The Benefits of Corporate Social Responsibility: An Empirical Study

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ABSTRACT: Corporate social responsibility (CSR) has been found to positively affect the financial performance of firms. However, firms are increasingly monitoring outcomes that are not traditional financial measures as a means to gauge sustainable success. This study sought to understand if there are benefits to engaging in CSR beyond traditional financial outcomes. Specifically, the link between CSR and employee turnover and customer satisfaction was studied. The data provide strong support for the hypothesized relationships. CSR appears to diminish employee turnover while improving customer satisfaction. This study therefore offers empirical evidence that CSR can offer benefits to firms beyond traditional financial-orientated rewards.

Keywords: Corporate social responsibility, business ethics, competitiveness, customer satisfaction, employee turnover, organizational performance

Much research in the field of corporate social responsibility (CSR) explores the relationship between the construct and firms' financial performance (Aguilera et al., 2007; Margolis and Walsh, 2003). Hillman and Keim (2001) found support that demonstrating CSR towards primary stakeholders does positively impact financial performance. Researching from a company image perspective, McGuire et al. (1988) found that companies who are perceived to have a reputation for social responsibility enjoy financial performance-related benefits. Ruf and colleagues (2001) argue that firms who voluntarily adopt socially responsive actions will lower transaction costs by increasing their trustworthiness as a transaction partner, which leads to improved financial performance. They find supporting evidence for the argument. Each of these studies, while important, only examines traditional measurements of financial performance, such as return on assets, return on equity, and return on sales. In the contemporary business climate, firms also demonstrate concern over how to improve indicators of organizational performance other than those that are traditional financial measurements.

Kaplan and Norton (1992) argue that assessing the effectiveness of a firm extends beyond measurements of financial performance. For example, to drive sustainable success, firms invest considerable effort in satisfying customers, innovating products and services, and improving internal processes. Thus, a 'balanced' approach to measuring sustainable organizational performance includes a financial perspective, a customer perspective, an internal business perspective, and an innovation and learning perspective. Extending the Kaplan and Norton (1992) framework, the model of Maltz et al. (2003) includes other performance measures such as people development and measures that express preparation for the future, such as quality of strategic planning and investment in R&D. The work of Kaplan and Norton (1992) and Maltz et al. (2003), among others, suggests that in assessing organizational performance, firms are including measures beyond just the financial. From a CSR perspective, while studying relationships between CSR and financial performance has been of prime interest, relatively little is known as to the extent that CSR is linked to other measurements of organizational performance. Other measurements that have seen little to no empirical study include employee turnover and customer satisfaction. Each of these variables is important given their influence on overall organizational performance.

According to Becker and Huselid (1998), employee turnover has a major influence on firms' competitiveness. Research demonstrates that the use of strategic human resources management practices, for example, leads to lower employee turnover, which positively affects both firm performance and firm productivity (Becker and Gerhart, 1996; Guthrie, 2001; Huselid, 1995; Koch and McGrath, 1996). However, scholars also argue that whilst the issue is complex, demonstrating good CSR meets instrumental, moral, and relational needs of employees thereby leading to higher levels of organizational commitment and, in theory, lower turnover (Aguilera et al., 2007). Similarly, customers develop either positive or negative perceptions of firms through product use, service interactions, and expectations based on advertising and word-of-mouth, to name a few (Fornell et al., 1996). CSR is expected to impact customer satisfaction, although little evidence exists demonstrating a link.

To fill gaps in the literature and to test relationships between CSR and employee turnover and customer satisfaction, this research relies on justice theory, equity theory, and the expectancy-disconfirmation paradigm. The paper proceeds as follows. In the next section, a theoretical overview is presented and hypotheses are offered. The study's methodology is then described followed by analysis and results. Lastly, the findings are discussed and some conclusions and research limitations offered.

THEORETICAL DEVELOPMENT AND HYPOTHESES

CSR

CSR generally refers to a firm's activities and status in relation to its perceived societal or stakeholder obligations (Etzioni, 1988; Fombrun, 1997; Sen and Bhattacharya, 2001; Wood, 1991). Much has been written on what constitutes CSR and although many viewpoints exist (Carroll, 1999; Griffin, 2000; Moir, 2001; Rowley and Berman, 2000), Carroll's (1979) conceptualization of the responsibilities of firms has remained a consistently accepted approach, particularly with respect to empirical study. Carroll (1979) argues that firms have four responsibilities, namely: (1) *economic* responsibility (e.g., generate profits, provide jobs, create products that consumers want); (2) *legal* responsibility (e.g., complying with local, state, federal, and relevant international laws); (3) *ethical* responsibility (e.g., meeting other social expectations, not written as law, such as avoiding harm or social injury, respecting people's moral rights, doing what is right and just); and (4) *discretionary* responsibility (e.g., meeting additional behaviors and activities that society finds desirable, such as contributing resources to various kinds of social or cultural enterprises; providing employee benefits such as training and industry-leading salaries). Firms that demonstrate proactive CSR would not only expect to contribute to the creation of societal welfare, but also to improve their own performance (Carroll, 1979). Of particular interest to this study is exploring the relationship between CSR and two dimensions of organizational performance: (1) employee turnover and (2) customer satisfaction.

CSR and employee turnover

Executives continue to suggest that employees are their most valuable asset and that a firm's ability to retain employees is a hallmark of sustainable organizational performance (PricewaterhouseCoopers, 2007). Indeed, the ability to retain employees not only signals that a given firm is a valued place to work (which can elicit positive corporate associations from the public), but several scholars also find that retaining employees has positive consequences for firms' financial performance and productivity (e.g., Becker and Gerhart, 1996; Guthrie, 2001; Huselid, 1995; Koch and McGrath, 1996). Of particular concern to firms then, are the mechanisms and activities that can enable them to lower employee turnover. We posit that CSR is one such activity.

Employee justice perceptions theory (Cropanzano et al., 2001a; 2001b) posits that employees derive general justice perceptions of firms based on the level of fairness demonstrated by these firms. Research has shown that in work environments that are perceived to be fair, employee well-being is positively affected, such as in the areas of job satisfaction and stress (Colquitt et al., 2001). Research also shows that work environments that are perceived as being fair have positive affects on organizational outcomes as well, by means such as lower employee absenteeism and higher levels of employee commitment (Colquitt et al., 2001). On the other hand, work environments that are perceived as being unjust lead to lower employee performance and even vengeful behaviors on the part of employees (Ambrose et al., 2002; Aquino et al., 2001; Tripp et al., 2002). CSR, arguably, signals to employees essential information on which they judge the fairness of a firm.

According to instrumental models, individuals have a psychological need for control (Tyler, 1987). This need for control is based on a self-serving concern for justice and from an employee perspective, justice (or injustice) demonstrated by firms provides information that can be used to foretell an organization's actions. Aguilera et al. (2007) argue that when firms demonstrate CSR they show concern for both internal and external stakeholders, thereby exhibiting fairness. Thus, when CSR is demonstrated consistently, employees can gauge the extent to which they will be fairly treated, giving them a sense of control over whether it is their best interest to remain with the firm. Shifting from instrumental to relational and moral needs, Tyler and Lind (1992) argue from a relational model perspective that justice demonstrated by firms signals the quality of relationships between employees and management and that such relationships impact on employees' sense of identity and self-worth. Because CSR entails building relationships with multiple stakeholders and requires collaboration between employees and management, the expectation is that employees derive a sense of value and belongingness to the organization through demonstrated CSR activities (Aguilera et al., 2007). Lastly, employees have ethical frameworks which guide their decision-making and responses (Cropanzano et al., 2003). Because most individuals have basic respect for human dignity and worth, firms that are unfair violate morality-based concerns for justice. More specifically, firms that do not demonstrate behavior that is consistent with employees' moral or ethical frameworks are likely to suffer negative consequences. Given that CSR is argued to meet employees' instrumental, relational, and moral needs, that it will impact turnover levels is expected. Consequently:

Hypothesis 1: CSR will diminish employee turnover.

CSR and customer satisfaction

Customer satisfaction is a cumulative, global evaluation based on experiences with firms over time and is a fundamental indicator of past, current, and future performance (Anderson et al., 1994). As such, customer satisfaction has become one of the most essential goals of firms and is an important focus of business strategy (Anderson et al., 1997; Dahlsten, 2003; Fornell et al., 2006; Morgan et al., 2005; Taylor, 2003). To understand customer satisfaction, two theoretical orientations are used. The first is equity theory (Oliver, 1997; Oliver and Swan, 1989a, 1989b) and the second is the expectancy-disconfirmation paradigm (Oliver et al., 1997; Rust and Oliver, 1994). Given their orientation towards social exchange and customer interactions, equity theory and the expectancy-disconfirmation paradigm are appropriate to ground hypothesis development in exploring the relationship between a firm's demonstration of social responsibility and its stakeholders; namely, its customers.

Stemming from social exchange theory (Adams, 1965; Homans, 1961), equity theory focuses on fairness, rightness, or deservedness judgments individuals make in reference to what one party or an other receives (Oliver, 1997). The theory generally suggests that in exchanges, if individuals feel equitably treated – namely their input to the exchange is in balance with the output of the exchange – satisfaction is the result (Goodwin and Ross, 1992; Oliver, 1997). Hence, individuals incur certain costs (inputs) in exchanges for a certain level of output from firms. According to Bolton and Lemon (1999) and Oliver and Swan (1989a, 1989b), distributive equity is the individual's reaction to these ratios of inputs to outputs – or fairness. Equity, in turn, affects the individual's overall evaluation of the firm. On the other hand, the expectancy-disconfirmation paradigm postulates that individuals compare exchanges with firms with their prior expectations (Oliver and DeSarbo, 1988; Rust and Oliver, 1994; Tse et al., 1990). Whether the comparison outcomes are perceived as worse than expected, better than expected, or just as expected, will directly drive satisfaction evaluations (Oliver, 1980, 1981). More specifically, individual-level satisfaction is the degree to which perceived performance confirms or disconfirms performance expectations. Accordingly, when performance exceeds expectations, satisfaction increases. When expectations exceed performance delivered, satisfaction decreases. In sum, the expectancy-disconfirmation paradigm predicts that satisfaction should increase with performance and decrease with unmet expectations. With respect to CSR, there a number of ways the construct is expected to positively impact customer satisfaction.

In a well-documented corporate turnaround (Rucci et al., 1997), the American firm, Sears, Roebuck and Company placed customer service at the heart of its corporate strategy. Realizing that offering quality products at affordable prices could be increasingly copied by competing retailers, Sears developed and implemented the 'employee-customer-profit chain' model to gain a competitive advantage (Rucci et al., 1997). The model linked employee actions, customer satisfaction, and profitability, and examined how direct and specific improvements in employee actions would improve customer satisfaction, and, ultimately, profitability. After losing $4 billion in 1992, five years later after implementing the model, in 1997 the company posted a profit of $1.5 billion. According to Rucci et al. (1997) and Westbrook (2000), a key dimension of the turnaround at Sears was heavy investments in employees, particularly in training them in the 'art' of responding to and exceeding customer expectations. Maignan et al. (1999) point out that firms are not legally required to offer training; rather, training is a discretionary responsibility that signals a commitment to CSR.

In another example, in the mid-1990s, motor vehicle manufacturer Volvo Cars embarked on a strategy to improve its customer satisfaction. Rather than focus on customer service, Volvo's main emphasis was on improving product quality (Dahlsten, 2003). After a series of quality initiatives leading to new model development and enhanced features across a number of existing models, Volvo was able to consistently lift its customer satisfaction results (Dahlsten, 2003). According to Carroll (1979) and

Maignan et al. (1999), delivering quality products that meet customer needs is consistent with CSR, particularly with respect to a firm's economic responsibility.

Lastly, when founded, a core value of Enterprise Rent-A-Car was to deliver high levels of customer satisfaction by being honest and fair and 'going the extra mile' (Taylor, 2003). Although the firm consistently delivered positive financial results, by the early 1990s, customer satisfaction levels had slipped. To address the issue, the firm launched the Enterprise Service Quality index (ESQi) as a means to closely measure customer satisfaction, but also as a diagnostics tool to develop new strategies to address the problem. After launching several initiatives, such as standardized practices in customer service, employee training, and reengineering processes, Enterprise Rent-A-Car was able to consistently improve customer satisfaction ratings. However, a key factor to success was Enterprise Rent-A-Car re-orientating itself to the core values of honesty and fairness in dealing with customers (Taylor, 2003). The issue of honesty, fairness, and integrity is an ethical responsibility of the firm and as such, reflects demonstrable CSR activity (Carroll, 1979).

Firms continue to search for ways to improve customer satisfaction. Given that CSR appears to respond to customers across a number of dimensions, the expectation is that:

Hypothesis 2: CSR is positively associated with customer satisfaction.

METHODS

Sample and Data Collection Procedures

A sample of Australian firms was selected for this study. The sample's parameters included: (1) only firms with 50 or more employees; (2) only firms three years old or older; and (3) only firms with manufacturing or services classifications. Other organizations, such as public administration and community service entities, were excluded due to their lack of relevance to this study.

To obtain the sample, firms were randomly selected from *The Business Who's Who of Australia* database provided by Dunn and Bradstreet. A total sample size of 3,000 firms was selected, containing 1,500 firms each from manufacturing and services industries. The CEO was the targeted informant for this study as they are the prime strategist and have breadth of knowledge of firm operations and performance (Andrews, 1971).

After an initial mailing and two follow up letters, the response rate was below the anticipated rate of 15 to 20 percent; specifically, the response rate was 10 percent. Although the response rate yielded may *prima facie* appear low, the rate is similar to other studies on CSR and various studies surveying top managers (e.g., Agle et al., 1999; Devenish and Fisher, 2000; Hall, 1992; Maignan and Ferrell, 2001; Sheridan and Milgate, 2005; Simons et al., 1999).

To test for non-response bias, a comparison between early and late respondents revealed no significant differences on three important variables; namely, employee turnover, sales turnover, and primary business activity. Thus, the respondents appeared to be representative of the broader population.

Measures

CSR. Maignan and colleagues (Maignan and Ferrell, 2000, 2001; Maignan et al., 1999) have rigorously developed and tested a measurement of CSR, based on Carroll's (1979) conceptualization. Following those studies, the construct consisted of four distinct yet equally important dimensions: (1) economic; (2) legal; (3) ethical; and (4) discretionary. To measure CSR, multi-item Likert scales were used for each dimension and informants were asked to rate each item, where "1 = strongly disagree" and "5 = strongly agree". The Appendix displays items for CSR.

Employee turnover. In their studies of CSR, Maignan and Ferrell (2001) and Maignan et al. (1999) measured employee commitment as the degree to which employees felt connected and committed to a firm. However, their measurement did not assess turnover levels. To assess turnover levels, following Guthrie (2001) and Huselid (1995), a single question was used in this study, asking informants to list what the average annual rate of employee turnover was for their firm.

Customer satisfaction. According to Johnson and Fornell (1991), customer satisfaction is an abstract construct that describes customers' total consumption experience with a product or service. Hence, customer satisfaction is not a transient perception, but rather is an overall evaluation of purchase and consumption experiences. Following this logic, for this study, a new scale was developed based on the work of Fornell et al. (1996). The scale contained seven items designed to gauge firms' perceptions of the overall satisfaction of their customers. Informants rated each item on a 5-point Likert scale, where "1 = strongly agree" and "5 = strongly disagree" (see Appendix).

Control variables. Several measures were used as control variables in this study. These included firm size, firm age, industry type, and sales revenue. Firm size was measured with a single item, number of full-time employees. Firm age was measured with a single item, number of years in business. Because industry impacts a firm's competitiveness (Porter, 1980, 1985), dummy variables for six industry types were included to control for possible affects on the dependent variables. For sales revenue, dummy variables were created for six categories, from less than $1,000,000 to a category of over $200,000,000.

Insert Table 1 about here

ANALYSIS

Means, standard deviations, and correlations are presented in Table 1. To assess the psychometric properties of the constructs, EQS Version 6 (Bentler, 2006) was used to conduct confirmatory factor analysis (CFA). Customer satisfaction was assessed as a single factorial model. Following previous research (Maignan and Ferrell, 2000, 2001; Maignan et al., 1999) and based on the work of Carroll (1979), the conceptualization of CSR included four dimensions. To assess the constructs, four fit indices were used: 1) comparative fit index (CFI); 2) goodness-of-fit index (GFI); 3) Root Mean Squared (RMR); and 4) Standardized Root Mean Squared (SRMR). Results are presented in Table 2. According to the findings, after scale purification (see Appendix), all constructs met thresholds for goodness-of-fit indicators in CFA (Bentler, 1990; Hu and Bentler, 1999). To test for statistical significance between the independent and dependent variables, regression analysis was used. For each equation, all variables were entered into a single block. For CSR, the conceptualization used in this study suggests that the multiple dimensions that make up the construct are equally important; hence, equal weights were applied to each of them. Accordingly, a firm's CSR level was computed as the simple averages of the sums of the scores of the responses across the dimensions. For customer satisfaction, the mean score was used. Prior to hypotheses testing, multicollinearity was tested using variance inflation factors (VIF) and tolerance values. Because VIF were no higher than 2 and tolerance values no lower than .780, collinearity among the variables did not seem to be a problem (Hair et al., 1995; Mendenhall and Sincich, 1993).

Insert Table 2 about here

RESULTS

The results of the regression analysis are present in Table 3. The results indicated that CSR does appear to reduce employee turnover. CSR was significantly and negatively associated with employee turnover (β = -0.16; *t* = -2.56; *p* = .011), which was the expected direction. Thus, hypothesis 1 was supported by the finding. With respect to hypothesis 2, CSR was significantly and positively associated with customer satisfaction, resulting in a beta of 0.49 (*t* = 9.13; *p* = .000). Given the findings, hypothesis 2 was confirmed. Lastly, as for the control variables, the consumer products industry dummy was negatively linked with employee turnover, suggesting turnover was lower in this industry. Three of the highest sales revenue dummies were positively associated with customer satisfaction, suggesting firms with higher income might be in a better position to commit efforts to improve customer relations.

Insert Table 3 about here

Additional analysis

There is precedent in the literature for examining the individual dimensions of CSR and their impact on organizational outcomes (Maignan and Ferrell, 2001). Thus, to extend the research findings, the individual dimensions of CSR were regressed on each of the dependent variables (see Table 4). With respect to employee turnover, legal CSR (β = -0.28; *t* = -3.51; *p* = .001) and discretionary CSR (β = -0.15; *t* = -2.04; *p* = .042) were significant with a corresponding negative sign. For customer satisfaction, economic CSR (β = 0.29; *t* = 4.48; *p* = .000), legal CSR (β = 0.26; *t* = 3.74; *p* = .000), and discretionary CSR (β = 0.23; *t* = 3.72; *p* = .000) were significant and positive. Ethical CSR (β = -0.10; *t* = -1.43; *p* = .155) was not related to customer satisfaction.

Insert Table 4 about here

DISCUSSION

A predominant theme of past research has been the CSR-financial performance relationship. Practically, firms use a variety of indicators to measure organizational performance, including those other than the financial (Kaplan and Norton, 1992; Maltz et al., 2003). Measuring results against multiple indicators of performance enables firms to continuously search out means to improve overall performance (Maltz et al., 2003). Following these observations, first, this paper argued that important indicators of organizational performance include employee turnover and customer satisfaction. Second, CSR was argued to be an activity that is important to a firm's ability to improve effectiveness, particularly with respect to diminishing employee turnover levels and improving customer satisfaction. The results suggest that being a good corporate citizen has implications beyond a 'pure' financial payoff.

Specifically, both hypotheses were supported by the data in this study. As a result, the study offers some support for scholars who have theorized that CSR is a value creating activity important to firms beyond the financial benefits it delivers (Aguilera et al., 2007; Neville et al., 2005). For example, Aguilera et al. (2007) suggest that meeting employees' instrumental, relational, and moral needs through CSR will have the effect of lowering turnover rates. This study found that CSR does appear to reduce employee turnover. On the other hand, customer satisfaction is a cumulative, global evaluation of product or service use based on experience with firms over time and is a fundamental indicator of past, current, and future performance (Anderson et al., 1994). This paper argued that, based on equity theory (Oliver, 1997; Oliver and Swan, 1989a, 1989b) and the expectancy-disconfirmation paradigm (Oliver et al., 1997; Rust and Oliver, 1994) firms can improve their product or service evaluation levels with customers by demonstrating CSR. The results indicate that CSR is positively linked to customer satisfaction; thus, given that customer satisfaction is a key focus of corporate strategy (Homburg et al., 2005), CSR might be an important activity to meet such a focus.

CONCLUSIONS AND LIMITATIONS

CSR has long been a controversial topic in discussions about business firms, mainly with respect to diverting corporate attention – and capital – from maximizing shareholder value. Thus, to legitimize the field, empirical research has mainly concentrated on testing the relationship between CSR and firm financial performance; results demonstrate a positive link (e.g., Hillman and Keim, 2001; McGuire et al. 1988; Ruf et al., 2001). To add to the research stream and to extend the findings beyond pure financial measurements, this study explored the relationship between CSR and employee turnover and customer satisfaction. The findings are provocative and suggest that, overall, CSR is linked to both dimensions. However, extended analysis revealed that individual dimensions of CSR might be more important than others. For example, results revealed that legal and discretionary dimensions had the biggest impact on reducing employee turnover. One explanation for the finding might be that firms who demonstrate compliance with the law or offer outstanding care for employees or communities may be in the best position to diminish employee loss. On the other hand, economic, legal, and discretionary dimensions of CSR were positively associated with customer satisfaction. This finding suggests that, for example, firms who meet customer needs through offering valued products (economic CSR), ensure customers are not harmed in any way by meeting legal standards (legal CSR), or who treat employees well through benefits and high salaries (discretionary CSR) might be reaping the rewards of higher customer satisfaction

As with all empirical research, there are some limitations to this study. First, as with much data used in organizational science, the data are cross-sectional. As a result, the research limits the degree to which employee turnover and customer satisfaction are tracked over time; nor does it measure the extent to which changes in CSR affect these variables over time. Second, a single informant was used, which can result in common method bias. A Harman's *ex post* one-factor test (Podsakoff et al., 2003) was conducted on all the variables measured in the survey, and the results revealed that that a single factor solution did not emerge, nor did any factor account for a majority of the variance. Hence, any common method bias was unlikely. Lastly, given the Australian context, the generalizability of the study is limited by the sampling frame.

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TABLES

Variable	Mean	SD	1	2	3	4	5
1. Firm size	630.35	1852.61	1.00				
2. Firm age	42.42	40.91	.09	1.00			
3. Employee turnover	4.05	0.46	.12*	-.07	1.00		
4. Customer satisfaction	12.65	10.18	-.04	-.04	-.22**	1.00	
5. CSR	4.09	0.54	.10*	.05	-.11*	.44**	1.00

* $p < .05$; ** $p < .01$ (1-tailed)

Table 1. Descriptives and correlations.

Model/Variable	Mean	S.D.	Internal Consistency	Cronbach's alpha	Chi-square	df	CFI	GFI	RMR	SRMR
CSR					193.01	105	.94	.92	.04	.06
Economic	3.94	0.55	0.73	.72						
Legal	4.50	0.42	0.82	.81						
Ethical	4.25	0.59	0.83	.79						
Discretionary	3.51	0.71	0.82	.79						
Customer satisfaction	3.99	0.55	0.91	.89	109.48	20	.92	.91	.02	.05

Table 2. Results of confirmatory factor analysis.

Independent variables	Dependent variables	
	Employee turnover	Customer satisfaction
Firm size (number of employees)	0.09	0.01
Firm age (number of years in business)	-0.09	-0.03
Revenue dummy ($1.001M to $10M)	-0.06	-0.05
Revenue dummy ($10.001M to $50M)	-0.03	0.09
Revenue dummy ($50.001M to $100M)	-0.09	0.23***
Revenue dummy ($100.001M to $200M)	0.08	0.21***
Revenue dummy (over $200M)	-0.03	0.24***
Industry dummy (Consumer products)	-0.22***	0.06
Industry dummy (Financial services)	-0.07	0.08
Industry dummy (Insurance)	0.09	0.00
Industry dummy (Personal services)	-0.01	0.09
Industry dummy (Business services)	-0.02	0.04
CSR	-0.16**	0.50***
R^2	0.12	0.30
F	2.81***	9.02***

* $p < 0.05$.
** $p < 0.01$.
*** $p < 0.001$.

Table 3. Benefits of CSR: Overall assessment.

	Dependent variables	
Independent variables	Employee turnover	Customer satisfaction
Firm size (number of employees)	0.10	0.02
Firm age (number of years in business)	-0.10	-0.03
Revenue dummy ($1.001M to $10M)	-.07	0.04
Revenue dummy ($10.001M to $50M)	-0.06	0.12**
Revenue dummy ($50.001M to $100M)	-0.11	0.26***
Revenue dummy ($100.001M to $200M)	0.06	0.21***
Revenue dummy (over $200M)	-0.05	0.22***
Industry dummy (Consumer products)	-0.20***	-0.01
Industry dummy (Financial services)	-0.07	0.02
Industry dummy (Insurance)	0.07	0.04
Industry dummy (Personal services)	-0.01	0.10*
Industry dummy (Business services)	-0.01	0.04
Economic CSR	0.06	0.29***
Legal CSR	-0.28***	0.26***
Ethical CSR	0.13	-0.11
Discretionary CSR	-0.15*	0.23**
R^2	0.17	0.34
F	3.38***	9.06***

* $p < 0.05$.
** $p < 0.01$.
*** $p < 0.001$.

Table 4. Benefits of CSR: Assessment by individual component.

APPENDIX

Corporate Social Responsibility[a]

Economic
1. Our business has a procedure in place to respond to every customer complaint.
2. We continually improve the quality of our products.
3. We use customer satisfaction as an indicator of our business performance.[b]
4. We have been successful at maximizing our profits.
5. We strive to lower our operating costs.
6. We closely monitor employees' productivity.
7. Top management establishes long-term strategies for our business.[b]

Legal
1. Managers are informed about relevant environmental laws.
2. All our products meet legal standards.
3. Our contractual obligations are always honored.
4. The managers of this organization try to comply with the law.
5. Our company seeks to comply with all laws regarding hiring and employee benefits.[b]
6. We have programs that encourage diversity of our workforce (in terms of age, gender, or race).[b]
7. Internal policies prevent discrimination in employees' compensation and promotion.[b]

Ethical
1. Our business has a comprehensive code of conduct.
2. Members of our organization follow professional standards.[b]
3. Top managers monitor the potential negative impacts of our activities on our community.
4. We are recognized as a trustworthy company.
5. Fairness toward coworkers and business partners is an integral part of our employee evaluation process.
6. A confidential procedure is in place for employees to report any misconduct at work (such as stealing or sexual harassment).
7. Our salespersons and employees are required to provide full and accurate information to all customers.

Discretionary
1. The salaries offered by our company are higher than industry averages.
2. Our business supports employees who acquire additional education.[b]
3. Our business encourages employees to join civic organizations that support our community.
4. Flexible company policies enable employees to better coordinate work and personal life.
5. Our business gives adequate contributions to charities.
6. A program is in place to reduce the amount of energy and materials wasted in our business.
7. We encourage partnerships with local businesses and schools.[b]
8. Our business supports local sports and cultural activities.

Customer Satisfaction[a]

1. Compared to competitors, our customers find that our products/services are much better.
2. Our customers are very satisfied with the products/services we offer.
3. Our customers are very satisfied with the value for price of our products/services.[b]
4. Our customers find that the products/services we offer exceed their expectations.[b]
5. The likelihood that our customers will recommend our products/services to others is high.
6. Our customers are very satisfied with the quality of our products/services.
7. The ability to achieve high levels of customer satisfaction is a major strength of our firm.

a. 5-point scale ranging from *strongly disagree* to *strongly agree*.
b. Item eliminated based on refinement procedure.