor for the firm: other stakeholders provide other forms of capital that serve as key input factors. Our CSR definition and framework highlight that all of these factor inputs, i.e., forms of capital, are necessary; focusing on only one of the factors will not be sufficient. The notion that information is needed by capital providers for planning and control purposes is referred to as the dual role of accounting (Ronen, 1979). For example, providers use information on resource allocation and/or its intermediate outcomes to assess the effectiveness of all activities, including CSR.

Because CSR-related disclosures are not mandated, the appropriate lens to examine such disclosures is "voluntary disclosures." Disclosure theory suggests that complete and full disclosure of information is unlikely due to the following (see Beyer, Cohen, Lys, & Walther, 2010):

(a) the non-verifiability of disclosures;
(b) firms' lack of private information;
(c) the presence of disclosure costs;
(d) managers' lack of appropriate incentives to disclose; and
(e) investors' differing interpretations of information disclosure.

This theory has guided the accounting disclosure literature. Given that CSR activities are, in general, part and parcel of firms' business models, this disclosure framework can guide scholars to develop and examine research questions on CSR disclosure. In the following, we detail the challenges of research on CSR within this disclosure framework. Ultimately, these challenges are tantamount to opportunities for research on CSR disclosures.

3.2.1. Measurement and non-verifiability of disclosures

In this subsection, we highlight the challenges of measuring CSR-related inputs, costs, and benefits, given that CSR activities are integral to firms' long-term commitments and strategizing. Our discussion emphasizes the non-verifiable nature of these measures.

The definition of CSR for strategic business purposes emphasizes resource deployment and allocation decisions. Accounting systems must recognize resources that assist with CSR, either directly or indirectly, to ensure that managers are provided with all relevant information when allocating or deploying resources. However, when CSR activities are understood as being part of business strategy, it is challenging (if not impossible) to clearly identify activities geared toward CSR and activities that are for business purposes only. In other words, by definition, if firms consider CSR activities as being integral to their strategy, then isolating resources that are solely for CSR activities is next to impossible. This is the non-separable feature of resources that enable CSR activities to deliver financial performance.

We provide examples to highlight the non-separable nature of CSR activities. First, consider a manufacturing plant or building that consumes less energy than its industry peers. The firm can reduce its ongoing energy costs and help mitigate negative externalities. In this case, the accounting system can allocate the "extra" investment necessary to reduce energy costs as a CSR activity. Second, consider a comprehensive supplier verification program that helps to provide suppliers with incentives to not cut corners and employ cheap labor, but which also enhances the quality of a product. In this case, the "extra" cost per unit that is paid to the supplier can be allocated to CSR activities. Note that while the distinction between the CSR and business-strategic motives may be easy to identify conceptually, accounting for the "extra" in a systematic fashion is challenging. More research needs to be done on the measurement of resource allocations, i.e., inputs to CSR activities, such that managers will be better able to promote CSR-related activities within the business model.

When CSR activities are understood as operating within the business model, they can benefit many stakeholders. We refer to this trait of CSR as multidimensionality. While key to our argument for CSR as a win-win scenario, multidimensionality presents measurement challenges, especially in terms of capturing any CSR-driven intermediate benefits. In the case of the manufacturing plant that consumes less energy, the benefit could accrue to the community in terms of lower carbon emissions—and to employees, who see the firm as more socially and environmentally conscious, in terms of improved morale. Understanding these benefits in relation to the "extra" resource cost is challenging. In the case of supplier verification programs to prevent sweat shops, the improved quality of input materials might help firm employees' productivity and improve the final product's quality. Here again, linking additional benefits to the "extra" resource costs is a challenge.

These examples illustrate the multidimensional and non-separable nature of CSR activities and highlight the challenges these features pose to a disclosure framework. To summarize, CSR activities for strategic business purposes will be non-separable and multidimensional. Management accounting textbooks deal with joint cost and joint product allocations, and the notion of activity-based costing embeds the principle of non-separable resources. The ideas embedded in the balance scorecard reflects the multi-dimensional benefits that accrue from CSR-related activities. These principles can provide useful information to managers to guide their resource deployment decisions. Although this research is likely to be context-specific, it will nonetheless help institutions such as the Global Reporting Initiative (GRI) to formulate and develop measurement and reporting frameworks.

The GRI is an independent international standard organization that provides a framework for firms to understand and communicate their CSR activities. The first draft of the GRI's sustainability reporting guidelines was published in 1999 and pilot-tested by 21 firms. In 2006, the GRI published its G3 guidelines, consisting of 10 reporting principles and 79 indicators. The six topics covered were economics, the environment, labor practices, human rights, society, and product responsibility, with 9, 30, 14, 9, 8, and 9 core and comprehensive indicators, respectively. The GRI published its G4 guidelines in 2013; after 2015, firms were required to adopt these for all CSR reports. While materiality was a guiding principle of G3, it is the central principle of the G4. Further, the G4 requires the Disclosure of the Management Approach (DMA), which addresses management prioritization of various CSR dimensions. Small sample and case studies can help inform the GRI about the relationships between input resources and intermediate outputs, the 79 indicators that they track. Our definition can help the GRI incorporate more business practices into its reporting framework, in addition to the notions embedded in the balance scorecard.

The GRI is not the only organization promoting CSR disclosure. Kinder, Lydenberg and Domini (KLD) Research and Analytics provides an index of firms' CSR outcomes and performance. As Chatterji, Levine, and Toffel (2009) explain, "Just as credit ratings enhance transparency and efficiency in debt capital markets by reducing the information asymmetry between borrowers and lenders, social ratings aim to provide social investors [with] accurate information that makes transparent the extent to which firms' behaviors are socially responsible." KLD uses surveys and publicly available information, such as financial statements, press releases, and news reports, to assess CSR performance on seven dimensions: corporate governance, community, diversity, employee relations, environment, products, and an exclusionary screen for firms deriving revenues from "sin activities," such as alcohol, gambling, and tobacco. These categories have roughly 80 positive or negative indicators, which are combined into strength and concern scores for each category (details of the KLD score dimensions are provided in the Appendix). Szwajkowski and Figlewicz (1999) found that KLD ratings have substantial and discernible validity, with especially strong internal discriminant validity.

Many studies provide commentaries on CSR reporting (see, for example, Bartolomeo et al., 2000; Bebbington & Larrinaga-González, 2008; Bhimani & Soonawalla, 2005; Collison & Slomp, 2000; Delfgaauw, 2000; Hegde, Bloom, & Fuglister, 1997; Hopwood, 2009; Kolk, Levy, & Pinkse, 2008; Ratnatunga & Balachandran, 2009; Wallage, 2000).[15]

Table 5 displays the number of firms that provided disclosures on their CSR activities between 2002 and 2013. Data are obtained from ASSET4.

In 2002, there were 958 firms issuing CSR reports. This figure had increased five-fold to 4831 firms by 2012. The number was lower in 2013, presumably because the data were incomplete for that year. The percentage of firms issuing integrated and standalone reports shows that the number of CSR-related disclosures has increased over time. Further, the GRI framework appears to be evolving as the de facto standard for such disclosures. In addition, more of these reports are audited, indicating a developing trend toward attestation and verification of the difficult-to-verify, multidimensional, and non-separable disclosures. In summary, CSR disclosures are becoming increasingly popular and ubiquitous. This provides an ideal setting for obtaining additional insights into voluntary disclosures.

[15] This is worthy of a separate survey, and as such, we do not elaborate on these commentaries here.

Table 5
CSR disclosures.

1	2	3	4	5	6
Year	N	% of Firms with Integrated Report	% of Firms with Standalone Report	% of Firms with GRI Report	% of Firms with Audited Report
2002	958	1.04	5.43	2.92	6.37
2003	969	1.14	7.53	5.37	8.88
2004	1822	0.71	7.30	5.05	7.46
2005	2239	0.94	9.83	5.40	9.56
2006	2252	1.11	11.06	7.24	11.72
2007	2429	2.18	39.85	19.93	15.81
2008	2915	8.10	41.17	25.32	17.12
2009	3091	11.45	46.43	28.53	18.76
2010	3026	13.09	55.65	33.25	21.32
2011	2934	16.84	60.06	37.49	25.53
2012	4831	18.36	61.79	37.96	26.93
2013	853	28.96	77.49	51.35	44.20
	28,319	8.66	35.30	21.65	17.80

1. Data source: ASSET4
2. GRI: Global Reporting Initiative

It follows that what is difficult to measure in terms of both costs and benefits will be difficult to verify as well. In essence, multidimensionality and non-separability make it difficult to verify CSR-related information. This is an even more fundamental problem than what Ramanna and Watts (2012) highlighted as an issue with non-verifiability. Our view is that the measurement challenges of CSR activities provide a richer context for examining disclosures of resource allocation and investment decisions, calling for a resurgence of what has traditionally been called management accounting research.

Overall, measurement challenges arise because CSR activities are part of the firm's strategy; disclosure of these can thus also be impeded. Accountants, especially management accounting scholars, are in the best position to provide insights for tackling these measurement issues.

3.2.2. Lack of private information

Due to the non-separability and multidimensionality of CSR benefits, managers may be lacking private information. Simply put, if managers do not know about how CSR activities are tied to their strategy, and thus which resource non-separability poses the greatest challenge for measurement, then managers may not have information to disclose. For this purpose, the GRI framework provides a good starting point. Managers can examine how the 79 CSR indicators are linked to their company's strategy and operational activities. This linking exercise will enable them to focus on CSR activities within the business model and then articulate the costs and benefits of such CSR to the stakeholders.

The economics and strategic management literature has used KLD ratings to measure CSR performance and examine the drivers of this performance. Accounting research, however, does not use this as an outcome measure. CSR is by definition multidimensional, and it is thus useful to examine CSR activities' components individually, relegating KLD ratings to measuring performance outcomes rather than the more aggregated value-based measures typical of equity markets. Such a focus will likely provide better insight into the business model and drivers of CSR performance.

In addition, accounting research can provide insights into which of the KLD/GRI indicators are more prone to non-separability and multidimensionality, examining whether these challenges are more severe in certain industries. In effect, accounting research is uniquely positioned to study the cross-sectional variation in disclosure information available on each indicator and provide insights for overcoming measurement challenges. This will be helpful not only to academics and policymakers, but also to managers.

3.2.3. Disclosure costs

Linking CSR activity with business strategy can provide competitive advantage, as was evident in the case studies on Cadbury, Heinz, and Ford. Firms may thus be reluctant to disclose information on resources allocated for CSR activities or on the outcomes, especially if such decisions yield a competitive advantage. This is referred to in the disclosure literature as proprietary costs. If the competitive advantage cannot be easily mimicked by competitors, then the proprietary costs are likely to be lower. Nonetheless, adopting our CSR framework and the win-win scenario that it proposes will likely yield productive insights on the relationship between CSR disclosures and proprietary cost in future research.

We highlight another potential cost of information disclosure that is likely to be unique to CSR activities: the nuisance cost of disclosure. We use the example of firms' charitable giving, which does not suffer from the challenge of non-separability—i.e., charitable giving is a traceable CSR activity. In general, disclosures are not costless, even if the direct cost of assembling and verifying information is trivial.[16] In addition to the well-known proprietary costs of disclosure, CSR disclosures are likely to result in situations

[16] As is well known, the disclosure of charitable giving that is used for strategic purposes, i.e., within the business model, could reveal proprietary information; this is the proprietary cost of disclosure argument. However, if a firm's competitors are aware of the strategy it uses, then the

in which a firm discloses its charitable giving to a benefactor and explains that the donation is within the business model, thereby risking the potential for some activist group to protest the gift. We describe this risk as a nuisance cost. For example, if Heinz had disclosed its "benevolence" expenditures, activist shareholders would likely have demanded a change in control and leadership. CSR-related disclosures can attract scrutiny from the media and from activist shareholders, which can distract managers from running their firms. The non-verifiability and nuisance cost of disclosure provide interesting avenues for future research.

3.2.4. Other considerations

In this subsection, we consider various incentives to disclose, from managers to stakeholders and investors, all of whom are likely to have different interpretations and commitments to disclose. Studies of managers' incentives to disclose show that disclosure could be opportunistic. Specifically, research has found that managers at times have incentives to inflate stock prices when they are liquidating their stock positions, while at other times have incentives to reduce the stock price when they are granted stock options. CSR activities for strategic business purposes provide an opportune setting to examine opportunistic behavior, as it is challenging to measure and verify. In effect, the non-verifiability of CSR activities in terms of inputs or outputs could make CSR disclosures an "easy" element of disclosure for mangers' opportunism.

In the 1970s and 1980s, the schism between stakeholder and shareholder interests, as theorized by scholars, led to public activism demanding that firms engage in CSR activities. However, in the late 1990s and the 2000s, there was an increase in shareholder activism demanding that firms perform CSR activities. This suggests that the perceived conflict between shareholders and stakeholders—a dichotomy that this paper argues against—is likely to lead to various consumers of CSR disclosures interpreting the information differently. Disclosure theory suggests that differential interpretation of disclosures by different groups (including shareholders) could prevent firms from disclosing useful information. CSR disclosures thus provide an ideal avenue for future research to examine how differential interpretation affects disclosures.

4. Other interesting CSR trends and future research avenues

4.1. Shareholder proposals related to CSR

Shareholders can put forth proposals under Rule 14a-8 of the Securities and Exchange Commission (SEC) Act of 1934. Specifically, any shareholder holding shares worth at least $2000 or 1% of the market value of a stock before the date of an annual meeting is allowed to submit one proposal with a 500-word supporting statement. The proposal must be submitted at least 120 days before the proxy is mailed to shareholders, and all proposals are subject to SEC review. In general, proposals tend to request non-binding votes from all shareholders on particular issues (Ferri, 2012).

Shareholder proposals do not require the proposing party to have a large equity stake in the company. The cost of filing such proposals is small and can thus be seen as an egalitarian mechanism by which minority shareholders make their voices and opinions heard by management. Ferri (2012) calls this low-cost activism. Even though shareholder proposals are non-binding, prior research finds that they are often effective change agents.

We use trends in shareholder proposals to gain insights into shareholders' interest in CSR activities. Table 6, Panel A provides the number of shareholder proposals submitted annually from 2006 to 2015 for three categories: executive compensation, social policy, and corporate governance.

The source of the data is www.proxymonitor.org. Note that CSR performance-related data typically include corporate governance; however, we excluded corporate governance from our framework. The number of executive compensation and corporate governance proposals is shown to provide a benchmark for assessing the importance of CSR issues. Roughly 46%, 27%, and 19% of shareholder proposals pertain to executive compensation, CSR, and corporate governance issues, respectively. This suggests that shareholders raise CSR issues less often than executive compensation but more often corporate governance, and they consistently consider CSR issues to be equally as important across each year. More importantly, the data suggest that the perceived schism between shareholders and stakeholders is not grounded in reality.

Table 6, Panel B provides details of CSR issues raised in shareholder proposals. The leading issues relate to the environment, lobbying, and political disclosures. It is unsurprising that environmental issues are one of the most prominent topics of shareholder proposals, as evidenced by the number of accounting papers published. It is also interesting to note that lobbying and political spending peaked during the last election cycle in 2012 and have continued to increase unabated; this indicates that CSR issues are likely to operate in cycles of increasing and decreasing scrutiny.

Overall, the evidence shows that shareholders are interested in firms acting on CSR issues. Future research should examine why shareholders choose specific firms for their activism. To what extent do shareholders perceive a conflict among themselves, and to what extent do they recognize this schism as a scholarly making? Are their choices preceded by negative media attention, or vice versa? Responding to these and other questions can help substantiate the key takeaway of this paper—that CSR activities should be understood as part of a firm's business model and that shareholders are as interested in CSR initiatives as stakeholders.

(*footnote continued*)
proprietary cost argument is moot.

Table 6
Shareholder proposals.

Panel A: All Major Types

1	2	3	4	5	6	7	8
Year	N	N (Executive Compensation)	% (Executive Compensation)	N (CSR)	% (CSR)	N (Corporate Governance)	% (Corporate Governance)
			C3/C2		C5/C2		C7/C2
2006	385	74	19.22	135	35.06	80	20.78
2007	393	121	30.79	134	34.10	83	21.12
2008	356	100	28.09	143	40.17	74	20.79
2009	382	101	26.44	120	31.41	103	26.96
2010	379	103	27.18	127	33.51	105	27.70
2011	830	569	68.55	138	16.63	82	9.88
2012	570	305	53.51	126	22.11	103	18.07
2013	568	321	56.51	127	22.36	96	16.90
2014	577	322	55.81	146	25.30	83	14.38
2015	576	295	51.22	139	24.13	123	21.35
	5016	2311	46.07	1335	26.61	932	18.58

Panel B: CSR-Related Proposals

1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Year	N	N (Environmental)	% (Environmental)	N (Lobbying & Political Spending)	% (Lobbying & Political Spending)	N (Human & Employment Rights)	% (Human & Employment Rights)	N (Animal Rights)	% (Animal Rights)
			C3/C2		C5/C2		C7/C2		C9/C2
2006	135	28	20.74	21	15.56	29	21.48	13	9.63
2007	134	41	30.60	19	14.18	22	16.42	13	9.70
2008	143	42	29.37	19	13.29	37	25.87	6	4.20
2009	120	25	20.83	23	19.17	19	15.83	7	5.83
2010	127	44	34.65	29	22.83	20	15.75	6	4.72
2011	138	43	31.16	43	31.16	16	11.59	6	4.35
2012	126	30	23.81	59	46.83	13	10.32	7	5.56
2013	127	36	28.35	65	51.18	19	14.96	2	1.57
2014	146	52	35.62	68	46.58	16	10.96	4	2.74
2015	139	60	43.17	55	39.57	13	9.35	1	0.72
	1335	401	30.04	401	30.04	204	15.28	65	4.87

1. Data source: www.proxymonitor.org
2. CSR-related proposals are referred to by Proxy Monitor as "social policy."
3. In Panel B, we do not tabulate the other sporadic issues that include proposals pertaining to healthcare, gender, diversity, and reputational risk.

4.2. CSR performance

The economics and strategic management literature uses KLD ratings as a measure of CSR performance to examine the drivers of this performance. Accounting research, however, does not use this as an outcome measure. CSR is by definition multidimensional. It is thus more useful to examine the individual components of CSR activities and use the KLD ratings for performance outcomes rather than the more aggregated value-based measures found in equity markets. Such a focus is likely to provide better insights into the business model and drivers of CSR performance. The Appendix provides details of the KLD score dimensions.

Table 7, Panel A shows the overall average for strength, concern, and strength minus concern KLD scores.

Whereas both strength and concern have tended to increase, overall concern has increased at a faster rate. Thus, from 2003 to 2011, the average difference between strength and concern is negative. In 2012 and 2013, concern shows a remarkable drop, as does the increase in strength. These changes are particularly compelling and can be examined separately for each dimension.

Table 7, Panels B to D provide the averages for strengths and concerns, and the differences between strengths and concerns, for each of the six dimensions (we do not consider corporate governance). Interestingly, the community, on average, is positive, indicating that strengths are higher than concerns. Nonetheless, diversity has caused concern to increase in recent years.

Even more interesting, for many years, employee relations, human rights, and product dimensions appear to have been the main driver of the overall difference between strength and concern becoming negative. Relating this back to CSR and the business model, each of these dimensions (employee relations, human rights, and products) is related to the business model. As such, future research can examine how various facets of these dimensions are disclosed and then examine such disclosures in relation to CSR performance along each dimension, linking these together with financial performance.

Table 7
CSR performance, KLD score.

Panel A: Overall Score

Year	N	Strength	Concern	Strength minus Concern
2000	660	0.38	0.26	0.13
2001	1107	0.27	0.22	0.05
2002	1108	0.28	0.23	0.04
2003	2963	0.14	0.18	−0.04
2004	3034	0.15	0.22	−0.06
2005	3015	0.17	0.23	−0.06
2006	2962	0.18	0.25	−0.06
2007	2937	0.20	0.26	−0.06
2008	2923	0.20	0.27	−0.06
2009	2912	0.20	0.26	−0.06
2010	3012	0.21	0.32	−0.11
2011	2848	0.22	0.28	−0.06
2012	2797	0.22	0.11	0.10
2013	2560	0.48	0.07	0.41
	34,838	0.24	0.22	0.01

Panel B: Community & Diversity

		Community			Diversity		
Year	N	Strength	Concern	Strength minus Concern	Strength	Concern	Strength minus Concern
2000	660	0.34	0.12	0.22	0.94	0.24	0.69
2001	1107	0.22	0.11	0.11	0.74	0.17	0.57
2002	1108	0.25	0.13	0.12	0.75	0.24	0.51
2003	2963	0.11	0.06	0.04	0.46	0.26	0.20
2004	3034	0.11	0.06	0.05	0.53	0.37	0.16
2005	3015	0.11	0.08	0.03	0.59	0.41	0.18
2006	2962	0.12	0.09	0.04	0.60	0.42	0.18
2007	2937	0.12	0.11	0.01	0.61	0.43	0.18
2008	2923	0.10	0.11	0.00	0.60	0.43	0.17
2009	2912	0.10	0.10	0.00	0.59	0.43	0.16
2010	3012	0.17	0.05	0.12	0.42	1.24	−0.82
2011	2848	0.16	0.03	0.13	0.43	1.19	−0.76
2012	2797	0.13	0.02	0.10	0.20	0.33	−0.13
2013	2560	0.09	0.04	0.06	0.00	0.00	0.00
	34,838	0.15	0.08	0.07	0.53	0.44	0.09

Panel C: Employee Relations & Environment

		Employee Relations			Environment		
Year	N	Strength	Concern	Strength minus Concern	Strength	Concern	Strength minus Concern
2000	660	0.63	0.27	0.36	0.94	0.24	0.69
2001	1107	0.40	0.26	0.14	0.74	0.17	0.57
2002	1108	0.40	0.29	0.12	0.75	0.24	0.51
2003	2963	0.16	0.34	−0.18	0.46	0.26	0.20
2004	3034	0.18	0.43	−0.25	0.53	0.37	0.16
2005	3015	0.19	0.47	−0.28	0.59	0.41	0.18
2006	2962	0.21	0.50	−0.29	0.60	0.42	0.18
2007	2937	0.27	0.52	−0.25	0.61	0.43	0.18
2008	2923	0.31	0.54	−0.24	0.60	0.43	0.17
2009	2912	0.30	0.55	−0.25	0.59	0.43	0.16
2010	3012	0.17	0.24	−0.06	0.42	1.24	−0.82
2011	2848	0.18	0.19	−0.02	0.43	1.19	−0.76
2012	2797	0.58	0.09	0.48	0.20	0.33	−0.13
2013	2560	1.44	0.08	1.36	0.00	0.00	0.00
	34,838	0.39	0.34	0.05	0.53	0.44	0.09

Panel D: Human Rights & Products

		Human Rights			Products		

(*continued on next page*)

Table 7 (*continued*)

Year	N	Strength	Concern	Strength minus Concern	Strength	Concern	Strength minus Concern
2000	660	0.00	0.11	−0.10	0.17	0.38	−0.21
2001	1107	0.00	0.10	−0.09	0.09	0.32	−0.22
2002	1108	0.00	0.08	−0.08	0.10	0.37	−0.27
2003	2963	0.00	0.07	−0.06	0.04	0.18	−0.15
2004	3034	0.00	0.09	−0.09	0.04	0.19	−0.14
2005	3015	0.00	0.04	−0.04	0.04	0.21	−0.17
2006	2962	0.00	0.04	−0.04	0.04	0.22	−0.18
2007	2937	0.00	0.05	−0.04	0.04	0.23	−0.19
2008	2923	0.01	0.05	−0.04	0.05	0.24	−0.19
2009	2912	0.01	0.04	−0.04	0.05	0.23	−0.19
2010	3012	0.02	0.02	0.00	0.06	0.20	−0.14
2011	2848	0.02	0.01	0.01	0.09	0.12	−0.03
2012	2797	0.04	0.02	0.02	0.16	0.13	0.04
2013	2560	0.20	0.03	0.17	0.22	0.14	0.08
	34,838	0.02	0.05	−0.03	0.09	0.23	−0.14

1. Data Source: KLD Index.
2. For each company, the score is scaled by the maximum possible value for that category. The mean values for each category year are reported.

5. Concluding remarks

We provide a framework for CSR based on our contention that it is multidimensional and non-separable from other parts of a firm's business model and show the utility of this framework for examining various issues. Although research on CSR has become increasingly popular among scholars over the last two decades, it has also become increasingly prevalent among business practitioners to incorporate CSR into broader business strategies to yield competitive edges to successful firms. This, of course, is a double-edged sword. Because CSR is part of the business model, it is difficult to separate CSR-related decisions from other business decisions. This poses a measurement and verification challenge; however, noting that challenges are essentially research opportunities, a fruitful avenue for future research focuses on the measurement of CSR activities. In addition, the win-win version of CSR presented here, along with the GRI reporting and disclosure framework, provides an excellent opportunity to examine measurement and to test and expand the disclosure theories.

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Appendix A. KLD Dimensions (Source: KLD Stats Manual 2010)

Source -http://cdnete.lib.ncku.edu.tw/93cdnet/english/lib/Getting_Started_With_KLD_STATS.pdf
COMMUNITY
Strengths

1. *Charitable Giving:* The company has consistently given to charity over 1.5% of trailing three-year net earnings before taxes (NEBT) or has otherwise been notably generous in its giving.
2. *Innovative Giving:* The company has a notably innovative giving program that supports nonprofit organizations, particularly those promoting self-sufficiency among the economically disadvantaged. Companies that permit nontraditional federated charitable giving drives in the workplace are often noted in this section as well.
3. *Non-U.S. Charitable Giving:* The company has made a substantial effort to make charitable contributions abroad and in the U.S. To qualify, a company must make at least 20% of its giving or have taken notably innovative initiatives in its giving program outside the U.S.
4. *Support for Housing:* The company is a prominent participant in public/private partnerships that support housing initiatives for the economically disadvantaged, e.g., the National Equity Fund or the Enterprise Foundation.
5. *Support for Education:* The company has either been notably innovative in its support for primary or secondary school education, particularly for those programs that benefit the economically disadvantaged, or the company has prominently supported job-training programs for youth. In 1994, KLD added support for education strength.
6. *Indigenous Peoples Relations:* The company has established relations with indigenous people in the areas of its proposed or current operations, respecting their sovereignty, land, culture, human rights and intellectual property. KLD began assigning this strength in 2000. In 2002, KLD moved this strength rating into the Human Rights area.
7. *Volunteer Programs:* The company has an exceptionally strong volunteer program. In 2005, KLD added the volunteer programs' strength.

8. *Other Strengths:* The company has either an exceptionally strong in-kind giving program or engages in other notably positive community activities.

Concerns

1. *Investment Controversies:* The company is a financial institution whose lending or investment practices have led to controversies, particularly ones related to the Community Reinvestment Act.
2. *Negative Economic Impact:* The company's actions have resulted in major controversies over its economic impact on the community. These controversies can include issues related to environmental contamination, water rights disputes, plant closings, "put-or-pay" contracts with trash incinerators or other company actions that adversely affect the quality of life, tax base or property values within the community.
3. *Indigenous People Relations:* The company has been involved in serious controversies with indigenous people, indicating that it has not respected their sovereignty, land, culture, human rights and intellectual property. KLD began addressing this concern in 2000. In 2002, KLD moved this strength rating into the human rights area.
4. *Tax Disputes:* The company has recently been involved in major tax disputes involving federal, state, local or non-U.S. government authorities, or it is involved in controversies over its tax obligations to the community. In 2005, KLD moved tax disputes from corporate governance to community.
5. *Other Concerns:* The company is involved in a controversy that has mobilized community opposition or is engaged in other noteworthy community controversies.

DIVERSITY

Strengths

1. *CEO:* The company's chief executive officer is a woman or a member of a minority group.
2. *Promotion:* The company has made notable progress in the promotion of women and minorities, particularly to line positions with profit-and-loss responsibilities in the corporation.
3. *Board of Directors:* Women, minorities, and/or the disabled hold four seats or more (with no double counting) on the board of directors, or one-third or more of the board seats if the board numbers less than 12.
4. *Work/Life Benefits:* The company has outstanding employee benefits or other programs addressing work/life concerns, e.g., childcare, elder care, or flextime.
5. *Women & Minority Contracting:* The company does at least 5% of its subcontracting or otherwise has a demonstrably strong record on purchasing or contracting, with women and/or minority-owned businesses.
6. *Employment of the Disabled:* The company has implemented innovative hiring programs or other innovative human resource programs for the disabled or otherwise has a superior reputation as an employer of the disabled.
7. *Gay & Lesbian Policies*: The company has implemented notably progressive policies toward its gay and lesbian employees. Specifically, it provides benefits to the domestic partners of its employees. In 1995, KLD added the gay & lesbian policies strength, which was originally called the progressive gay/lesbian policies strength.
8. *Other Strengths:* The company has made a notable commitment to diversity that is not covered by other KLD ratings.

Concerns

1. *Controversies:* The company has either paid substantial fines or civil penalties resulting from affirmative action controversies or has otherwise been involved in major controversies related to affirmative action issues.
2. *Non-Representation:* The company has no women on its board of directors or among its senior line managers.
3. *Other Concerns:* The company is involved in diversity controversies not covered by other KLD ratings.

EMPLOYEE RELATIONS

Strengths

1. *Union Relations:* The company has taken exceptional steps to treat its union workforce fairly. KLD renamed this strength from strong union relations.
2. *No-Layoff Policy:* The company has maintained a consistent no-layoff policy. KLD has not assigned strengths for this issue since 1994.
3. *Cash Profit Sharing:* The company has a cash profit-sharing program through which it has recently made distributions to most of its workforce.
4. *Employee Involvement:* The company strongly encourages worker involvement and/or ownership through stock options available to most of its employees: gain sharing, stock ownership, sharing of financial information or participation in management decision-making.
5. *Retirement Benefits Strength:* The company has a notably strong retirement benefits program. KLD renamed this strength from strong retirement benefits.
6. *Health and Safety Strength:* The company has strong health and safety programs.

7. *Other Strengths:* The company has strong employee relations initiatives not covered by other KLD ratings.

Concerns

1. *Union Relations:* The company has a history of notably poor union relations. KLD renamed this concern from poor union relations.
2. *Health and Safety Concern:* The company has recently paid either substantial fines or civil penalties for willful violations of employee health and safety standards or has otherwise been involved in major health and safety controversies.
3. *Workforce Reductions:* The company has made significant reductions in its workforce in recent years.
4. *Retirement Benefits Concern:* The company has either a substantially under-funded defined benefit pension plan or an inadequate retirement benefits program. In 2004, KLD renamed this concern from pension/benefits concern.
5. *Other Concerns:* The company is involved in an employee relations controversy that is not covered by other KLD ratings.

ENVIRONMENT

Strength

1. *Beneficial Products and Services:* The company derives substantial revenues from innovative remediation products, environmental services or products that promote the efficient use of energy, or it has developed innovative products with environmental benefits.
2. *Pollution Prevention:* The company has notably strong pollution prevention programs including both emissions reduction and toxic-use reduction programs.
3. *Recycling:* The company is either a substantial user of recycled materials as raw materials in its manufacturing processes or a major factor in the recycling industry.
4. *Clean Energy:* The company has taken significant measures to reduce its impact on climate change and air pollution through use of renewable energy and clean fuels or through energy efficiency. The company has demonstrated a commitment to promoting climate-friendly policies and practices outside its own operations. KLD renamed it from alternative fuels strength to clean energy strength.
5. *Communications:* The company is a signatory to the CERES Principles, publishes a notably substantive environmental report, or has notably effective internal communications systems in place for environmental best practices. KLD began assigning strengths to this issue in 1996 and then incorporated the issue with the corporate governance transparency rating, which was added in 2005. In files prior to 2005, this column does not appear. In all spreadsheets, it is incorporated into the transparency rating.
6. *Property, Plant, and Equipment:* The company maintains its property, plant and equipment with above average environmental performance for its industry. KLD has not assigned strengths for this issue since 1995.
7. *Management Systems:* The company has demonstrated a superior commitment to management systems through ISO 14001 certification and other voluntary programs. This strength was first awarded in 2006.
8. *Other Strengths:* The company has demonstrated a superior commitment to management systems, voluntary programs or other environmentally proactive activities.

Concerns

1. *Hazardous Waste:* The company's liability for hazardous waste sites exceed $50 million or the company has recently paid substantial fines or civil penalties for waste management violations.
2. *Regulatory Problems:* The company has recently paid substantial fines or civil penalties for violations of air, water or other environmental regulations, or it has a pattern of regulatory controversies under the Clean Air Act, Clean Water Act or other major environmental regulations.
3. *Ozone Depleting Chemicals:* The company is among the top manufacturers of ozone depleting chemicals such as HCFCs, methyl chloroform, methylene chloride, or bromines.
4. *Substantial Emissions:* The company's legal emissions of toxic chemicals (as defined by and reported to the EPA) from individual plants into the air and water are among the highest of the companies followed by KLD.
5. *Agricultural Chemicals:* The company is a substantial producer of agricultural chemicals, i.e., pesticides or chemical fertilizers.
6. *Climate Change:* The company derives substantial revenue from the sale of coal or oil and its derivative fuel products, or the company derives substantial revenues indirectly from the combustion of coal or oil and its derivative fuel products. Such companies include electric utilities, transportation companies with fleets of vehicles, auto and truck manufacturers and other transportation equipment companies. In 1999, KLD added climate change concern.
7. *Other Concerns:* The company has been involved in an environmental controversy that is not covered by other KLD ratings.

HUMAN RIGHTS

Strengths

1. *Positive Record in South Africa:* The company's social record in South Africa is noteworthy. KLD assigned strengths in this category in 1994 and 1995.
2. *Indigenous Peoples Relations Strength:* The company has established relations with indigenous people near its proposed or current operations (either inside or outside the U.S.) that respect the sovereignty, land, culture, human rights and intellectual property of

indigenous people.
3. *Labor Rights Strength:* The company has outstanding transparency on overseas sourcing disclosure and monitoring or has particularly good union relations outside the U.S. or has undertaken labor rights-related initiatives that KLD considers outstanding or innovative. In 2002, the labor rights strength was added.
4. *Other Strengths:* The company has undertaken exceptional human rights initiatives, including outstanding transparency or disclosure on human rights issues, or has otherwise shown industry leadership on human rights issues not covered by other KLD human rights ratings.

Concerns

1. *South Africa:* The company faced controversies over its operations in South Africa. KLD assigned concerns for this issue from 1991 to 1994.
2. *Northern Ireland:* The company has operations in Northern Ireland. KLD assigned concerns for this issue from 1991 to 1994.
3. *Burma Concerns:* The company has operations or direct investment in, or sourcing from, Burma. KLD started assigning concerns for this issue in 1995.
4. *Mexico:* The company's operations in Mexico have had major recent controversies, especially related to the treatment of employees or degradation of the environment. KLD assigned concerns for this issue from 1995 to 2002.
5. *Labor Rights Concerns:* The company's operations have had major recent controversies primarily related to labor standards in its supply chain.
6. *Indigenous Peoples Relations Concerns:* The company has been involved in serious controversies with indigenous people (either inside or outside the U.S.) that indicate it has not respected the sovereignty, land, culture, human rights and intellectual property of indigenous people. KLD started assigning concerns for this issue in 2000.
7. *Other Concerns:* The company's operations have been the subject of major recent human rights controversies not covered by other KLD ratings.

PRODUCT

Strengths

1. *Quality:* The company has a long-term, well-developed, company-wide quality program, or it has a quality program recognized as exceptional within U.S. industry.
2. *R&D/Innovation:* The company is a leader in its industry for research and development (R&D) and brings notably innovative products to market.
3. *Benefits to Economically Disadvantaged:* The company has as part of its basic mission the provision of products or services to the economically disadvantaged.
4. *Other Strengths:* The company's products have notable social benefits that are highly unusual or unique for its industry.

Concerns

1. *Product Safety:* The company has recently paid substantial fines or civil penalties, or is involved in major recent controversies or regulatory actions relating to the safety of its products and services.
2. *Marketing/Contracting Concern:* The company has recently been involved in major marketing or contracting controversies or has paid substantial fines or civil penalties relating to advertising practices, consumer fraud, or government contracting. (Formerly: marketing/contracting controversy)
3. *Antitrust:* The company has recently paid substantial fines or civil penalties for antitrust violations such as price fixing, collusion or predatory pricing or is involved in recent major controversies or regulatory actions relating to antitrust allegations.
4. *Other Concerns:* The company has major controversies over its franchises, is an electric utility with nuclear safety problems, defective product issues, or is involved in other product-related controversies not covered by other KLD ratings.

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