

# Corporate social responsibility is good for the bottom line, but doesn't wash away a firm's sins

March 4 2016, by William G. Gilroy

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Corporate social responsibility, or CSR—a name for the actions companies take to advance social good, above and beyond that which is required by law—continues to draw interest from practitioners and academics alike. One question that practitioners have is whether CSR impacts their firm's performance.

Frank Germann, an assistant professor of marketing at the University of Notre Dame's Mendoza College of Business, and his fellow researchers—Charles Kang from Tulane University and Rajdeep Grewal from the University of North Carolina at Chapel Hill—examined how

CSR relates to firm performance. While the researchers found that, all else equal, CSR does in fact benefit firms financially, it's also increasingly being practiced by companies to offset "bad" behaviors.

"Firms can expect to benefit financially from engaging in corporate [social responsibility](#)," Germann said. "Increasingly, however, firms engage in both [corporate social responsibility](#) and corporate social irresponsibility (CSI). Our results indicate that firms that engage in both CSR and CSI engage in CSR after they have engaged in CSI to make amends for their past CSI."

One aspect that is new about the study is the finding that firms' CSR and CSI are increasingly correlated.

"Although one would think that CSR and CSI are mutually exclusive—that a firm does either 'good' or 'bad'—increasingly, many firms do both good and bad at the same time," Germann said. "Our comprehensive data shows that the correlation between CSR and CSI has increased sharply since the early 2000s."

Some firms engage in CSR to offset their past CSI, while other firms engage in CSR, the researchers speculate, because it is simply part of what they do.

"The latter firms can expect to see significant financial returns from their CSR investments. This finding should be of particular interest to managers. Hopefully it will encourage them to act more conscientiously," Germann said. "Furthermore, both the general public and managers should find it interesting that companies do not seem to be able to 'wash away their sins.'"

**More information:** Charles Kang et al. Washing Away Your Sins? Corporate Social Responsibility, Corporate Social Irresponsibility, and

Firm Performance, *Journal of Marketing* (2015). [DOI: 10.1509/jm.15.0324](https://doi.org/10.1509/jm.15.0324)

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