FROM SOCIAL RESPONSIBILITY TO SOCIAL IMPACT:

A FRAMEWORK AND RESEARCH AGENDA

Aseem Kaul
e-mail: akaul@umn.edu

Jiao Luo
e-mail: luoj@umn.edu

Carlson School of Management
University of Minnesota
321 19th Avenue South
Minneapolis, MN 55455

Draft: October 2019

ABSTRACT

While corporate social responsibility (CSR) has received increasing attention in the management literature, the focus of most prior work has been on the financial implications of CSR activities for firms, rather than on their consequences for social welfare. We contend that this relative neglect stems from the lack of a conceptual framework to evaluate social impact, and offer such a framework in this study. Specifically, we identify four criteria that an activity must meet in order to have an unambiguously positive effect on social welfare: it must be substantive, meaning that it delivers meaningful benefits to those it claims to serve; it must be unequivocal, meaning that these benefits must not be offset by harmful actions by the firm elsewhere; it must be inclusive, meaning that those that do not benefit from the firm's actions are not left worse off; and it must be comparatively efficient, meaning that the same activity could not be carried out more effectively or efficiently under a different organizational form. By developing a coherent and rigorous framework to assess social impact systematically, our study offers both a research agenda for future scholars, and a useful tool for managers seeking to design more effective CSR initiatives.

*Acknowledgments: We are grateful to conference participants at the Dartmouth Junior Faculty Strategy Research Summer Camp, Institutional and Organizational Economics Academy, Utah Winter Innovation Summit for providing comments and feedback. All errors are our own.

Electronic copy available at: https://ssrn.com/abstract=3575027

FROM SOCIAL RESPONSIBILITY TO SOCIAL IMPACT:

A FRAMEWORK AND RESEARCH AGENDA

How the actions of firms impact society is a topic of longstanding interest to research in management and organizations (Jones et al., 2016; Stern & Barley, 1996; Tsai, 2013; Walsh, Weber, & Margolis, 2003). Within that topic, one stream of work has emphasized the consequences of firms' business operations for society (Coase, 1960; Cobb, 2016; Freeman, 1984; Hinings & Greenwood, 2002) and argued for a more expansive definition of value creation that includes a wider range of potential stakeholders (Barney, 2018; Klein, Mahoney, McGahan, & Pitelis, 2019; Mahoney & McGahan, 2007; Mahoney, McGahan, & Pitelis, 2009). A second stream of research has focused on deliberate attempts by firms to address societal 'grand challenges' (George, Howard-Grenville, Joshi, & Tihanyi, 2016), with recent years seeing a vast burgeoning of literature examining corporate social responsibility (CSR) and philanthropy (Campbell, 2005; Dorobantu, Kaul, & Zelner, 2017; Godfrey, 2005; Matten & Moon, 2008; McWilliams & Siegel, 2001). The focus of this latter stream has, however, remained largely on the relationship between CSR and financial performance (Barnett, 2007; Barnett & Salomon, 2012; Flammer, 2015; Mackey, Mackey, & Barney, 2007; Waddock & Graves, 1997). The question of whether "companies really make a concrete difference in curing social ills when they act as though they can do so" raised by Margolis and Walsh (2003; p. 283) remains largely unanswered (Barnett, 2019; Kaul & Luo, 2018; Vishwanathan, van Oosterhout, Heugens, Duran, & Essen, 2019), with some recent studies suggesting that CSR activities may even be harmful to society in some cases (Kaul & Luo, 2018; Luo, Kaul, & Seo, 2018). We thus find ourselves, as a field, in the situation of urging firms to be socially responsible, without being able to say whether CSR activities truly contribute to social welfare, and leaving "organizations that seek to respond to these calls for social involvement bereft of prescriptive guidance for how to do so" (Margolis and Walsh, 2003; p. 282).

Electronic copy available at: https://ssrn.com/abstract=3575027

While this "eerie silence" (Walsh et al., 2003) around social welfare in management may be partly a result of the acknowledged difficulty of measuring social impact empirically, we contend that it is also because management theory lacks a coherent theoretical framework for assessing social welfare. What does it mean, conceptually, to say that a firm's action has positive social impact? Absent a clear set of theoretically-derived criteria against which to assess a given action, we are left with nothing more than subjective assessments, which are inherently irreconcilable. One person's social impact is another person's window dressing. It is thus important to develop a framework to define the characteristics of an action that make it positively impactful[1], not only as a conceptual foundation for scholarly research on this critical issue, but as a pragmatic guide for managers and policy makers in assessing which CSR activities may truly produce beneficial social outcomes.

In this paper, we offer such a framework. Starting from the premise that an action that has positive social impact must be Pareto optimal (Jones et al., 2016)—and therefore focusing only on those CSR activities that are not harmful to firm profits—we define four criteria that an action must fulfil to result in positive social impact. We argue that CSR activities producing positive social impact are: a) substantive, in that they benefit their intended recipients in a meaningful way; b) unequivocal, in that the benefit from the activity itself is not offset by reactions to it within the firm; c) inclusive, meaning those that are not served by the CSR activity are not left worse off; and d) comparatively efficient, meaning the same activity could not have been carried out more efficiently under a different governance form. Any CSR activity that meets these four criteria without harming firm profits is unambiguously enhancing social welfare.

While we speak of an action meeting or not meeting a criterion throughout this paper for rhetorical purposes, our goal is not to define some absolute threshold or benchmark. Rather, it is to

[1] The motivating analogy in our mind is Barney's seminal 1991 framework defining the criteria that make a resource capable of being the basis of sustained competitive advantage; a framework that has helped to motivate and shape decades of subsequent scholarship on the resource based view (Barney, Ketchen, & Wright, 2011).

Electronic copy available at: https://ssrn.com/abstract=3575027

draw attention to the various challenges that may limit the positive social impact of firms' CSR activities, and to thus emphasize the need to critically assess CSR activities against these challenges. Nor is our proposed framework in any way normative. We are not saying that CSR activities should necessarily deliver positive social impact; we are only saying that an activity that does not meet our four criteria cannot claim to be 'doing good'. Moreover, even if we are willing to trade social harm for financial performance, it is still important to understand the extent and nature of that harm, and our framework offers a meaningful way to do so.

Our proposed framework thus makes several contributions to the literature. First, it refocuses attention on the crucial question of the welfare consequences of CSR activities, highlighting the importance of moving past the financial benefits of such activities for firms' shareholders, to a more systematic and critical assessment of their social impact (Luo & Kaul, 2019; Margolis & Walsh, 2003). Not only do we stress the need to think about social impact, our framework offers the means to do so, providing a theoretical foundation to answer a question that has often been raised but seldom been effectively addressed. Second, by drawing attention to several aspects of social impact that have received relatively little attention, our framework offers new directions for both theoretical and empirical work on CSR. Our focus on the challenges firms face in achieving positive social impact, and the many ways in which CSR may therefore prove harmful to society, is deliberately provocative, meant to reinvigorate the conversation around these issues rather than to provide a definitive solution. Third, by bringing together work from a variety of traditions including strategy, organization theory, sociology, economics, and political science, our framework offers a coherent way of organizing important but relatively nascent ideas about social impact into a comprehensive whole, highlighting both the differences and the connections between them. Finally, we believe our framework is valuable not only to academic scholars studying CSR but also to practitioners looking for guidance on how to design CSR initiatives that are more socially impactful,

Electronic copy available at: https://ssrn.com/abstract=3575027

and to various stakeholders trying to assess the impact of existing initiatives. Our framework offers a simple and logical way of thinking about social impact, one that may be easily applied across a wide range of contexts.

DEFINING SOCIAL IMPACT

Examining the social consequences of firm actions has long been acknowledged as a key aspect of management research (Tsai, 2013; Walsh et al., 2003) on both ethical (Freeman, 1984; Hinings & Greenwood, 2002) and pragmatic grounds (Margolis & Walsh, 2003). It is imperative that managers (and management researchers) consider not only the interests of their shareholders, but of a wider set of stakeholders (Mahoney et al., 2009; Mahoney & McGahan, 2007) in order to ensure the stability and sustainability of the economic system in which they function. Failure to do so is likely to result in a breakdown of the socio-economic order (Gurr, 1970; Polanyi, 1944); as Stiglitz puts it, "in a democracy, policies that, year after year, leave significant groups of the population worse off are likely not politically sustainable" (Stiglitz, 2017, p. xxii). This call for attention to social impact has only grown more strident in recent years, as the unequal nature of recent economic growth (Giridharadas, 2018; Piketty, 2017), and the privileging of corporate interests over social interests (Stiglitz, 2017), has led to growing socio-political unrest, prompting many to question the future of capitalism itself (Adler, 2019; Anderson, Barney, Henderson, Meyer, & Rangan, 2019; Foroohar, 2016). Moreover, as firms increasingly invest in sustainability initiatives and take on the 'grand challenges' of dealing with social issues (George et al., 2016), there is a demand for business schools to provide more guidance to managers on the best way to deliver positive social impact (Margolis & Walsh, 2003). Overall, there is thus "a vital need to understand how corporate efforts to redress social misery actually effect their intended beneficiaries", and, specifically, "what are the conditions under which positive consequences result for beneficiaries" (Margolis and Walsh, 2003, p. 289).

Electronic copy available at: https://ssrn.com/abstract=3575027

To address that need, we must first define precisely what we mean by positive social impact. While definitions of social welfare in management scholarship (and elsewhere) vary, in this study we follow recent work and define social impact in terms of Pareto improvement, i.e., on whether it leaves some better off without leaving others worse off (Jones et al., 2016; Kaul & Luo, 2018). Specifically, we define a corporate action as having positive social impact if it increases the utility of at least one set of stakeholders without reducing the utility of any other stakeholders. By focusing on utility rather than simply financial gain, we deliberately take a broader view of human behavior, allowing for both other-regarding preferences (Hochman & Rodgers, 1969), and preferences for values, status, etc. (Ingram & Clay, 2000) [2]. This definition of positive social impact also reflects a broader perspective on firm value creation that considers not only the value created for shareholders but the benefit to all relevant stakeholders (Klein et al., 2019; Mahoney et al., 2009; Mahoney & McGahan, 2007).

We recognize, of course, that Pareto improvement is not a universally accepted standard of welfare gain. Even from a strictly utilitarian perspective it could be argued that actions that leave some people worse off may still be welfare enhancing if the gains to others are sufficiently large or important (Kaldor, 1939), and there are considerations beyond simple utilitarianism to be considered, such as the claims of moral justice (Rawls, 1971; Sen, 2011). Nevertheless, we think Pareto improvement is a reasonable standard to apply in thinking about the social impact of firm actions, for three reasons. First, given that social impact is generally challenging to think about, accounting for multiple objectives and taking into consideration trade-offs between the utilities of different actors risks making any assessment of social impact entirely intractable (Arrow, 1951).

[2] One problem with using utility as a measure of value is that bigoted actors may experience disutility from actions that benefit those they are prejudiced against (Glaeser, 2005), e.g., the negative utility experienced by homophobes when firms advance LGBTQ rights. In what follows, we exclude the effects of such hate-based utility from our discussion; i.e., we do not consider utility (disutility) that arises purely from material harm (benefit) to others.

Electronic copy available at: https://ssrn.com/abstract=3575027

Focusing on Pareto improvements is thus "a reasonable approach, albeit an incomplete one" (Jones et al., 2016; pp. 221-222). Second, while there may be pressing reasons for prioritizing the welfare of one group over others, it is unclear that for-profit corporations should be tasked with making such trade-offs. If welfare is to be redistributed from one party to the other in the name of social justice—and it is questionable that is the case (Agarwal & Holmes, 2019)—it would seem preferable, in a democratic society, that such redistribution is done by duly elected representatives of the public at large, rather than by managers of privately held corporations (Friedman, 1970; Reich, 2016). Thus, Pareto improvement is a reasonable basis to judge the social impact of corporate actions, which are our focus. Third, since we are defining value in terms of utility rather than purely financial gain, actions that are experienced as utility destroying by some shareholders would logically violate Pareto optimality. An action that is in violation of stakeholders' intrinsic values of justice or equity may thus be Pareto suboptimal, even if it does not financially harm those whose values are violated. Similarly, an action that disrupted the stability of the prevailing economic system (Marti & Scherer, 2016) in ways that foresighted actors could reasonably predict (Williamson, 1996) could not be Pareto improving because it would leave risk averse actors worse off. Thus, while we recognize that Pareto improvement is an incomplete criterion for assessing social welfare, we do not think it is excessively narrow or constraining.

How does our definition of positive social impact as Pareto improvement relate to profit maximization? In a world where markets operated perfectly and there were no transaction costs, the two would be the same: since all utility improvements would be fully accounted for in determining firm profits, actions that maximized firm profits would also maximize social welfare (Arrow & Hahn, 1971; Coase, 1960). In the presence of market frictions (Mahoney & Qian, 2013), however, profit maximization and social impact may diverge (Luo & Kaul, 2019), with firms being able to raise profits for their shareholders by taking actions that are harmful to other stakeholders, the costs

Electronic copy available at: https://ssrn.com/abstract=3575027

of which are not internalized by the firm (Coase, 1960; Jones et al., 2016). Similarly, it may be that the firm could take actions that would benefit some stakeholders without harming others, but may fail to do so if it has no way to internalize these gains. In this study, we therefore focus on social issues as defined by Luo and Kaul (2019): as the suboptimal allocation of resources arising out of market frictions that are not resolved through private commercial transactions. Specifically, we focus on actions taken by firms to resolve such social issues—i.e., CSR activities, broadly defined—and develop a systematic framework to analyze whether such actions are, in fact, resulting in Pareto improvement. We focus on CSR activities because, as the preceding argument suggests, these are the activities where the gap between profit maximization and social welfare is likely to be greatest. While it is certainly the case that many of a firm's normal commercial activities may also generate positive social impact—e.g., the introduction of new products and technologies, or the provision of higher quality services—the value from such activities is likely to be fully reflected in increased firm profitability, so a focus on profit maximization is sufficient to ensure that such activities are, in fact, delivering positive social impact. It is where the imperatives of profit maximization and social welfare are most likely to diverge, as is the case with CSR activities, that a separate framework to systematically assess social impact independent of profitability is most vitally needed.

Note that in conceiving of positive social impact as Pareto improvement we are including a firm's shareholders among the relevant stakeholders; i.e., for an action to have positive social impact it must leave these shareholders no worse off. This might happen in one of two ways. One possibility is that the firm incurs financial losses by undertaking CSR, but these losses are offset by the increased utility that shareholders receive from the firm's CSR activities, as reflected in their willingness to accept lower financial returns (Cheng, Ioannou, & Serafeim, 2013; Mackey et al., 2007; Morgan & Tumlinson, 2019). A second possibility is that the pursuit of CSR actually enhances firm profits (or at least leaves them unaffected) so shareholders are not harmed. This may be the case if

Electronic copy available at: https://ssrn.com/abstract=3575027

the firm is rewarded for its CSR activities by other stakeholders, who derive utility from these actions even if they do not directly benefit them[3] (Bénabou & Tirole, 2010; Kaul & Luo, 2018; Luo & Kaul, 2019). Indeed, much of the prior work on CSR has focused on such indirect rewards that firms receive, arguing and showing that various stakeholders—including customers (Elfenbein & McManus, 2010; Fosfuri, Giarratana, & Roca, 2015; Lev, Petrovits, & Radhakrishnan, 2010; Singh, Teng, & Netessine, 2019), employees (Bode & Singh, 2018; Bode, Singh, & Rogan, 2015; Burbano, 2016; Carnahan, Kryscynski, & Olson, 2017; Flammer & Luo, 2017), regulators (Koh, Qian, & Wang, 2014), and social activists (Baron, 2001; Henisz, Dorobantu, & Nartey, 2014)—do reward firms for their CSR activities, making such activities profitable for the firm (Flammer, 2015). It is precisely this separation between the supporters of CSR activities and their recipients that opens up a potential gap between profit maximization and social impact, however, giving rise to the possibility that CSR activities may enhance firm profits without resulting in Pareto improvement (Kaul & Luo, 2018; Luo et al., 2018; Seo, Luo, & Kaul, 2019). That is why we need to assess the social impact of CSR activities independent of their benefits for firm profitability (Jones et al., 2016).

A FRAMEWORK FOR ASSESSING SOCIAL IMPACT

While using Pareto improvement as a benchmark for social impact seems reasonable in principle, putting that principle into practice is not easy. Our key contention is that firms and stakeholders often fail to fully consider the relevant consequences of their actions, so that activities that seem socially beneficial on the surface often end up doing little good for society, or even, in some cases, doing harm. In what follows, we discuss various ways in which seemingly socially responsible actions may fail to deliver true social welfare, using this discussion to develop four criteria that any action must meet to truly deliver positive social impact in the Pareto improvement

[3] If the stakeholders were being directly benefited by the actions they were rewarding the firm for, then we are back in the realm of private transactions, where profit maximizing activities are also welfare maximizing.

Electronic copy available at: https://ssrn.com/abstract=3575027

sense. We do not focus on the potential gaps between supposedly socially responsible actions and true social impact because we want to undermine existing CSR initiatives. Our purpose, as discussed, is rather to help raise the quality and impact of such initiatives by developing a coherent theoretical framework to assess their social benefit in a critical and systematic way.

INSERT FIGURE 1 ABOUT HERE

Specifically, we argue that in order to produce positive social impact, any CSR activity must meet four criteria: it must be substantive, unequivocal, inclusive, and comparatively efficient. Figure 1 summarizes our conceptual framework, and we discuss each criterion in more detail below. As mentioned, we focus our discussion primarily on the social impact of firms' CSR activities, since we think that is where the problem of unconsidered negative social consequences is most pressing, but our framework applies more broadly and may be used to assess the social impact of any firm activity.

Substance

Our first criterion for a CSR activity to deliver positive social impact is that it be substantive, i.e., that it truly benefit the people or cause it claims to benefit, in the way that it claims to do so. While this may seem like a basic (and obvious) prerequisite for any CSR initiative, there is growing evidence to suggest that CSR initiatives often end up decoupled from their alleged purpose (Meyer & Rowan, 1977; Whiteman & Cooper, 2016), with firms undertaking actions that are largely symbolic rather than substantive (Durand, Hawn, & Ioannou, 2019; Hawn & Ioannou, 2016; Seo et al., 2019).

CSR activities are especially susceptible to such decoupling between symbol and substance due to the separation between those who reward firms for their CSR activities (supporters) and those who allegedly receive their direct benefits (recipients), as discussed in the previous section. This separation means that supporters of firms' CSR activities reward firms for the benefits they believe firms are providing rather than for the benefits they are actually providing, the gap between

Electronic copy available at: https://ssrn.com/abstract=3575027

the two arising because the supporters may not directly experience or observe either the actions of firms or their immediate consequences. In principle, of course, supporters would be well informed about recipient benefits and would only reward firms for what they actually deliver[4], but there are several reasons why this might fail to be the case.

First, given separation between supporters and recipients, efforts to monitor and confirm the true substance of firms' CSR claims are likely to be costly, and supporters may thus optimally limit the extent to which they choose to check up on firms' actions, leaving room for purely symbolic efforts (Kaul & Luo, 2018). This may be especially true in cases where the cost of checking on the veracity of a firm's claims is large compared to the reward being provided by an individual supporter; e.g., it would hardly make sense to spend, say, $ 20 confirming that an extra $ 5 spent on buying a product from an allegedly responsible firm was truly being put to good use. Moreover, it is unclear that supporters of social program would, in fact, choose to spend money and effort checking up on the programs they support, even if the information were available at a reasonable cost (Fong & Oberholzer-Gee, 2011). To the extent that supporters are motivated by the 'warm glow' they receive from rewarding CSR activities (Andreoni, 1988; 1990; Ariely, Bracha, & Meier, 2009) or from the benefits to their self-image from being seen to be socially responsible (Griskevicius, Tybur, & Van den Bergh, 2010), they have little reason to care about the magnitude of benefit the initiatives they support truly deliver, and may be perfectly content with purely symbolic activities (Baron & Greene, 1996; Kahneman & Knetsch, 1992; Seo et al., 2019).

Second, even if supporters were fully informed about the true extent and nature of a firm's activities, they may not be able to accurately assess their benefits to recipients. The separation between supporters and recipients means that the two may have very different utility functions, so

[4] This is a key difference between rewarding a firm for CSR activities and paying it for goods and services for private consumption; in the latter case those paying the firm are, by definition, fully informed about the utility the firm delivers.

Electronic copy available at: https://ssrn.com/abstract=3575027

that actions that supporters value may not be valued (or be valued much less) by recipients. Take the case of Tom's Shoes: a firm that donates a pair of shoes to children in need for every pair bought from it, and is often lauded for making social responsibility an integral part of its business strategy (Marquis & Park, 2014). While supporters may believe that by giving shoes to needy children they are substantially boosting their welfare, it is unclear how much the children in question truly benefit from receiving a pair of high end shoes. Even if the children value the shoes, are they really a higher priority for them than food, shelter, medicine, education, or a whole range of other more vital goods and services? Not only may supporters value goods and services differently from recipients, they may also fail to fully understand how corporate interventions are perceived and used in the recipients' context. In the case of PlayPumps International, for instance, an intervention that was supposed to combine a playground for children with drinking water for the local village often ended up either not working or relying too heavily on child labor (MacAskill, 2015). Supporters may also be guided by their own values and preferences, so that they may prefer CSR interventions that conform to their beliefs rather than those that the recipients would truly value. The problem is even more severe in cases where the recipients cannot speak for themselves (e.g., animals, future generations), or where the link between the firm's actions and the benefit to the recipient cause is causally complex (e.g., climate change). In such cases, even fully informed supporters must rely on the expertise of others to judge whether and to what extent CSR initiatives are truly delivering the promised benefit, and often the only ones with the relevant expertise are the firms themselves, or other parties that have a vested interest in championing such initiatives (Luo & Kaul, 2019; Milgrom & Roberts, 1986).

Nor is the problem limited to the separation between recipients and supporters; in many cases, the managers spearheading the CSR initiatives may themselves be separated from their intended recipients and may therefore have the same limited understanding (and, potentially, the

Electronic copy available at: https://ssrn.com/abstract=3575027

same limited motivation to develop a better understanding) of the recipients' true needs as the supporters who reward them. For instance, Mark Zuckerberg, founder and CEO of Facebook, led a much publicized campaign to improve the Newark public school system in 2010 (in collaboration with then-mayor Cory Booker) that by all accounts was well-intentioned, but largely failed to achieve its objective because those running the program did not consult with the local parents or communities (Ravitch, 2013). Without due attention to the substance of CSR activities, firm managers (especially those with other responsibilities to worry about) have every reason to be perfectly content to pursue CSR initiatives that they and their supporters believe are socially responsible, and little incentive to question the true impact of these activities for recipients. As a result, even perfectly well-intentioned efforts by firms to advance social welfare may have little substantive value to the recipients they are trying to serve.

For all these reasons, supporters' (and managers') evaluations of the benefits of CSR activities may differ substantially from those of the actual recipients, giving rise to CSR initiatives that are entirely symbolic (Whiteman & Cooper, 2016) or at least substantially overstated (Kaul & Luo, 2018). While it is tempting to think that the threat of being found out would deter firms from pursuing purely symbolic CSR, there are several reasons why this may not prove to be the case. To begin with, there may be many cases where society's ability or incentive to identify and punish symbolic actions is limited, so firms can realistically hope to get away with symbolic CSR initiatives for a long time (Durand et al., 2019). In fact, some level of symbolic CSR may represent a stable equilibrium (Kaul & Luo, 2018). Moreover, even if a firm was eventually found to be pursuing largely symbolic CSR activities, it is far from certain that the penalties for doing so would outweigh the benefits (Bromiley & Marcus, 1989). Even if the firm paid a penalty for being found out—in the form of boycotts or other forms of targeting by social activists (King & Soule, 2007; McDonnell & King, 2013)—that penalty would have to be greater than the higher profits it enjoyed until it was

Electronic copy available at: https://ssrn.com/abstract=3575027

found out for it to serve as an effective deterrent, and there is no real reason to believe that must always be the case. Moreover, the discovery that the firm's CSR actions are symbolic would only cost the firm if it could be shown that it was deliberately choosing to lie about or exaggerate its actions, e.g., in the case of Volkswagen's 'Dieselgate' scandal. In many cases, however, firms may have plausible deniability, arguing that they were just as ignorant of the true impact of their CSR actions as the supporters who rewarded them. In addition, where CSR activities were only partly symbolic, based on an exaggerated belief of their efficacy among supporters, or catering to supporters' values and preferences, firms could legitimately claim to have been entirely transparent and honest about their CSR activities.

Not only may symbolic CSR initiatives thus prove sustainable in the long term, but, absent systematic attention to social impact, their presence may undermine the survival of more substantial initiatives (Kaul & Luo, 2018; Luo et al., 2018). Suppose that some firms choose to undertake substantive CSR out of ethical or altruistic considerations, and are rewarded for doing so by key stakeholders. The success of these firms shall prompt other firms to also take symbolic action to be seen as socially responsible, in the hope of sharing in the financial rewards from CSR. Absent systematic scrutiny of the true social impact of their actions, such firms may be able to pool with the genuinely altruistic firm (Luo et al., 2018), resulting in a 'phishing equilibrium' (Akerlof & Shiller, 2016), where firms take advantage of the credulity of supporters to make profits for their shareholders under the guise of being socially responsible. Firms that are genuinely trying to be responsible would then find that they have higher cost—on account of their substantive efforts—but receive similar benefits as their peers pursuing symbolic actions. Over time, such firms may therefore lose out in the market, and may find it more profitable to switch to purely symbolic actions themselves, further undermining substantive CSR.

Electronic copy available at: https://ssrn.com/abstract=3575027

How might firms (and supporters) deal with the problem of symbolic CSR in order to ensure that CSR initiatives are truly substantive? For one, they should design CSR initiatives in ways that engage closely with those they are intended to serve. Rather than base the choice of CSR initiatives on their own values and preferences (Chin, Hambrick, & Trevino, 2013), or on the actions most favored by their supporters, they should develop CSR initiatives in close consultation with their intended recipients, making sure they have a voice in every stage of the process. Firms should also ensure (and supporters should demand) that they collect and make available data on CSR initiatives they undertake, including their progress on desired outcomes. Reporting on CSR initiatives should not be limited to mere counts of formal policies in place (e.g., the KLD index), or even reports on amount spent or volunteer hours contributed; they should include a tracking of relevant outcome metrics, to ensure that the expected gains from the initiative are truly being realized. For instance, when Unilever established its Sustainable Living Plan, it chose to monitor 67 different impact metrics, including its overall greenhouse gas emissions and water usage, and systematically tracked changes in these metrics year on year (Bartlett, 2016). In building such a reporting system, it may also be preferable to seek support and certification from independent third-parties, typically non-profits or local cooperatives (Luo & Kaul, 2019). Not only are such independent entities more credible assessors of the substance of a firm's CSR efforts, but in many cases they may also possess greater expertise on the relevant issues, and a stronger understanding of the recipients' context and needs, enabling them to more accurately evaluate the benefits of CSR initiatives for recipients than either the executives driving these initiatives or the other stakeholders supporting them (Kaul & Luo, 2018; Luo & Kaul, 2019). In addition to better monitoring, firms may also want to invest in more scientific approaches to assessing the efficacy of their CSR initiatives, for instance, by undertaking randomized control trials to examine whether they are truly helping (Banerjee & Duflo, 2009).

Electronic copy available at: https://ssrn.com/abstract=3575027

Of course, to the extent that firms are deliberately trying to take advantage of the separation between recipients and supporters to pursue symbolic CSR, the solution to this problem must lie with those supporting firms' CSR efforts rather than with the firms themselves. Supporters must pay more attention to the substance of the CSR actions they are rewarding, questioning the true impact of these initiatives, instead of just taking it for granted. A growing literature on effective altruism (MacAskill, 2015; Singer, 2015) has argued that individuals should base their philanthropic choices on the effectiveness of the initiatives to which they donate, rather than emotional considerations of proximity or empathy (Bloom, 2016); we suggest that individuals apply those principles not only to their charitable contributions, but to the CSR initiatives they support. Ensuring substantive CSR may also require action at the community level, with communities that are able to organize and subject firms to careful scrutiny being less vulnerable to self-serving firm actions (Luo et al., 2018).

Unequivocality

Even if a CSR action is substantive—i.e., it has a meaningful positive impact on the cause or recipients it claims to serve—that does not ensure that it is truly delivering positive social impact. In order to assess the welfare improvement as the result of a particular action, we must consider not only its direct effect, but also its potential[5] indirect effects[6]. In particular, we must consider the possibility that CSR efforts in one area may be accompanied by the continuation or increase of harmful activities by the firm in other areas; activities that may offset the benefits from CSR.

There are several reasons to fear that firm CSR efforts may prove equivocal in their social benefit. First, the positive impact of the CSR activity may serve to conceal the negative impact of other firm actions. As a growing literature on greenwashing (Kim & Lyon, 2015; Lyon & Maxwell,

---

[5] Since the consequences of any action are never entirely predictable, we can never be entirely sure that a positive CSR activity will not produce some unintended (and unexpected) negative effect. Our focus here, however, is on potential indirect effects that are predictable; i.e., those that foresighted actors may reasonably expect.

[6] Our argument here is related to the notion of iatrogenic inadequacy, whereby "an attempt to resolve one fundamental problem leads to a failure in another" (Ahuja & Yayavaram, 2011, p. 1638).

Electronic copy available at: https://ssrn.com/abstract=3575027

2008; Marquis, Toffel, & Zhou, 2016) has argued, firms often use their positive CSR efforts to draw attention away from other areas of social responsibility where they are performing poorly, and doing damage to other stakeholders. Relatedly, recent scholarship on the use of CSR as a form of reputation insurance has argued that such activities may be subject to adverse selection (Luo et al., 2018). If firms that act in socially responsible ways face lower penalties in the aftermath of negative events because stakeholders trust them and give them the benefit of doubt (Godfrey, 2005), then it is only logical that firms that are at greater risk of coming under stakeholder attack should invest more in CSR (Jia, Gao, & Julian, 2019; Luo et al., 2018). The trouble with such defensive use of CSR from a Pareto improvement perspective is that by drawing attention away from firms' harmful actions in other areas, the CSR activity may lower the pressure on the firm to curtail these harmful actions, leaving those who suffer as a result of these actions worse off. For instance, while Unilever has taken great strides in improving its environmental footprint, its reputation for social responsibility has allowed it to keep selling a skin whitening cream in India, despite its obvious racism and its negative effects on the empowerment of women (Adbi, Chatterjee, Kinias, & Singh, 2019).

Nor may the reaction to CSR activities in one area be limited to the continuation of negative practices in other areas; in some cases, the CSR action may even make firms' bad behavior in other areas worse. As recent work on moral hazard in corporate philanthropy (Luo et al., 2018) has argued, the knowledge that they are (at least partially) protected against punishment from stakeholders on account of their CSR actions may incentivize firms to cut back on prevention and maintenance expenditures, thus increasing their potential negative impact elsewhere. In the Luo et al (2018) study, for instance, oil firms that gave more to philanthropy were found to have an increased number and magnitude of oil spills in the following year, with this increase being the result of a rise in mechanical failures and operator errors. Thus, while the direct effect of donations by oil

Electronic copy available at: https://ssrn.com/abstract=3575027

companies may have been to advance the cause of the non-profits to which they contributed, the indirect effect was to increase the extent of the damage these firms caused to the natural environment. It is hard to claim that such donations resulted in a Pareto improvement.

Note, moreover, that a firm would only invest in CSR as a form of greenwashing or insurance if the cost of the CSR activity were less than the cost of correcting or curtailing the harmful action itself (Bromiley & Marcus, 1989). If it were cheaper for the firm to fix the problem than to invest in CSR to distract attention from it or to protect against the possibility of it becoming public, then the firm would logically do so. And while the cost of fixing a problem is not necessarily the same as its cost to society, the two are likely to be correlated. Thus, the benefits that firms provide through their CSR activities may serve as a cover for larger sins elsewhere, making such CSR activities potentially harmful to society in the aggregate, even if the direct effect of the activity is positive.

The possibility that CSR activities may give rise to bad behavior elsewhere is also echoed by more micro-level work on moral licensing (Blanken, van de Ven, & Zeelenberg, 2015). As this research has shown, the knowledge that they are doing good in one area makes people more likely to think of themselves as responsible individuals in general, and can be used as self-justification for cutting corners elsewhere. Thus, managers sponsoring or overseeing CSR activities may become less vigilant in other areas of their work because they have "done their good deed", and this greater permissiveness may translate into more harmful actions by the firms they manage.

How can firms promote CSR activities that are unequivocal? A first step may be a commitment to greater transparency, and an adherence to more comprehensive reporting standards. Rather than selectively disclosing their performance in areas where they are acting responsibly, firms can commit to disclosing social performance across a range of different domains, potentially reducing the incentives for greenwashing and adverse selection. For the same reason, policy makers

Electronic copy available at: https://ssrn.com/abstract=3575027

may also be well advised to push for reporting standards that are both more comprehensive and mandatory, e.g., ESG disclosures under the European Union (Grewal, Riedl, & Serafeim, 2018). Second, firms can invest in better internal monitoring systems to track performance on social issues, and delegate responsibility for social responsibility throughout the organization instead of concentrating it in a single function, so as to reduce the chances that strong social performance in one area leads to greater permissiveness in others. Third, firms can take steps to make action on social issues an integral part of their organization's identity and purpose (Akerlof & Kranton, 2005; Gartenberg, Prat, & Serafeim, 2019), thus potentially reducing the risk of moral licensing.

Inclusion

A third criterion to consider when evaluating the social impact of a CSR activity—even one that is substantive and unequivocal—is its inclusivity, i.e., who it serves, and whether those it does not serve are left worse off. Unlike state action, CSR activities typically have limited scale and scope. Often only those that are closely tied to the firm are eligible to benefit from its CSR programs, e.g., employee benefits, which are only available to those who work for the firm. And even when a connection to the firm is not a prerequisite for being included in its CSR efforts, these efforts are naturally limited by the resources available to the firm. For instance, corporate philanthropy may only pay for parks and schools in some communities, not in all.

By itself, the fact that a CSR activity is not all-inclusive does not diminish its positive social impact. So long as those that are being served by the firm's CSR efforts are better off (meaning the firm's efforts are substantive and unequivocal), and those that are not served by its efforts are no worse off, the requirements for Pareto improvement are met. The latter condition—those that are not served being no worse off—is critical, however, and suggests that firms pursuing CSR need consider not only those they are helping, but those they are leaving out.

Electronic copy available at: https://ssrn.com/abstract=3575027

There are several ways in which those excluded from a firm's CSR efforts may be left worse off as a result of these efforts. To begin with, those who are not being helped by the CSR actions may experience relative deprivation, i.e., they may receive negative utility from seeing others benefit while they are left behind (Gurr, 1970). The very fact that some individuals experience the CSR actions negatively means that they do not represent a true Pareto improvement. This problem of relative deprivation is even more pronounced in cases where supposedly responsible actions increase inequality, giving more to those that are already privileged, and exacerbating the sense of injustice in society. CSR activities may be especially susceptible to this problem because, as we have already seen, they are often designed with the preferences and interests of influential stakeholders in mind, and such stakeholders are often those that are already privileged, e.g. wealthy customers or high value employees. CSR activities may also be especially susceptible to problems of inclusion in so far as they are strategically intended as a way for firms to firm to differentiate themselves from their rivals (Flammer, 2015; McWilliams & Siegel, 2001). While such differentiation may be financially beneficial for the firm, it can only lead to a sustainable competitive advantage if the firm's rivals do not emulate its actions and start acting responsibly themselves[7]; if other firms were to follow the focal firm's lead, any advantage it got from being responsible would likely be fleeting. This means that socially responsible actions by one firm, may, in some cases, serve to forestall similar actions by other firms, including actions that these rival firms might otherwise have pursued, leaving those who might have benefited from those actions worse off.

In addition to the subjective harm caused by relative deprivation, those that are excluded from a firm's CSR efforts may also suffer objective harm if these CSR efforts limit their access to government services or compromise the quality of those services. This may happen in one of two

[7] Nor is it always clear in this literature why the use of CSR as a source of differentiation is a sustainable equilibrium. In other words, if some firms can benefit financially by engaging in CSR, why do other firms not imitate them, until any financial gains from CSR are competed away?

Electronic copy available at: https://ssrn.com/abstract=3575027

ways. First, CSR initiatives may undermine the efficacy of government provision by cherry-picking the most valuable markets or segments (Lazzarini, 2019). Many public services rely on the cross-subsidization of provision to marginal recipients by provision to wealthier or less costly recipients. By disproportionately serving the latter, CSR activities may limit the government's ability to serve the former (Lazzarini, 2019). As lost economies of scale and adverse selection drive down the efficiency of government provision, the state may be forced to either raise additional tax revenues to pay for their provision (always a challenging prospect) or cut back on their quality and supply. If the richest and most well-educated households send their young children to day care centers run by their employers, for instance, then the quality and scale of public day care centers may be compromised. Similarly, critics of charter schools—which are, by design, disproportionately funded by private donations, including corporate philanthropy (Miron & Urschel, 2010)—have argued that these schools may undermine the public school system, leaving those who cannot gain admission into charter schools worse off (Ravitch, 2013).

Second, CSR activities may undermine political support for government services. In a democratic system, the provision of government services depends on such provision being demanded by a majority of the voting population. If some portion of society receives the same goods and services through firms' CSR efforts, however, they may see less need for government provision, and may be reluctant to support such provision. CSR activities may thus limit the relevant constituency for government services, potentially converting what was once a majority concern into a minority issue. This effect may be amplified if those benefiting from CSR are the more influential sections of society—as they are likely to be, for reasons already discussed—the loss of whose support may be fatal to the success of any political demands. CSR activities may also reduce the legitimacy of state provision more broadly, making those who benefit from such activities question the need for the government to involve itself in their provision (Horvath & Powell, 2016). CSR

Electronic copy available at: https://ssrn.com/abstract=3575027

activities may thus 'crowd out' government provision[8], prompting the state to cut back on existing programs and limiting the introduction of new programs or regulations (Becker & Lindsay, 1994; Kaul & Luo, 2019). Indeed, an important reason firms may undertake CSR actions on a voluntary basis is to delay or forestall government regulation (Ahuja & Yayavaram, 2011; Luo & Kaul, 2019; Maitland, 1985; Ostrom, 1990; Prakash & Potoski, 2011).

Take, for instance, the case of paid parental leave in the US. The United States is perhaps the only developed nation that does not mandate any period of paid leave to new parents at the federal level (Ruhm, 2017), leaving any such policies to the discretion of the employer[9]. While many employers in the US do provide paid parental leave to their employees as part of their CSR efforts, surveys show that these benefits go disproportionately to the highly paid and well-educated. In contrast, mothers with less than a high school education have about a 60% chance of losing or having to quit their job when they have a child (Isaacs, Healy, & Peter, 2017). Counterfactuals are always hard to establish, but it seems likely that there would be far greater support for a federal law requiring paid parental leave—which both political parties have claimed to favor (Isaacs et al., 2017)—had the wealthiest and most influential sections of society not already been receiving such leave from their employers on a voluntary basis.

Not only may CSR reduce support for government provision of key goods and services, in some cases it may even increase opposition to them. Consider, for instance, the debate on healthcare reform in the United States. At the time of this writing, a key stumbling block to providing universal health coverage for all US citizens is that doing so may require many people who currently receive high quality private insurance as a result of the voluntary actions of their employer to relinquish this

[8] As Kaul and Luo (2018) have argued, CSR efforts may also crowd out other forms of social good provision, such as provision by non-profits.
[9] Some states in the US have recently introduced statutory paid leave requirements, though these are still far below the OECD average of 1 year of paid leave entitlement (Ruhm, 2017).

Electronic copy available at: https://ssrn.com/abstract=3575027

private insurance for a (possibly inferior) public option. By providing substantive benefits to a section of the population, the CSR efforts of large corporations have thus served to entrench a private system that is difficult to later replace with a public alternative, even though such an alternative may be more equitable (and potentially more efficient)[10]. Once again, this problem is made worse in the case of CSR in so far as the benefits of CSR go disproportionately to the more prosperous and influential sections of society. Not only are these beneficiaries of CSR efforts likely to exert significant and successful pressure to maintain the status quo, but even if it were theoretically possible to compensate such beneficiaries for their losses out of the gains to those who CSR has excluded (i.e., the shift from CSR to government provision was a Kaldor improvement), such compensation is unlikely to be feasible, either economically or politically.

In addition to undermining political action on an issue, CSR may also, in some cases, provoke a social backlash against the very cause it is trying to promote. The resentment caused by relative deprivation resulting from non-inclusive CSR may bubble over into violent protests or even outright rebellion (Gurr, 1970; Henisz, 2018), leaving everyone worse off. The visibility of CSR initiatives may increase the salience of the underlying issue not only among its supporters but also among its opponents, and the perceived threat from the firm's activities may prompt those who do not share its point of view to organize in opposition. Even if the firm's actions themselves are directly beneficial they may thus eventually undermine the cause they are seeking to advance, by entrenching opposition to it. This may be especially true where CSR actions drive the firm's rivals to take an opposing stand to that of the focal firm (Mohliver, Crilly, & Kaul, 2019). In the case of LGBTQ rights, for instance, actions by firms to promote greater equality and inclusion have often been met with increased hostility towards LGBTQ individuals by their rivals, e.g., Chick-fil-A's

[10] A useful analogy here is to the concept of dominant design (Abernathy & Utterback, 1978; Suarez & Utterback, 1995): once a dominant paradigm has been established, it is hard for a different model, even one that may be technically superior, to gain traction.

Electronic copy available at: https://ssrn.com/abstract=3575027

increased support for opposition to same-sex marriage. Such competitive reactions follow logically from the fact that many social issues are contested: when a firm takes action to advance a cause, those who support that cause may be pleased, but those who oppose it may feel betrayed, and the firm's rivals can take advantage of the dissatisfaction of these latter stakeholders by taking actions in opposition to the cause (Mohliver et al., 2019). Thus, while firm actions to pursue hotly contested issues may seem heroic, they may only serve to increase polarization, producing a counter-reaction that may slow progress on the cause and leaving some stakeholders worse off (Mohliver et al., 2019). Even if the net effect is positive, moreover—meaning that the activity satisfies the inclusiveness criterion by being Pareto improving—this potential for backlash still means that the benefit of a CSR initiative may be much less than expected.

How can firms be more inclusive in their approach to CSR? First, they can focus their CSR efforts on initiatives that produce strong positive externalities or (equivalently) abate negative externalities. Since externalities are, by definition, non-excludable, such efforts are naturally inclusive. Efforts to limit greenhouse gas emissions, for instance, benefit all sections of society. Second, firms may choose to focus their CSR efforts in areas that are less contested. The more widespread the support for the issue in society, the less powerful the counter-reaction to the firm's attempts to promote it, and the greater the likelihood that a firm's actions will generate strong social pressure for its rivals to follow suit. Relatedly, firms may consider whether their CSR activities are likely to increase or decrease inequality. By targeting their CSR efforts towards the most marginalized sections of society, firms will not only provide benefits to those most in need, they will also limit the risk that their efforts will produce feelings of relative deprivation among those who are excluded. In fact, efforts targeted at marginal groups may reduce feelings of relative deprivation among such populations, and produce an additional social benefit in terms of inequality reduction. Third, firms can complement their CSR activities by lending their political support to more widespread solutions

Electronic copy available at: https://ssrn.com/abstract=3575027

to the social problems they are trying to address. As recent scholarship has pointed out, successful CSR initiatives must go hand in hand with socially responsible political activities by corporations (Lyon et al., 2018). Rather than using CSR as a way of avoiding or forestalling regulation, firms can use it to demonstrate leadership in promoting social practices that they wish to champion, lobbying legislators and regulators to standardize the socially responsible practices the firm has initiated. Such an inclusive approach is critical to ensuring that the firm's CSR efforts do not end up harming those they exclude, even as they benefit those that are included.

Comparative Efficiency

Even if a CSR activity is substantive, unequivocal, and inclusive, it may still fail to deliver positive social impact if it is comparatively inefficient, i.e., if the same activity may be undertaken more efficiently or effectively under a different organizational arrangement[11] (Kaul & Luo, 2018; Luo & Kaul, 2019). If a different organizational form—e.g., a non-profit or the state—could manage the focal initiative more efficiently, then supporters of the cause would be better off diverting their resources to this alternate form. Say, for instance, that the CSR initiative helped 10 people with every thousand dollars in support it received, while a pure non-profit could help 12 people with the same contribution; in that case, it would be optimal for supporters to focus their support on the non-profit (Lee, Adbi, & Singh, 2019). Consumers would do more for their cause by not paying a price premium to the firm for its CSR and donating the money they thus save to the non-profit, employees would do more by demanding competitive wages from the firm and donating their wage increase, etc. Simply put, the opportunity cost of the resources used for a CSR initiative is the benefit that could have been achieved had the same activity been organized in the most efficient alternate way. If the CSR initiative is not comparatively efficient, that opportunity cost is greater

[11] Following Williamson (1985; 1991; 1996) we focus primarily on the transaction costs associated with organizing a given activity in different ways, with the comparatively efficient organizational form being the one that minimizes these transaction costs (Luo & Kaul, 2019).

Electronic copy available at: https://ssrn.com/abstract=3575027

than the benefit from the initiative, and the firm can no longer claim to be unambiguously delivering positive social impact.

While a full discussion of the comparative efficiency of different organizational arrangements is beyond the scope of this study (see Lazzarini, 2019; Luo and Kaul, 2019 for more detailed discussions of these points), there are two primary reasons why for-profit firms may not always be comparatively efficient in addressing social issues. First, as the literature on public goods has argued (Buchanan, 1965; Ostrom, 2010), for-profit firms are unlikely to fully internalize externalities (Alchian & Demsetz, 1972); as a result, they are likely to undersupply goods and services with positive externalities and oversupply those with negative externalities. This is likely to be true even for CSR activities. Consider, for instance, a CSR initiative to stop climate change. Even if many of a firm's customers are willing to pay a price premium for environmentally friendly products, it is very unlikely that everyone will be willing to do so; there will still be a number of people who will choose to free-ride on the firm's CSR, benefiting from its efforts but avoiding paying the price premium for it by buying from a less environmentally friendly competitor. Even if such free-riding does not cause the CSR initiative to unravel, CSR may still represent an inefficient resolution to the collective action problem (Olson, 1965; Olson & Zeckhauser, 1970), in that the payments the firm receives from its supporters are not fully reflective of the benefits generated, with the result that the firm will supply less than the optimal amount of its climate solution.

A second source of comparative inefficiency of for-profits is the potential deadweight loss in the supply of social goods and services resulting from the profit-seeking nature of for-profit firms (Kaul & Luo, 2018). Since a firm's primary objective is to maximize profits rather than to benefit society, it will choose to undertake the level of CSR activity at which the marginal increase in support from undertaking more of the activity is equal to the marginal cost of doing so, but this is likely to be much lower than the level of CSR activity that would maximize social benefit (which

Electronic copy available at: https://ssrn.com/abstract=3575027

would be at the point where the average support for the activity equaled its average cost). Other things being equal, for-profit firms will thus undersupply CSR effort. Doing so will allow them to earn a substantial surplus for themselves, but it will also impose a deadweight loss on society, in the form of lost social goods and services, whose cost supporters were willing to cover (Kaul & Luo, 2018). Indeed, the very fact that firms make additional profits for their shareholders by undertaking CSR—a fact amply demonstrated in recent scholarship (Barnett & Salomon, 2006; 2012; Flammer, 2015; Margolis & Walsh, 2003)—offers reason to be skeptical about the positive social impact of these activities. Unless the firm is more efficient at addressing the social problem than any other organizational arrangement—meaning it is creating additional value—any part of the resources provided by supporters that end up enriching the firm's shareholders represent an appropriation of value away from needy recipients. If a firm charges a $ 10 dollar price premium for its products in the name of serving a social cause, and then donates $ 8 to an NGO working on that cause, it enriches its shareholders by $ 2 while still doing substantial good for the cause; but the cause would have been better served if the consumers paying the premium had instead just donated $ 10 to the NGO directly (Kaul & Luo, 2018).

While there are thus several reasons to question the comparative efficiency of CSR efforts by for-profit firms, there are also reasons why, in some cases, for-profit firms may be uniquely well positioned to address social issues (Besley & Ghatak, 2007; Luo & Kaul, 2019). Chief among these is the potential for various types of synergy between the provision of a social good or service and the firm's business activities: what Luo and Kaul (2019) call commercial co-specialization. By sharing resources across their commercial and CSR efforts, firms may realize economies of scope and learning(Penrose, 2009; Yao, 1988), allowing them to provide social goods and services more effectively and / or at lower cost. For instance, a firm may be able to spend far more on promoting a social cause than a non-profit could, because the firm's promotion of the cause may be combined

Electronic copy available at: https://ssrn.com/abstract=3575027

with its regular business advertising. As a result, the firm may be able to reach more supporters and convince them to contribute more to the cause, than the non-profit could. Similarly, the cost to a firm of monitoring its own internal activities to limit pollution or restrict predatory practices may be much lower than the cost to the state or a non-profit of doing so, since the firm would already be monitoring its internal activities and would only need to add an additional factor for its managers / supervisors to evaluate (Kaul & Luo, 2018). Relatedly, a firm may also be able to use the unique scale-free capabilities that give it an advantage in its business activities (Helfat & Winter, 2011; Levinthal & Wu, 2010; Wernerfelt, 1984) to improve its provision of social goods and services, e.g., a pharmaceutical company using its drug development expertise to find cures for diseases that affect the poor (Vakili & McGahan, 2016), or Toyota using its supply chain expertise to streamline New York soup kitchens (New York Times, 2013). In sum, the more a firm is able to leverage resources and capabilities across its CSR efforts and its purely commercial activities, the greater the likelihood that those CSR efforts are comparatively efficient.

The discussion above offers several suggestions for managers seeking to ensure the comparative efficiency of their CSR efforts. A first step is simply to pay attention to the question of comparative advantage (Luo & Kaul, 2019). Just as on the business side managers seeking to maximize and sustain firm profits must always ask what their firm can do better than any of their competitors, on the CSR side managers seeking to maximize their positive social impact must ask what their firm can do better than any other organizational arrangement (Coase, 1960; Kaul & Luo, 2018). Second, managers seeking to maximize social impact should look for CSR initiatives that are tightly integrated with their firm's business operations, especially those that leverage the unique resources and capabilities that give their firm its sustainable competitive advantage (Barney, 1991; Peteraf, 1993). Simply donating money to a cause, however worthy, driven by either managerial preferences (Chin et al., 2013; Marquis & Lee, 2013) or institutional pressures (Marquis & Tilcsik,

Electronic copy available at: https://ssrn.com/abstract=3575027

2016; Marquis, Davis, & Glynn, 2013; Marquis, Glynn, & Davis, 2007) is very unlikely to generate positive social impact, since it is unclear why, in such cases, the firm is comparatively advantaged. Delivering positive social impact requires firms to identify ways of creating value that only they can pursue, and such activities are likely to be tightly linked to their existing business and capabilities (Kaul & Luo, 2018).

Summary

To summarize: we argue that in order to unambiguously produce positive social impact a CSR initiative must deliver a meaningful benefit to those it claims to serve (substance) without compromising the firm's performance on other dimensions (unequivocality) or leaving those that are not served by the initiative foreseeably worse off (inclusion), and do so more effectively than an alternative organizational form (comparative efficiency). Only if a CSR initiative meets all four criteria can we conclude that it is truly adding to social welfare: making some people better off without harming any others.

What might such an initiative look like? One example is the Carlson Group's efforts to limit human trafficking. The initiative is substantive and unequivocal in that it is a sustained and focused effort by the firm to address a horrific social issue, developed in close collaboration with leading non-profits and activists, and not, to the best of our knowledge, offset by a weakening of the Carlson Group's performance on other social dimensions. It is inclusive in that it addresses an issue that enjoys broad social support, and the firm's efforts have consistently been to increase social awareness and concern around the issue and encourage (and in some cases, actively help) other firms to follow their example, rather than trying to use it as a source of differentiation for their hotels. And it is comparatively efficient because it is easier and more effective for the firm to police what goes on in its own hotels than it would be for an external agency.

Electronic copy available at: https://ssrn.com/abstract=3575027

As this example shows, moreover, the four criteria we outline are best thought of as dimensions rather than as binary cut-offs. Our goal is not to impose absolute criteria or to demand perfection from every CSR initiative, dismissing all others as unworthy. Our objective is only to draw attention to these four criteria, and to suggest that every CSR initiative be assessed against them, in the hope that this will lead to CSR initiatives that are more likely to add to social welfare. If we do not systematically assess the social impact of CSR efforts we are likely to produce only errors of commission, supporting CSR initiatives that fail to deliver social welfare. By applying the criteria discussed here (and summarized in Figure 1) we hope to produce a more balanced assessment, one that will produce both errors of commission and errors of omission on the margin, but deliver superior social performance on average.

DISCUSSION

Writing in the New York Times Magazine almost fifty years ago, economist Milton Friedman famously argued that corporations, and the executives that run them, should avoid engaging in actions motivated by social responsibility, describing such efforts as being "notable for their analytical looseness and their lack of rigor" (Friedman, 1970). Managers of for-profit firms, Friedman argued, owed primary allegiance to their investors, and as such lacked both the moral authority and the practical expertise to engage with problems of social welfare; such problems were better left to the workings of the market or, when absolutely necessary, to government intervention (Friedman, 1970). In the half century since Friedman's diatribe against CSR was published, management scholars have found much to take issue with in his argument, criticizing it on ethical grounds for overlooking firms' responsibilities to their other stakeholders (Freeman, 1984) and questioning the claim that CSR actions must come at the cost of shareholders by showing that they generally enhance firm financial performance (Barnett & Salomon, 2006; 2012; Flammer, 2015; Waddock & Graves, 1997). Partly as a result of this, CSR initiatives have grown increasingly popular,

Electronic copy available at: https://ssrn.com/abstract=3575027

with more and more firms emphasizing their philanthropic activities or their sustainability programs, in an effort to establish themselves as good corporate citizens. Despite the growing ubiquity of CSR, however, socio-economic inequality has been rising, public dissatisfaction with and distrust of big corporations has grown, and we find ourselves faced with a rising tide of populist and anti-business sentiment that represents a crisis for modern-day capitalism (Adler, 2019; Anderson et al., 2019). Given these developments, it is hard to take seriously the claim that business has, in fact, behaved responsibly towards society, or that corporations in the last fifty years have done good while doing well.

Was Friedman then right to be skeptical of CSR? In a sense, yes. We agree with Friedman that corporate executives are, in general, poorly equipped to deal with social issues outside their business, so that mere exhortations for businesses to be more socially responsible, without appropriate training and guidance on how that is to be done, are likely to produce nothing more than window-dressing. Firms are likely to pursue CSR activities that are well-intentioned but ill-designed, or, even worse, that take advantage of the public's naïve faith in CSR to line their shareholders' coffers. As our study argues, there are many ways in which an ostensibly socially responsible action by a firm may leave those it claims to serve—or others—worse off. There is many a slip between social responsibility and social impact.

While we agree with Friedman on the problem, we disagree with him on the solution. If many (or most) CSR initiatives are mere window-dressing, the answer is not to condemn all such initiatives, it is to identify the few that are truly socially beneficial and ensure that they, and they alone, are recognized and rewarded. If managers are limited in their ability to deal with social issues, the path forward is not to absolve them of responsibility, but to equip them with the tools and training they need to do better.

Electronic copy available at: https://ssrn.com/abstract=3575027

Our paper takes a step in that direction by developing a conceptual framework to rigorously assess the social impact of a given CSR activity. We analyze the various ways in which a CSR activity may fail to deliver social welfare even as it enhances firm profits, and use this analysis to define four distinct criteria that any CSR activity must meet in order to result in a true Pareto improvement. Our framework thus offers a useful tool for (well-intentioned) practitioners seeking to develop an effective CSR initiative, providing them with a set of clear design criteria, and numerous recommendations on how best to ensure that their proposed initiative contributes positively to society. It also offers a useful way for policy makers and supporters of CSR activities to assess the efforts they are rewarding. Rather than blindly rewarding firms that claim to be doing good, supporters of CSR should first question whether a given initiative is, in fact, substantive, unequivocal, inclusive, and comparatively efficient, and focus their support on initiatives that plausibly meet those four criteria, so as to best advance the cause they support.

The framework we develop also contributes to management scholarship on CSR. While the field of management has long emphasized the need to consider and study the welfare consequences of business actions (Hinings & Greenwood, 2002; Stern & Barley, 1996; Tsai, 2013) with recent years seeing several calls for more work focusing on societal 'grand challenges' or taking a more expansive view of value creation at the intersection of public and private interests (George et al., 2016; Jones et al., 2016; Mahoney & McGahan, 2007; Quélin, Cabral, Lazzarini, & Kivleniece, 2019), the call for more research on social impact in strategy and management has gone largely unanswered (Margolis & Walsh, 2003; Walsh et al., 2003). Even as research on CSR has burgeoned, the focus of this research has remained almost exclusively on the effects of CSR on firm financial performance (Margolis & Walsh, 2003), with few studies engaging either theoretically or empirically with whether and how CSR enhances social welfare. By developing a systematic conceptual framework for assessing positive social impact, our study offers a blueprint and an agenda for future research in this

Electronic copy available at: https://ssrn.com/abstract=3575027

neglected area. As our discussion of each criterion shows, we are already starting to see some recent scholarship exploring these issues, albeit in a piecemeal way. By putting the pieces together, our paper seeks to further inspire and invigorate more research on the criteria we discuss, while also highlighting the need to think more deeply about the connections between them.

As such, our paper also speaks to a small body of recent scholarship that has questioned the link between the financial benefits of CSR activities and their societal benefits (Barnett, 2019; Kaul & Luo, 2018; Luo et al., 2018). While our focus on Pareto improvement means that CSR initiatives that reduce firm profits and leave shareholders worse off are excluded from consideration, it remains the case that, in many cases, the CSR initiatives that produce the maximum positive social impact may not be the ones that maximize the additional gains the firm can make from pursuing CSR. Symbolic CSR efforts are likely to be less costly, and therefore more profitable for the firm, at least in the short run. Investments in internal monitoring and external reporting to ensure that CSR initiatives are unequivocal will increase the costs of such initiatives, making them less profitable. And focusing on less controversial issues to avoid backlash, or working actively to get others to follow the firm's example, is likely to limit the potential advantages from differentiation or the benefits of forestalling government regulation, thus lowering the potential gains from CSR for shareholders. The criteria for positive social impact we define are thus not perfectly aligned with the imperatives of increasing firm profits through strategic CSR—and that is the point. We cannot simply examine how to increase firm profits by undertaking ostensibly socially responsible actions and assume that this also maximizes social welfare (Jones et al., 2016); generating social welfare requires us to consider a new set of criteria, one that comprise a research agenda all their own.

Of course, we are not saying that all firms must or should try to maximize social impact; a firm could certainly choose to prioritize profit maximization even in its CSR activities, pursuing them even if they leave society worse off. We would disapprove of such firms as individuals and

Electronic copy available at: https://ssrn.com/abstract=3575027

citizens, but as descriptive researchers we only seek to ensure that the lack of a positive social impact from such profit-maximizing CSR activities is clearly understood both by the firm itself and by its stakeholders.

By focusing on the theory of social impact and developing a conceptual framework to assess it, we do not seek to either deny or dismiss the need for better empirical measurement. There is no doubt that the availability of better measures is critical to assessing the social impact of CSR activities, and that the absence of such measures has been an important stumbling block in the development a more robust literature on the societal consequences of firm strategies. Yet accurate measurement must be guided by strong theory: without a clear conceptual understanding of what we are trying to measure, efforts to empirically evaluate social impact may be of little avail. If anything, our study thus contributes a stronger conceptual foundation to the effort to more accurately measure social impact, suggesting not only the different dimensions of CSR activities to measure, but the counterfactuals against which they may be meaningfully compared. Moreover, by breaking the overall concept of positive social impact into four distinct criteria, our framework makes the problem of measurement potentially more tractable. Nor is perfect accuracy of measurement a prerequisite for our framework to be useful. We do not need to measure exact utilities to know that most people are likely to value food or life-saving medicines more than a pair of sneakers, or that an increase in the incidence and size of oil spills is value destroying for the local community. Better measurement of social impact is important, but paying closer attention to the social impact of CSR activities may, even with the crude measures available to us, help rule out some of the more egregious cases of CSR activities whose contribution to social welfare is suspect.

In addition to guiding the measurement of social impact, we hope that our framework will serve as a foundation for additional theoretical and empirical work around the four dimensions we highlight. For instance, future researchers could examine which firms are more likely to respond

Electronic copy available at: https://ssrn.com/abstract=3575027

equivocally to new CSR initiatives, or what kinds of CSR initiatives (in what contexts) are less likely to produce a backlash. Future work could also extend our paper beyond its current focus on CSR. While we believe that our framework applies to firm actions more broadly, we have chosen to focus our discussion in this paper largely on CSR activities. Future work could overcome this limitation by considering how the criteria we develop apply to a firm's everyday business operations. As discussed, our work is also limited in that we use Pareto improvement as our basis for judging social impact (Jones et al., 2016). Of course, even if we reject Pareto optimality as a meaningful basis for thinking about social welfare, our framework still provides a useful way to assess exactly who is benefiting, how much, and at whose expense. Nevertheless, future work could extend our framework by examining the implications of relaxing that assumption. Relatedly, our framework may also serve as the basis for further debate on the definition of social impact. Some readers may disagree with our premises or argue that we are setting too high a bar for CSR activities: we think those are precisely the debates the field needs to be having.

In conclusion, though we have long recognized the potential for for-profit firms to have a meaningful and positive impact on society, this potential has remained mostly unrealized. Scholars of CSR have focused their attention almost exclusively on the financial benefits of CSR, leaving the social impact of such activities largely unexamined (Margolis & Walsh, 2003); this in turn has spurred a growing enthusiasm for CSR among firms and their executives even as socio-political schisms have increased and public distrust of big business has amplified to the point where the very institutions and assumptions that underpin modern-day capitalism are being called into question. Fixing that problem will require firms to move from social responsibility to social impact; i.e., from actions that pay lip-service to social welfare while advancing corporate interests, to initiatives that are carefully designed to benefit external stakeholders in a Pareto optimal way. Making that shift requires more than exhorting managers to be socially responsible, it means providing them with the

Electronic copy available at: https://ssrn.com/abstract=3575027

research and tools they need to design efficient and effective ways to deliver social impact. Management scholars thus have a key role to play in addressing the socio-economic challenges we face, but doing so requires us to look beyond our traditional focus on profit-maximization and develop a separate research agenda examining the social impact of firm actions. Our study takes a step forward in establishing that agenda by offering a rigorous and systematic framework to assess the social impact of a firm's CSR activities, while at the same time highlighting the many ways in which supposedly socially responsible actions may end up leaving some stakeholders worse off.

Electronic copy available at: https://ssrn.com/abstract=3575027

References

Abernathy, W. J., & Utterback, J. 1978. Patterns of industrial innovation. ***Technology Review***, 80(7): 40–47.

Adbi, A., Chatterjee, C., Kinias, Z., & Singh, J. 2019. Women's disempowerment and preference for risky skin whitening products: Experimental evidence from india. ***SSRN Electronic Journal***.

Adler, P. S. 2019. ***The 99 percent economy***. Oxford University Press, USA.

Agarwal, R., & Holmes, R. M. 2019. Let's Not Focus on Income Inequality. ***Academy of Management Review***, 44(2): 450–479.

Ahuja, G., & Yayavaram, S. 2011. Perspective—Explaining influence rents: The case for an institutions-based view of strategy. ***Organization Science***, 22(6): 1631–1652.

Akerlof, G. A., & Kranton, R. E. 2005. Identity and the economics of organizations. ***Journal of Economic Perspectives***, 19(1): 9–32.

Akerlof, G. A., & Shiller, R. J. 2016. ***Phishing for phools***. Princeton University Press.

Alchian, A. A., & Demsetz, H. 1972. Production, information costs, and economic organization. ***American Economic Review***, 62(5): 777–795.

Anderson, E., Barney, J., Henderson, R., Meyer, J., & Rangan, S. 2019. Call for papers: Academy of Management Review special topic forum -- new theoretical perspectives on market-based economic systems. ***Academy of Management Review***.

Andreoni, J. 1988. Privately provided public goods in a large economy: the limits of altruism. ***Journal of Public Economics***, 35(1): 57–73.

Andreoni, J. 1990. Impure altruism and donations to public goods: A theory of warm-glow giving. ***Economic Journal***, 100(401): 464–477.

Ariely, D., Bracha, A., & Meier, S. 2009. Doing good or doing well? Image motivation and monetary incentives in behaving prosocially. ***American Economic Review***, 99(1): 544–555.

Arrow, K. J. 1951. ***Social choice and individual values***. New York, NY: John Wiley & Son.

Arrow, K. J., & Hahn, F. H. 1971. ***General competitive analysis***. North Holland.

Banerjee, A. V., & Duflo, E. 2009. The Experimental Approach to Development Economics. ***Annual Review of Economics***, 1(1): 151–178.

Barnett, M. L. 2007. Stakeholder influence capacity and the variability of financial returns to corporate social responsibility. ***Academy of Management Review***, 32(3): 794–816.

Barnett, M. L. 2019. The business case for corporate social responsibility: A critique and an indirect path forward. ***Business & Society***, 58(1): 167–190.

Barnett, M. L., & Salomon, R. M. 2006. Beyond dichotomy: The curvilinear relationship between social responsibility and financial performance. ***Strategic Management Journal***, 27(11): 1101–1122.

Barnett, M. L., & Salomon, R. M. 2012. Does it pay to be really good? Addressing the shape of the relationship between social and financial performance. ***Strategic Management Journal***, 33(11): 1304–1320.

Barney, J. 1991. Firm resources and sustained competitive advantage. ***Journal of Management***, 17(1): 99–120.

Barney, J. B. 2018. Why resource-based theory's model of profit appropriation must incorporate a stakeholder perspective. ***Strategic Management Journal***, 39(13): 3305–3325.

Barney, J. B., Ketchen, D. J., Jr., & Wright, M. 2011. The future of resource-based theory. ***Journal of Management***, 37(5): 1299–1315.

Baron, D. P. 2001. Private politics, corporate social responsibility, and integrated strategy. ***Journal of Economics & Management Strategy***, 10(1): 7–45.

Baron, J., & Greene, J. 1996. Determinants of insensitivity to quantity in valuation of public goods: Contribution, warm glow, budget constraints, availability, and prominence. ***Journal of Experimental Psychology Applied***, 2(2): 107–125.

Bartlett, C. A. 2016. Unilever's New Global Strategy: Competing through Sustainability. ***Harvard Business School Case # 9-916-414***.

Becker, E., & Lindsay, C. M. 1994. Does the government free ride? ***Journal of Law & Economics***, 37(1): 277–296.

Besley, T., & Ghatak, M. 2007. Retailing public goods: The economics of corporate social responsibility. ***Journal of Public Economics***, 91(9): 1645–1663.

Bénabou, R., & Tirole, J. 2010. Individual and corporate social responsibility. ***Economica***, 77: 1–19.

Blanken, I., van de Ven, N., & Zeelenberg, M. 2015. A meta-analytic review of moral licensing. ***Personality and Social Psychology Bulletin***, 41(4): 540–558.

Bloom, P. 2016. ***Against empathy***. New York: HarperCollins.

Bode, C., & Singh, J. 2018. Taking a hit to save the world? Employee participation in a corporate social initiative. ***Strategic Management Journal***, 39(4): 1003–1030.

Electronic copy available at: https://ssrn.com/abstract=3575027

Bode, C., Singh, J., & Rogan, M. 2015. Corporate social initiatives and employee retention. ***Organization Science***, 26(6): 1702–1720.

Bromiley, P., & Marcus, A. 1989. The deterrent to dubious corporate behavior: Profitability, probability and safety recalls. ***Strategic Management Journal***, 10(3): 233–250.

Buchanan, J. M. 1965. An economic theory of clubs. ***Economica***, 32(125): 1–14.

Burbano, V. C. 2016. Social responsibility messages and worker wage requirements: Field experimental evidence from online labor marketplaces. ***Organization Science***, 27(4): 1010–1028.

Campbell, J. L. 2005. Why would corporations behave in socially responsible ways?An institutional theory of corporate social responsibility. ***Academy of Management Review***, 32(3): 946–967.

Carnahan, S., Kryscynski, D., & Olson, D. 2017. When does corporate social responsibility reduce employee turnover? Evidence from attorneys before and after 9/11. ***Academy of Management Journal***, 60(5): 1932–1962.

Cheng, B., Ioannou, I., & Serafeim, G. 2013. Corporate social responsibility and access to finance. ***Strategic Management Journal***, 35(1): 1–23.

Chin, M. K., Hambrick, D. C., & Trevino, L. K. 2013. Political ideologies of CEOs: The influence of executives' values on corporate social responsibility. ***Administrative Science Quarterly***, 58(2): 197–232.

Coase, R. H. 1960. The problem of social cost. ***Journal of Law and Economics***, 3: 1–44.

Cobb, J. A. 2016. How firms shape income inequality: Stakeholder power, executive decision making, and the structuring of employment relationships. ***Academy of Management Review***, 41(2): 324–348.

Dorobantu, S., Kaul, A., & Zelner, B. 2017. Nonmarket strategy research through the lens of new institutional economics: An integrative review and future directions. ***Strategic Management Journal***, 38(1): 114–140.

Durand, R., Hawn, O., & Ioannou, I. 2019. Willing and able: A general model of organizational responses to normative pressures. ***Academy of Management Review***, 44(2): 299–320.

Elfenbein, D. W., & McManus, B. 2010. A greater price for a greater good? Evidence that consumers pay more for charity-linked products. ***American Economic Journal: Economic Policy***, 2(2): 28–60.

Flammer, C. 2015. Does corporate social responsibility lead to superior financial performance? A regression discontinuity approach. ***Management Science***, 61(11): 2549–2568.

Flammer, C., & Luo, J. 2017. Corporate social responsibility as an employee governance tool: Evidence from a quasi-experiment. ***Strategic Management Journal***, 38(2): 163–183.

Fong, C. M., & Oberholzer-Gee, F. 2011. Truth in giving: Experimental evidence on the welfare effects of informed giving to the poor. ***Journal of Public Economics***.

Foroohar, R. 2016, May 23. American Capitalism's Great Crisis and How to Fix It. ***Time***, 1–15.

Fosfuri, A., Giarratana, M. S., & Roca, E. 2015. Walking a slippery line: Investments in social values and product longevity. ***Strategic Management Journal***, 36(11): 1750–1760.

Freeman, R. E. 1984. ***Strategic management: A stakeholder approach***. Cambridge, UK: Cambridge University Press.

Friedman, M. 1970, September 3. *The social responsibility of business is to increase its profits*. ***New York Times Magazine***, 1–14.

Gartenberg, C., Prat, A., & Serafeim, G. 2019. Corporate purpose and financial performance. ***Organization Science***, 30(1): 1–18.

George, G., Howard-Grenville, J., Joshi, A., & Tihanyi, L. 2016. Understanding and tackling societal grand challenges through management research. ***Academy of Management Journal***, 59(6): 1880–1895.

Giridharadas, A. 2018. ***Winners Take All: The Elite Charade of Changing the World***. Knopf.

Glaeser, E. L. 2005. The political economy of hatred. ***Quarterly Journal of Economics***, 120(1): 45–86.

Godfrey, P. C. 2005. The relationship between corporate philanthropy and shareholder wealth: A risk management perspective. ***Academy of Management Review***, 30(4): 777–798.

Grewal, J., Riedl, E. J., & Serafeim, G. 2018. Market reaction to mandatory nonfinancial disclosure. ***Management Science***, 65(7): 3061–3084.

Griskevicius, V., Tybur, J. M., & Van den Bergh, B. 2010. Going green to be seen: Status, reputation, and conspicuous conservation. ***Journal of Personality and Social Psychology***, 98(3): 392–404.

Gurr, T. R. 1970. ***Why Men Rebel***. Routledge.

Hawn, O., & Ioannou, I. 2016. Mind the gap: The interplay between external and internal actions in the case of corporate social responsibility. ***Strategic Management Journal***, 37(13): 2569–2588.

Helfat, C. E., & Winter, S. G. 2011. Untangling Dynamic and Operational Capabilities: Strategy for the (N)ever-Changing World. ***Strategic Management Journal***, 32(11): 1243–1250.

Henisz, W. J. 2018. Business, Insular Stakeholder Relations, and Conflict. ***The Wharton School, Working Paper***.

Henisz, W. J., Dorobantu, S., & Nartey, L. J. 2014. Spinning gold: The financial returns to stakeholder engagement. ***Strategic Management Journal***, 35(12): 1727–1748.

Electronic copy available at: https://ssrn.com/abstract=3575027

Hinings, C. R., & Greenwood, R. 2002. Disconnects and consequences in organization theory? ***Administrative Science Quarterly***, 47(3): 411–421.
Hochman, H. M., & Rodgers, J. D. 1969. Pareto optimal redistribution. ***Journal of Law, Economics and Organization***, 59(4): 542–557.
Horvath, A., & Powell, W. W. 2016. Contributory or disruptive: Do new forms of philanthropy erode democracy? In R. Reich, C. Cordelli, & L. Bernholz (Eds.), ***Philanthropy in democratic societies: Origins, institutions, values***: 87–122. Chicago, IL: University of Chicago Press.
Ingram, P., & Clay, K. 2000. The choice-within-constraints new institutionalism and implications for sociology. ***Annual Review of Sociology***, 26: 525–546.
Isaacs, J., Healy, O., & Peter, H. E. 2017. Paid family leave in the united states. ***Urban Institute***: 1–18.
Jia, Y., Gao, X., & Julian, S. 2019. Do firms use corporate social responsibility to insure against stock price risk? Evidence from a natural experiment. ***Strategic Management Journal***.
Jones, T. M., Donaldson, T., Freeman, R. E., Harrison, J. S., Leana, C. R., et al. 2016. Management theory and social welfare: Contributions and challenges. ***Academy of Management Review***, 41(2): 216–228.
Kahneman, D., & Knetsch, J. L. 1992. Valuing public goods: The purchase of moral satisfaction. ***Journal of Environmental Economics and Management***, 22(1): 57–70.
Kaldor, N. 1939. Welfare propositions of economics and interpersonal comparisons of utility. ***Economic Journal***, 49(195): 549.
Kaul, A., & Luo, J. 2018. An economic case for CSR: The comparative efficiency of for-profit firms in meeting consumer demand for social goods. ***Strategic Management Journal***, 39(6): 1650–1677.
Kaul, A., & Luo, J. 2019. **To give and give not:**
Corporate philanthropy, government aid, and political polarization. ***UMN Working Paper***.
Kim, E.-H., & Lyon, T. P. 2015. Greenwash vs. brownwash: Exaggeration and undue modesty in corporate sustainability disclosure. ***Organization Science***, 26(3): 705–723.
King, B. G., & Soule, S. A. 2007. Social movements as extra-institutional entrepreneurs: The effect of protests on stock price returns. ***Administrative Science Quarterly***, 52(3): 413–442.
Klein, P. G., Mahoney, J. T., McGahan, A. M., & Pitelis, C. N. 2019. Organizational governance adaptation: Who is in, who is out, and who gets what. ***Academy of Management Review***, 44(1): 6–27.
Koh, P.-S., Qian, C., & Wang, H. C. 2014. Firm litigation risk and the insurance value of corporate social performance. ***Strategic Management Journal***, 35(10): 1464–1482.
Lazzarini, S. G. 2019. The nature of the social firm: Alternative organizational forms for social value creation and appropriation. ***Academy of Management Review***.
Lee, M., Adbi, A., & Singh, J. 2019. Categorical cognition and outcome efficiency in impact investing decisions. ***Strategic Management Journal***.
Lev, B., Petrovits, C. M., & Radhakrishnan, S. 2010. Is doing good good for you? How corporate charitable contributions enhance revenue growth. ***Strategic Management Journal***, 31(2): 182–200.
Levinthal, D. A., & Wu, B. 2010. Opportunity costs and non-scale free capabilities: profit maximization, corporate scope, and profit margins. ***Strategic Management Journal***, 31(7): 780–801.
Luo, J., & Kaul, A. 2019. Private action in public interest: The comparative governance of social issues. ***Strategic Management Journal***, 40(4): 476–502.
Luo, J., Kaul, A., & Seo, H. 2018. Winning us with trifles: Adverse selection in the use of philanthropy as insurance. ***Strategic Management Journal***, 39(10): 2591–2617.
Lyon, T. P., & Maxwell, J. W. 2008. Corporate social responsibility and the environment: A theoretical perspective. ***Review of Environmental Economics and Policy***, 2(2): 240–260.
Lyon, T. P., Delmas, M. A., Maxwell, J. W., Bansal, P. T., Chiroleu-Assouline, M., et al. 2018. CSR needs CPR: Corporate sustainability and politics. ***California Management Review***, 60(4): 5–24.
MacAskill, W. 2015. ***Doing Good Better***. New York, NY: Penguin.
Mackey, A., Mackey, T. B., & Barney, J. B. 2007. Corporate social responsibility and firm performance: Investor preferences and corporate strategies. ***Academy of Management Review***, 32(3): 817–835.
Mahoney, J. T., & McGahan, A. M. 2007. The field of strategic management within the evolving science of strategic organization. ***Strategic Organization***, 5(1): 79–99.
Mahoney, J. T., & Qian, L. 2013. Market frictions as building blocks of an organizational economics approach to strategic management. ***Strategic Management Journal***, 34(9): 1019–1041.
Mahoney, J. T., McGahan, A. M., & Pitelis, C. N. 2009. Perspective—The interdependence of private and public interests. ***Organization Science***, 20(6): 1034–1052.
Maitland, I. 1985. The limits of business self-regulation. ***California Management Review***, XXVII(3): 132–147.

Electronic copy available at: https://ssrn.com/abstract=3575027

Margolis, J. D., & Walsh, J. P. 2003. Misery loves companies: Rethinking social initiatives by business. ***Administrative Science Quarterly***, 48(2): 268–305.

Marquis, C., & Lee, M. 2013. Who is governing whom? Executives, governance, and the structure of generosity in large US firms. ***Strategic Management Journal***, 34(4): 483–497.

Marquis, C., & Park, A. 2014. Inside the buy-one give-one model. ***Stanford Social Innovation Review***, Winter: 28–33.

Marquis, C., & Tilcsik, A. 2016. Institutional equivalence: How industry and community peers influence corporate philanthropy. ***Organization Science***, 27(5): 1325–1341.

Marquis, C., Davis, G. F., & Glynn, M. A. 2013. Golfing alone? Corporations, elites, and nonprofit growth in 100 american communities. ***Organization Science***, 24(1): 39–57.

Marquis, C., Glynn, M. A., & Davis, G. F. 2007. Community isomorphism and corporate social action. ***Academy of Management Review***, 32(3): 925–945.

Marquis, C., Toffel, M. W., & Zhou, Y. 2016. Scrutiny, norms, and selective disclosure: A global study of greenwashing. ***Organization Science***, 27(2): 483–504.

Marti, E., & Scherer, A. G. 2016. Financial Regulation and Social Welfare: The Critical Contribution of Management Theory. ***Academy of Management Review***, 41(2): 298–323.

Matten, D., & Moon, J. 2008. "Implicit" and 'explicit' CSR: a conceptual framework for a comparative understanding of corporate social responsibility. ***Academy of Management Review***, 33(2): 404–424.

McDonnell, M.-H., & King, B. G. 2013. Keeping up appearances: Reputational threat and impression management after social movement boycotts. ***Administrative Science Quarterly***, 58(3): 387–419.

McWilliams, A., & Siegel, D. 2001. Corporate social responsibility: A theory of the firm perspective. ***Academy of Management Review***, 26(1): 117–127.

Meyer, J. W., & Rowan, B. 1977. Institutionalized organizations: Formal structure as myth and ceremony. ***American Journal of Sociology***, 83(2): 340–363.

Milgrom, P., & Roberts, J. 1986. Relying on the information of interested parties. ***The Rand Journal of Economics***, 17(1): 18–32.

Miron, G., & Urschel, J. L. 2010. Equal or fair? A study of revenues and expenditures in american charter schools. ***Boulder and Tempe Education and the Public Interest Center Education Policy Research Unit***: 1–45.

Mohliver, A., Crilly, D., & Kaul, A. 2019. **In dubious battle: Issue salience, polarization, and corporate social counterpositioning**. ***SSRN Electronic Journal***.

Morgan, J., & Tumlinson, J. 2019. Corporate provision of public goods. ***Management Science***, 65(10): 4489–4504.

Olson, M. 1965. ***The logic of collective action***. Harvard University Press.

Olson, M., & Zeckhauser, R. 1970. The efficient production of external economies. ***American Economic Review***, 60(3): 512–517.

Ostrom, E. 1990. ***Governing the commons***. Cambridge University Press.

Ostrom, E. 2010. Beyond markets and states: Polycentric governance of complex economic systems. ***American Economic Review***, 100: 1–33.

Penrose, E. T. 2009. ***The Theory of the Growth of the Firm***. Oxford University Press.

Peteraf, M. A. 1993. The cornerstones of competitive advantage: A resource-based view. ***Strategic Management Journal***, 14: 179–191.

Piketty, T. 2017. ***Capital in the Twenty-First Century***. Harvard University Press.

Polanyi, K. 1944. ***The great transformation: the political and economic origins of our time***. Boston: Beacon.

Prakash, A., & Potoski, M. 2011. Voluntary environmental programs: A comparative perspective. ***Journal of Policy Analysis and Management***, 31(1): 123–138.

Quélin, B. V., Cabral, S., Lazzarini, S., & Kivleniece, I. 2019. The private scope in public–private collaborations: An institutional and capability-based perspective. ***Organization Science***, 30(4): 831–846.

Ravitch, D. 2013. ***Reign of error: The hoax of the privatization movement and the danger to america's public schools***. Knopf.

Rawls, J. 1971. ***A theory of justice***. Harvard University Press.

Reich, R. 2016. On the Role of Foundations in Democracies. In R. Reich, C. Cordelli, & L. Bernholz (Eds.), ***Philanthropy in democratic societies: Origins, institutions, values***: 64–86. Chicago, IL: University of Chicago Press.

Ruhm, C. J. 2017. A national paid parental leave policy for the united states. ***Brookings Policy Proposal***, (2017-13): 1–15.

Sen, A. 2011. ***The idea of justice***. Harvard University Press.

Seo, H., Luo, J., & Kaul, A. 2019. Giving a little to many or a lot to a few? The benefits of variety in corporate philanthropy. ***SSRN Electronic Journal***. http://doi.org/10.5465/AMBPP.2018.204.

Singer, P. 2015. ***The most good you can do***. Yale University Press.

Electronic copy available at: https://ssrn.com/abstract=3575027

Singh, J., Teng, N., & Netessine, S. 2019. Philanthropic campaigns and customer behavior: Field experiments on an online taxi booking platform. ***Management Science***, 65(2): 913–932.

Stern, R. N., & Barley, S. R. 1996. Organizations and social systems: organization theory's neglected mandate. ***Administrative Science Quarterly***, 41(1): 146–162.

Stiglitz, J. E. 2017. ***Globalization and its discontents revisited: Anti-globalization in the era of Trump***. W. W. Norton & Company.

Suarez, F. F., & Utterback, J. M. 1995. Dominant designs and the survival of firms. ***Strategic Management Journal***, 16(6): 415–430.

Tsai, A. 2013. 2012 Presidential address—On compassion in scholarship: Why should we care? ***Academy of Management Review***, 38(2): 167–180.

Vakili, K., & McGahan, A. M. 2016. Health cares grand challenge: Stimulating basic science on diseases that primarily afflict the poor. ***Academy of Management Journal***, 59(6): 1917–1939.

Vishwanathan, P., van Oosterhout, H. J., Heugens, P. P. M. A. R., Duran, P., & Essen, M. 2019. Strategic CSR: A Concept Building Meta-Analysis. ***Journal of Management Studies***, 4: 2796–37.

Waddock, S. A., & Graves, S. B. 1997. The corporate social performance-financial performance link. ***Strategic Management Journal***, 18(4): 303–319.

Walsh, J., Weber, K., & Margolis, J. D. 2003. Social issues and management: Our lost cause found. ***Journal of Management***, 29(6): 859–881.

Wernerfelt, B. 1984. A resource-based view of the firm. ***Strategic Management Journal***, 5(2): 171–180.

Whiteman, G., & Cooper, W. H. 2016. Decoupling rape. ***Academy of Management Discoveries***, 2(2): 115–154.

Williamson, O. E. 1985. ***The economic institutions of capitalism***. Simon and Schuster.

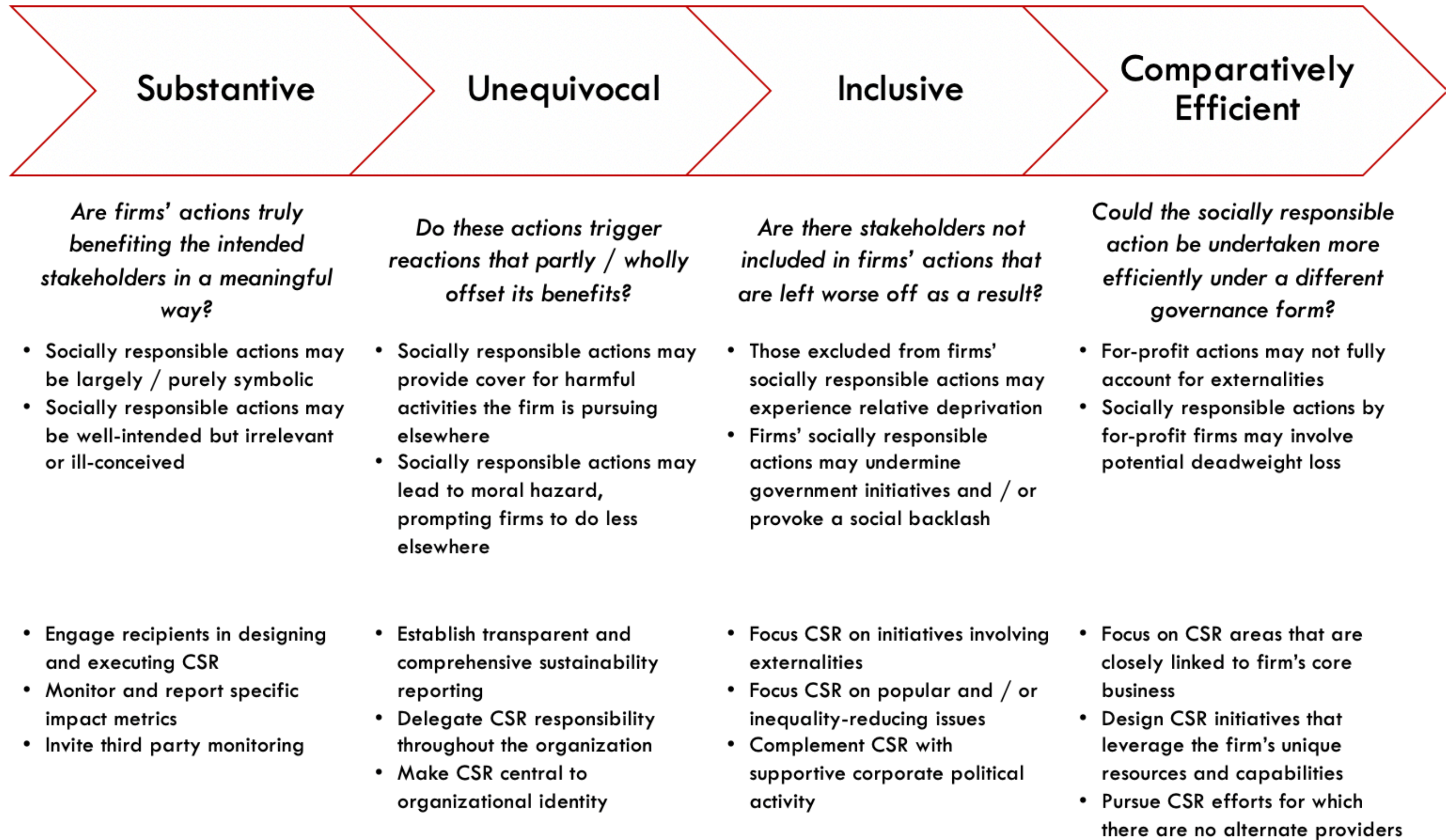
Williamson, O. E. 1991. Strategizing, economizing, and economic organization. ***Strategic Management Journal***, 12(2 S): 75–94.

Williamson, O. E. 1996. ***The mechanisms of governance***. Oxford University Press.

Yao, D. A. 1988. Beyond the reach of the invisible hand: Impediments to economic activity, market failures, and profitability. ***Strategic Management Journal***, 9(1 S): 59–70.

Electronic copy available at: https://ssrn.com/abstract=3575027

Figure 1



Electronic copy available at: https://ssrn.com/abstract=3575027