

How do corporate governance and reporting frequency moderate the relationship between CSR reporting and corporate social performance?

Jingoo Kang(corresponding author)
Korea University Business School Korea University
(*jg20605@korea.ac.kr*)
Jon Jungbien Moon
Korea University Business School Korea University
(*jonjmoon@korea.ac.kr*)

.....

Are corporate social responsibility (CSR) reports a signal of genuine efforts by firms to exercise for CSR or a disguise for a firm's CSR-related problems? An increasing number of US and multinational firms are publishing reports on CSR. Allegedly, these firms publish CSR reports to provide information about their commitment to and achievements in CSR to shareholders and other stakeholders. However, others suspect that CSR reports are more likely a disguise for a firm's weakness in CSR. In an attempt to find an answer to this question, we investigate the relationship between CSR reporting and corporate social performance (CSP). In this paper, we propose a novel approach to examining firms' intentions behind CSR reporting. We examine the relationship between a firm's CSR reporting and its actual corporate social performance (CSP). Our logic is that the true intention behind a firm's CSR reporting can be better examined by observing how it actually performs in terms of CSP than by simply listening to what it says. We expect that if a firm's intention behind CSR reporting is genuine, the firm is more likely to demonstrate strong CSP. In contrast, if intention of CSR reporting is to hide CSR problems, the firm is more likely to demonstrate poor CSP. From a sample of 313 large US firms during 1996-2006, we found that firms publishing CSR reports generally show strong CSP, suggesting that CSR reporting is more likely to be a signal of a firm's genuine effort for CSR. We also found that the positive CSR reporting - CSP relationship becomes stronger when firms (1) have democratic corporate governance and (2) publish CSR reports more frequently. Our result suggests that CSR reporting may be understood as a sign of genuine efforts by firms to exercise CSR and that democratic corporate governance and frequency in CSR reporting positively moderate the relationship between CSR reporting and CSP. Our study presents the first large-sample evidence of firms' intentions behind CSR reporting.

Running head: Why do firms publish CSR reports?

Key words: Corporate social responsibility, Corporate social responsibility reports, Corporate social performance, Panel data analysis

.....

I . Introduction

An increasing number of US and multinational firms are publishing reports on corporate social responsibility (CSR) (Kolk and Lenfant, 2009; Maignan and Ralston, 2002). Allegedly, these firms publish CSR reports to provide information about their commitment to and achievements in CSR to shareholders and other stakeholders. For example, GE's 2009 CSR report states, "This report represents the evolution of GE's effort to challenge ourselves to be more transparent, more accessible, and more cognizant of our impact on society and the environment" (General Electric, 2009, p. 5). In this sense, CSR reporting can be understood as a signal of a firm's genuine effort to effect CSR (Gond and Herrbach, 2006; Kaliner, 1997; Reynolds and Yuthas, 2007). However, others suspect that CSR reports are more likely a disguise for a firm's weakness in CSR (Belal and Roberts, 2010; Bruno, 1997; Deegan, 2002; Hooghiemstra, 2000; Laufer, 2003; Owen and Swift, 2001; Quirola and Schulup, 2001). Some critics have even claimed that CSR reports are an "elaborated and convincing façade designed to conceal ... backstage activities from prying eyes" (Milne and Patten, 2002, p. 375).

If CSR reports represent a firm's genuine effort to improve CSR and effectively summarize a firm's achievement in CSR, they can

serve to disclose useful information to shareholders and other stakeholders (Lehman, 1999; Lessem, 1977; Lydenberg, 2002). For example, investors who emphasize ethical business practices may construct their stock portfolio using information from CSR reports (Rosen et al., 1991). On the other hand, if CSR reporting is intended to hide firms' socially irresponsible and unethical business practices, it can cause several problems. First, these firms are wasting scarce firm resources by publishing fraudulent CSR reports. If CSR reports are merely intended to hide problems, they do not have informational value for shareholders. Therefore, firms publishing fraudulent CSR reports are wasting their resources and shareholder wealth. Second, fraudulent CSR reports introduce noise to the market and thus lower market efficiency. A growing number of investors take the CSR performance of firms into consideration when they make investment decisions (e.g., TIAA-CREF). Fraudulent CSR reports will distort the judgment of such investors and therefore hamper efficient allocation of capital in the stock market. Third, fraudulent CSR reports can contribute to a higher likelihood of serious economic and environmental disasters. If firms address CSR-related problems in a timely manner, it can spare society from potential disasters later. In contrast, if firms hide their problems using fraudulent CSR reports, they are only allowing the growth of potential damage to

shareholders and society. For example, it is believed that Exxon's catastrophic oil spills could have been prevented by timely and honest communication about its safety issues (Leveson, 2005). In short, if publishing CSR reports is a genuine effort by a firm to help achieve social responsibility, these reports can provide valuable information to shareholders and other stakeholders. If not, they can only do harm to shareholders and other stakeholders. Therefore, understanding firms' true intentions behind CSR reporting is a topic of research that is relevant for the protection of shareholder wealth and the welfare of other stakeholders and society.

Despite several decades of scholarly interest in CSR reporting, scholarly efforts to understand why firms publish CSR reports have been limited (Mathews, 1997). To our best knowledge, there are only two empirical studies on the subject, both of which relied on one-firm case studies and reached contradictory conclusions (Guthrie and Parker, 1989; Hogner, 1982).¹⁾ The inconclusive findings of previous studies suggest that academic research has yet to supply credible evidence about this question. The main challenge in examining a firm's intention behind CSR reporting is that a firm's intentions are unobservable. To over-

come this empirical challenge, Mathews (1997) proposed that researchers study managers' written statement about why they publish CSR reports or interview managers directly. However, neither approach may be the most effective research strategy because managers would not reveal their true intentions if their firms are publishing CSR reports to hide their CSR problems.

In this paper, we propose a novel approach to examining firms' intentions behind CSR reporting. We examine the relationship between a firm's CSR reporting and its actual corporate social performance (CSP). Our logic is that the true intention behind a firm's CSR reporting can be better examined by observing how it actually performs in terms of CSP than by simply listening to what it says. We expect that if a firm's intention behind CSR reporting is genuine, the firm is more likely to demonstrate strong CSP. In contrast, if intention of CSR reporting is to hide CSR problems, the firm is more likely to demonstrate poor CSP.²⁾ From a sample of 313 large US firms during 1996-2006, we found that firms publishing CSR reports generally show strong CSP, suggesting that CSR reporting is more likely to be a signal of a firm's genuine effort for CSR. We also found that

1) Hogner (1982) concluded that US Steel's motivation behind CSR reporting was to gain legitimacy, while Guthrie & Parker (1989) concluded that Broken Hill Proprietary Company's motivation was not for legitimacy.

2) In examining the CSR reporting - CSP relationship, we also consider the possibility that CSR reporting itself may positively affect the CSP of the firm, suggesting an automatic positive relationship between CSR reporting and CSP. However, our analysis shows that CSR reporting itself does not significantly contribute to the CSP of the firm.

the positive CSR reporting - CSP relationship becomes stronger when firms (1) have democratic corporate governance and (2) publish CSR reports more frequently.

Our paper contributes to the social accounting and CSR literature by offering the first large-sample statistical evidence for why firms publish CSR reports. Despite the abundance of theoretical discussion about firms' intentions behind CSR reporting (Gray et al., 1987; Mathews, 1997), statistical tests of this question have been absent. Therefore, by supplying rare empirical evidence, our study helps the social accounting and CSR literature to maintain a more balanced discussion of the subject. Our finding also gives some practical implications to shareholders and stakeholders interested in CSR: (1) CSR reports generally provide reliable information about a firm's commitment to and achievements in CSR; (2) democratic governance of a firm implies that its CSR reports are more trustworthy; (3) More frequent and regular reporting implies that CSR reports are more trustworthy. This study is organized as follows: First, based on two opposing views on CSR reports, we hypothesize the relationship between CSR reporting and CSP and propose possible moderators of the relationship. Second, we present our data, statistical analysis, and findings. Lastly, we conclude our study with a discussion of our findings, another of the limitations of the study, and suggestions for

future research.

II. Theory and Hypotheses

2.1 Firms' intention behind CSR reporting: A genuine effort or a disguise?

There are two alternative explanations for firms' publication of CSR reports. The first view suggests that firms publish CSR reports because they genuinely care about CSR (Gond and Herrbach, 2006; Kaliner, 1997; Reynolds and Yuthas, 2007). According to this view, CSR reports summarize a firm's effort to effect socially responsible business practices and investment in social issues, present achievements in improvement in social conditions as a result of the firm's effort, and explain how the firm will continue to attend to social responsibility in the future (Gray et al., 1987; Mathews, 1993). For example, in GE's 2009 CSR report, CEO Jeffrey Immelt and other senior executives explain why investing in social issues is important to GE and how its dedication to social responsibility has resulted in tangible benefits for GE, its stakeholders, and society (General Electric, 2009). Similarly, in IBM's 2009 CSR report, CEO Samuel Palmisano emphasizes IBM's dedication to the environment and philanthropy and explains how determined IBM is to continue building a

path toward a better society (IBM, 2009). Many other firms, in their CSR reports, furnish similar information about their investment and achievement in CSR. In line with the firms' claims in CSR reports, Maignan and Ralston (2002) reported that a majority of the US firms surveyed stated that their CSR presentation is an expression of their dedication to CSR.

According to what firms claim in CSR reports, CSR reporting may be interpreted as a signal of genuine efforts by the firm to effect CSR. In support of this genuine intention hypothesis, Reynolds and Yuthas (2007) explained that CSR reporting should be understood as a truthful and sincere discourse between firms and its stakeholders about moral and social issues. Based on this perspective, we predict that firms that publish CSR reports are more serious about understanding corporate responsibility in social issues, make more substantial efforts to address social issues, and achieve more tangible improvements in social conditions. Hence, we hypothesize that there is a positive relationship between CSR reporting and CSP.

H1a: Publication of CSR reports will be positively associated with CSP.

Another possible explanation for a firm's publication of a CSR report is that the firm uses the report to disguise its socially irres-

ponsible business practices or lack of investment in CSR. A number of scholars and journalists have criticized CSR reporting and other CSR-related efforts by firms as dishonest attempts to cover up those firms' socially irresponsible business practices (Beder, 1997; Bruno, 1997; Deegan, 2002; Mitchell et al., 1994; Owen and Swift, 2001; Quirola and Schulup, 2001). For example, a principal with Domini Social Investment said, "Although an increasing number of corporations publish environmental and health and safety reports, many are simply token efforts" (Lydenberg, 2002, p. 61). Laufer (2003, p. 255) also criticized that "Unsubstantiated and unverified social and environmental disclosures often amount to little more than public relations — issued to manage public perceptions, to respond to public pressure, or to react to perceived public opinion."

According to the negative view on CSR reporting, CSR reporting is little more than a disguise — reports are issued to manage public perceptions, deflect attributions of fault, and obscure the nature of the problem or allegation (Hooghiemstra, 2000; Laufer, 2003; Quirola and Schulup, 2001). The negative view on CSR reporting suggests that firms publish CSR reports to hide problems or weaknesses in CSR. Hence, we predict that there is a negative relationship between CSR reporting and CSP.

H1b: Publication of CSR reports will be negatively associated with CSP.

2.2 Corporate governance as a moderator of CSR reporting-CSP relationship

Existence of democratic corporate governance means that managerial decision making and the firm's resource allocation process are transparent to shareholders and other investors (Shleifer and Vishny, 1997). Therefore, democratic corporate governance discourages managers from wasting firm resources and promotes their compliance with shareholders' goals (Gompers et al., 2003). The nature of corporate governance suggests that it may modify the predicted relationships between CSR reporting and CSP.

First, we propose that, when firms have democratic corporate governance, *CSR reporting is less likely to be a disguise for CSR problems*, moderating the relationship predicted in Hypothesis 1b. Under democratic corporate governance, managerial decisions are more closely monitored by shareholders, and therefore managers are less likely to waste valuable firm resources for illegitimate purposes. In essence, fraudulent CSR reporting is intended to mislead shareholders and other stakeholders by hiding a firm's CSR problems. Therefore, most likely, shareholders would not consider such practices as a legitimate, justifiable use of firm resources and would

not allow managers to engage in them. Based on this argument, we propose that when a firm has democratic corporate governance, its CSR reporting is less likely to be a disguise of CSR problems and thus the predicted negative relationship between CSR reporting and CSP (Hypothesis 1b) will be weaker.

By the same token, we expect that, when firms have democratic corporate governance, *CSR reporting is more likely to be a signal of genuine effort for CSR*, moderating the relationship predicted in Hypothesis 1a. Under the vigilance of democratic corporate governance, managers are closely monitored by shareholders and other investors. As a result, under democratic corporate governance, a firm's actions will be based on a more genuine managerial intention. For example, under democratic corporate governance, financial reports provide a more accurate summary of a firm's financial transactions and health. Similarly, under democratic corporate governance, CSR reports will provide a more accurate summary of a firm's achievements in and dedication to CSR. Therefore, when a firm has democratic corporate governance, a managerial decision to publish CSR reports is more likely to be a genuine effort to provide an accurate account of the firm's CSR-related activities and achievements. In other words, under democratic corporate governance, CSR reporting is more likely to be a signal of genuine effort to effect CSR. Therefore, we

expect that, under democratic corporate governance, the predicted positive relationship between CSR reporting and CSP (Hypothesis 1a) will be stronger.

In sum, under democratic corporate governance, CSR reporting is less likely to be intended to mislead shareholders and more likely to be a true signal of the firm's effort in CSR. As a result, both the predicted positive and negative relationship between CSR reporting and CSP will be positively moderated when corporate governance is democratic.

H2: The predicted relationship between CSR reporting and CSP will be positively moderated by democratic corporate governance.

2.3 Reporting frequency as a moderator of CSR reporting-CSP relationship

The frequency of CSR reporting can also influence the relationship between CSR reporting and CSP. The frequency of CSR reporting varies by firm: Some firms publish the report annually, while other firms publish biennially or even less frequently. When CSR reporting is a signal of genuine corporate dedication to CSR, we expect that frequent and regular CSR reporting will strengthen the positive relationship between CSR reporting and CSP, for the following three reasons.

First, frequent and regular reporting implies

that the firm achieves observable CSR-related outcomes that can be communicated to their shareholders and stakeholders more frequently. Further, more frequent observable outcomes also imply that the firm invests more resources and efforts in CSR. Therefore, firms that publish CSR reports in a more frequent and regular manner are likely to demonstrate stronger CSP. In contrast, firms that do not achieve observable outcomes as often would not need to publish CSR reports frequently. Second, frequent and regular CSR reporting requires maintaining formal organizational routines and the personnel specialized in coordinating and reporting CSR activities (Gond and Herrbach, 2006). Maintaining formal organizational routines and policies for CSR reporting suggests that these firms are more dedicated to CSR than are other firms (Berthoin-Antal and Sobczak, 2004; Gond and Herrbach, 2006), and thus also more likely to demonstrate stronger CSP than others. Third, frequent and regular CSR reporting can serve as a learning tool for CSR and thus improve the firm's ability to deal with CSR (Berthoin-Antal and Sobczak, 2004; Gond and Herrbach, 2006). Berthoin-Antal and Sobczak (2004) explained that regular CSR reporting enhances the firm's ability to identify, diagnose, and resolve CSR problems. For example, the Danone Group's strong and well-established CSR reporting system has helped the firm to understand CSR issues

more clearly and tackle them more effectively, eventually leading to the firm's strong CSP (Berthoin-Antal and Sobczak, 2004).

Based on the above arguments, we expect that when a firm publishes CSR reports in a more frequent and regular manner, the positive relationship between its CSR reporting and CSP (Hypothesis 1a) will be stronger (positive moderation). Hence Hypothesis H3a:

H 3a: The predicted positive relationship between CSR reporting and CSP will be positively moderated when firms publish CSR reports more frequently.

On the other hand, it is also possible that firms may publish CSR reports more frequently and regularly to disguise their problems and weaknesses in CSR more thoroughly. For example, if a firm is more prone to negative social issue-related accidents, the firm may want to deflect public attention from its problems and weakness by publishing CSR reports more frequently. That is, firms that have more CSR problems need to publish CSR reports more frequently. Therefore, if CSR reporting is a part of a dishonest firm's effort to cover its social irresponsibility, the negative relationship predicted in Hypothesis 1b will be stronger (negative moderation), when firms publish CSR reports more frequently.

H 3b: The predicted negative relationship between CSR reporting and CSP will be negatively moderated when firms publish CSR reports more frequently.

III. Methods

3.1 Data

CSR reporting data were collected from CorporateRegister.com, a company that tracks corporate reports. According to the company, it covers CSR reports from about 2,800 US firms. We obtained annual data from 1996 through 2006. Corporate social performance data were collected from the KLD SOCRATES database. The KLD data are a very influential measure of corporate social performance, as many investment managers refer to KLD's recommendations when making decisions that require social screening. The KLD data are also the most frequently cited source of corporate social performance within the academic literature, e.g., Harrison and Freeman (1999), Berman et al. (1999), and Chatterji et al. (2009). After matching the two datasets, we are left with 2,578 firm-year observations spanning the 11-year period from 1996 through 2006. Finally, corporate governance data were collected from RiskMetrics' IRRC database, which publishes detailed listings of

corporate governance provisions that firms use to defend against takeovers. The IRRC data are also an influential source of corporate governance research (Gompers et al., 2003). These data are derived from a variety of public sources including corporate bylaws and charters, proxy statements, and annual reports, as well as 10-K and 10-Q documents filed with the SEC. Since IRRC corporate governance data are available biennially between 1998 and 2006, we are left with 1,138 firm-year observations from five years during the 1998-2006 period (1998, 2000, 2002, 2004, and 2006) after matching the combined CSR reporting and CSP data with corporate governance data.

3.2 Variables

Our dependent variable *corporate social performance (CSP)* is measured by the net sum of all strength and concern items in the KLD database. This simple way of producing a measure from the KLD database has been used in much previous research, including Strike et al. (2006) and Bouquet and Deutsch (2008).³⁾

3.3 Independent variables

Report is a dummy variable taking the value of 1 if the firm issued a CSR report in that year, and 0 otherwise. *Governance* is the sum of the number of governance provisions that restricts shareholder rights, calculated from the IRRC Governance data (Gompers et al., 2003). Therefore, a lower value of *governance* implies better corporate governance. *Frequent* measures the frequency of reporting and is a dummy variable taking the value of 1 if the firm issued a CSR report more than or equal to 2/3 of all available years, and 0 otherwise. We choose the threshold of frequent reporting as 2/3 for the following reason. Among the 313 firms included in our sample, 112 firms published a CSR report at least once during our observation period. We check the percentile of reporting frequency of the 112 firms and find that 0.6667 (which is approximately 2/3) is the median value. Hence, we adopt the median reporting frequency of 2/3 as the threshold for frequent reporting.

3.4 Control variables

ROA is calculated by dividing net income by

3) In order to address the concern that CSP and publishing a CSR report is positively correlated by construction, since publishing a CSR report is a part of CSP strength item in the KLD database, we also experimented with a CSP measure excluding the item that reflects the publication of a CSR report (transparency strength). The two measures have a correlation coefficient of 0.9966, and the regression results with the latter as a dependent variable do not differ much from the ones with the former as a dependent variable.

total assets and captures the financial performance of the firm; *Book-to-market* is measured by the market value of common equity divided by the book value of total assets and captures the value of the firm's intangible assets; *size* is measured by the natural logarithm of total assets; *cash flow* is calculated by adding up earnings before extraordinary items and depreciation and captures the available financial resources that can be used in corporate social performance. *Leverage* is measured by the ratio of total debt to total assets and captures the risk of financial distress; we include the vector of dummy variables for each year in order to capture the effect of the business cycle. All explanatory variables are lagged by one year to avoid the reverse causality problem.

3.5 Specification

We estimate the following specification using a generalized least squares (GLS) estimator in STATA:

$$\begin{aligned} CSP_{it} = & \beta_0 + \beta_1 report_{i,t-1} + \beta_2 governance_{i,t-1} \\ & + \beta_3 report_{i,t-1} \times governance_{i,t-1} + \beta_4 frequent_i \\ & + \beta_5 report_{i,t-1} \times frequent_i + X_{i,t-1} \Gamma + \varepsilon_{it} \end{aligned}$$

where X_{it} is a vector of the aforementioned control variables.

The reason for selecting the GLS estimator is the following: since we have panel data, a pooled-OLS estimator may be inefficient because there can be firm-specific differences in the variance of the error term that captures unobserved factors that might affect corporate social performance. The GLS method takes this heteroskedasticity into account and is therefore the most efficient estimator.

IV. Results

Table I reports the summary statistics and correlations among the variables.

CSP has a mean of 0.24 and a standard deviation of 3.03, which means that this variable is centered on 0. *Report* has a mean of 0.25, meaning that 25% of all firms in our sample publish a CSR report in a given year during our sample period. *Governance* ranges from 2 to 16 and has a mean of 9.88. *Frequent* has a mean of 0.21, which means that 21% of firms that have ever published a CSR report do so more often than twice every three years. *ROA* has a mean of 5.83%, *book-to-market* has a mean of 42.19%, and *leverage* has a mean of 25.47%. The average total assets of firms in our sample are \$16 billion, and they earn \$1.24 billion in cash flow on average. The examination of pairwise correlation reveals no correlation coefficient

greater than 0.8.

Table II reports the regression results. Column (1) presents the results from the model with only control variables. Column (2) shows that firms that publish a CSR report in a given year have a CSP score that is higher by 0.71 points than firms that are otherwise similar but do not publish such a report. The coefficient is significant at the 1% level. This confirms H1a, that publication of CSR reports is positively associated with CSP, while it disproves H1b, that publication of CSR reports is negatively associated with CSP. This result is robust when we include the moderating variables in further specifications.

Column (3) shows the moderating effect of corporate governance. Here the main effect of publishing a CSR report is positive and significant, and the interaction between publishing

a CSR report and corporate governance is negative and significant. Since a lower score on the corporate governance index implies more democratic corporate governance, this result implies that corporate governance positively moderates the relationship between publishing a CSR report and CSP. In Figure I, this moderating relationship is shown graphically. For a firm with democratic corporate governance (governance index at the 10th percentile), publishing a CSR report is strongly positively associated with CSP. However, for a firm with weak corporate governance (governance index at the 90th percentile), publishing a CSR report is not positively associated with CSP at all. This result confirms H2, that democratic corporate governance positively moderates the relationship between CSR reporting and CSP.

<Table I> Summary statistics and correlations

No.	Variable	N	Mean	Std. Dev.	1	2	3	4	5	6	7	8	9
1	CSP	2578	0.2397	3.0344	1								
2	Report (t-1)	2578	0.2467	0.4312	0.1639*	1							
3	Governance (t-1)	1138	9.8831	2.5758	-0.0495	-0.0036	1						
4	Frequent (t-1)	2578	0.2126	0.4092	0.1786*	0.7605*	0.0111	1					
5	ROA (t-1)	2578	0.0583	0.0916	0.1712*	0.0198	0.0079	0.024	1				
6	Book-to-Market (t-1)	2578	0.4219	0.3625	-0.1233*	-0.0768*	0.0240	-0.0801*	-0.3006*	1			
7	Size (t-1)	2578	8.4782	1.5096	-0.0289	0.4467*	-0.0688*	0.4188*	-0.0507*	-0.0249	1		
8	Cash Flow (t-1)	2578	1.2402	3.1648	0.0522*	0.3189*	-0.1480*	0.2795*	0.2233*	-0.0928*	0.5066*	1	
9	Leverage (t-1)	2578	0.2547	0.1905	-0.1042*	0.0586*	0.0519	0.0510*	-0.2506*	0.0375	0.2440*	0.0070	1

Significance level: * $p < .05$

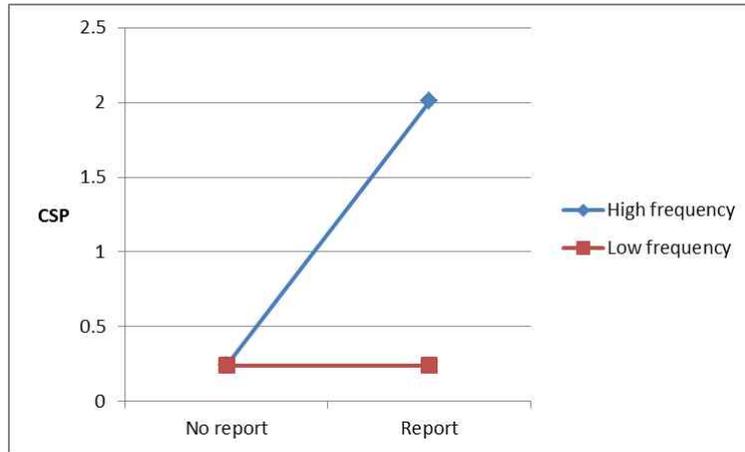
Column (4) shows the moderating effect of reporting frequency. The interaction between reporting frequency and publishing a CSR report is positive and significant, which means that among firms that publish a CSR report, a firm publishing a CSR report often (more

than twice every three years, on average) has higher CSP than does a firm publishing it less often. Figure II depicts this moderating relationship of reporting frequency. While it is clear that those firms that publish a CSR report often have much higher CSP than do

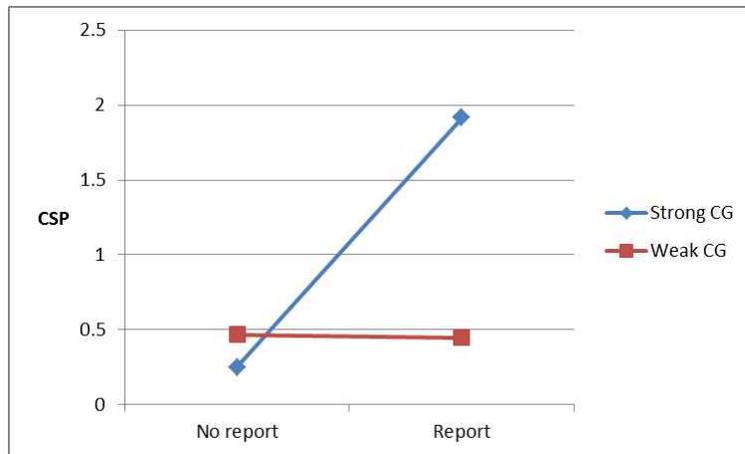
〈Table II〉 Regression results

Dep. Variable	(1) CSP	(2) CSP	(3) CSP	(4) CSP	(5) CSP
CSR Report (t-1)		0.7116** (0.1430)	3.6240** (0.7558)	0.2401 (0.1782)	3.1336** (0.7579)
Governance (t-1)			0.0360 (0.0515)		0.0346 (0.0510)
CSR Report (t-1) x Governance (t-1)			-0.2803** (0.0727)		-0.2990** (0.0722)
Frequent (t-1)				0.8430* (0.4289)	0.9633 (0.5961)
CSR Report (t-1) x Frequent (t-1)				0.9259** (0.2886)	1.1784* (0.5345)
ROA (t-1)	0.4715 (0.5180)	0.6629 (0.5177)	1.5828 (0.8325)	0.5904 (0.5157)	1.3813 (0.8267)
Book-to-Market (t-1)	-0.0055 (0.1350)	0.0241 (0.1347)	-0.0510 (0.1819)	0.0532 (0.1344)	-0.0230 (0.1806)
Size (t-1)	-0.1060 (0.0752)	-0.1464* (0.0746)	-0.1169 (0.1045)	-0.2159** (0.0772)	-0.2389* (0.1077)
Cash Flow (t-1)	0.0834** (0.0231)	0.0724** (0.0231)	0.0350 (0.0397)	0.0703** (0.0230)	0.0315 (0.0393)
Leverage (t-1)	-0.1763 (0.3244)	-0.1728 (0.3228)	-0.0342 (0.5026)	-0.1955 (0.3217)	-0.0067 (0.4981)
Constant	0.8834 (0.9014)	1.0251 (0.8941)	0.7192 (1.0391)	1.3720 (0.8976)	1.6069 (1.0507)
Year FE	Included	Included	Included	Included	Included
Observations	2578	2578	1138	2578	1138
# Firms	313	313	302	313	302
Overall R ²	0.0178	0.0495	0.0665	0.0577	0.0851
X ²	57.51**	82.67**	55.57**	106.9**	79.41**

Significance levels: * $p < .05$, ** $p < .01$



〈Figure II〉 The moderating effect of reporting frequency in the relationship between CSR report publication and corporate social performance



〈Figure I〉 The moderating effect of corporate governance in the relationship between CSR report publication and corporate social performance

those firms that do not publish a CSR report, those firms that publish a CSR report less than twice every three years have no higher CSP than do those firms that do not publish a CSR report at all. This result confirms H3a, that the positive relationship between

publishing a CSR report and CSP is positively moderated by the reporting frequency. Column (5) is the full model with both moderating variables. The full model is consistent with the results presented so far and confirms H1a, H2, and H3a.

We believe that our result for hypothesis 1 lends some support to the idea that firms with genuine intention for CSR will publish CSR reports and show strong CSP. However, it is possible that firms publish CSR reports to hide their CSR- and ethics-related problems yet subsequently show strong CSP as a result of CSR reporting and other related efforts. We conducted an additional analysis to check this possibility. If firms with CSR- and ethics-related problems publish CSR reports for some reasons, we should see a statistically significant and positive relationship between firms' CSR concerns and CSR re-

porting. Therefore, we examine the relationship between CSR concerns and CSR reporting using a logistic regression (Table III). The result of this additional analysis shows that CSR concerns and CSR reporting is not positively related in a statistically significant manner, indicating that firms with CSR- and ethics-related problems are not likely to publish CSR reports. Therefore, this result suggests that at least it is not a general phenomenon that firms with CSR- and ethics-related problems publish CSR reports.

Finally, in addition to our main analysis, we examine our data to understand possible

〈Table III〉 Relationship between CSP Concerns and CSR reporting

Dep. Variable	CSR Reporting
CSP Concerns (t-1)	0.3831 (0.2025)
ROA (t-1)	4.1363 (6.1299)
Book-to-Market (t-1)	-0.0259 (0.7953)
Size (t-1)	4.5660** (0.5878)
Cash Flow (t-1)	0.1846 (0.2932)
Leverage (t-1)	-5.3713* (2.2003)
Constant	-44.6619** (5.2942)
Year FE	Included
Observations	2,200
# firms	305
Log(likelihood)	-343.0

Significance levels: * $p < .05$, ** $p < .01$

〈Table IV〉 The Diffusion of CSR Report Publication by Industry

SIC	Industry Name	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
10	Metal Mining	0.0%	0.0%	100.0%	33.3%	33.3%	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
13	Oil and Gas Extraction	37.5%	37.5%	37.5%	30.0%	30.0%	40.0%	40.0%	36.4%	27.3%	20.0%	11.1%
20	Food and Kindred Products	0.0%	0.0%	0.0%	0.0%	7.7%	15.4%	30.8%	35.7%	46.2%	57.1%	53.8%
24	Lumber and Wood Products	33.3%	40.0%	50.0%	50.0%	50.0%	66.7%	50.0%	50.0%	50.0%	50.0%	66.7%
25	Furniture	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	20.0%	50.0%	40.0%	60.0%	60.0%
26	Paper	12.5%	22.2%	22.2%	22.2%	50.0%	50.0%	44.4%	44.4%	55.6%	55.6%	62.5%
28	Chemicals	21.2%	25.0%	24.2%	30.3%	34.4%	38.7%	36.4%	44.1%	53.1%	54.5%	59.4%
29	Petroleum Refining	100.0%	100.0%	100.0%	50.0%	50.0%	50.0%	33.3%	66.7%	66.7%	66.7%	66.7%
30	Rubber and Plastic	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
31	Leather	0.0%	0.0%	0.0%	0.0%	0.0%	50.0%	33.3%	33.3%	33.3%	33.3%	50.0%
33	Primary Metal	33.3%	33.3%	33.3%	25.0%	25.0%	20.0%	25.0%	20.0%	16.7%	28.6%	33.3%
34	Fabricated Metal	0.0%	0.0%	0.0%	0.0%	16.7%	16.7%	20.0%	25.0%	20.0%	20.0%	20.0%
35	Industrial and Commercial Machinery	5.3%	5.3%	10.0%	12.5%	18.2%	17.4%	20.0%	21.7%	27.3%	30.0%	31.6%
36	Electrical Equipment	15.8%	16.7%	25.0%	19.2%	25.9%	30.8%	34.6%	31.0%	34.6%	34.8%	36.4%
37	Transportation Equipment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.1%	18.2%	18.2%	38.5%	45.5%
38	Photographic, Medical, and Optical Goods	0.0%	7.1%	6.3%	11.1%	17.6%	17.6%	17.6%	23.5%	23.5%	29.4%	35.7%
39	Misc. Manufacturing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%	33.3%	50.0%	100.0%	100.0%
45	Air Transportation	0.0%	0.0%	0.0%	0.0%	0.0%	40.0%	40.0%	40.0%	25.0%	25.0%	25.0%
48	Communications	16.7%	14.3%	14.3%	0.0%	14.3%	12.5%	20.0%	18.2%	20.0%	22.2%	42.9%
49	Electric, Gas, and Sanitary Services	0.0%	0.0%	0.0%	0.0%	40.0%	40.0%	50.0%	50.0%	50.0%	33.3%	33.3%
53	General Merchandise Stores	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
56	Apparel and Accessory Stores	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	25.0%	20.0%	25.0%
58	Eating and Drinking Places	0.0%	0.0%	0.0%	0.0%	16.7%	40.0%	28.6%	28.6%	28.6%	60.0%	50.0%
59	Misc. Retail	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	20.0%	25.0%
61	Non-depository Credit Institutions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	25.0%	50.0%	100.0%
63	Insurance Carriers	0.0%	0.0%	0.0%	14.3%	12.5%	20.0%	16.7%	25.0%	27.3%	45.5%	33.3%
73	Business Services	18.2%	16.7%	12.5%	4.8%	13.0%	12.5%	16.7%	18.2%	25.0%	21.1%	27.8%
	Total	10.9%	13.2%	13.8%	13.5%	19.9%	24.1%	26.2%	29.9%	33.5%	38.1%	41.8%

patterns of diffusion of CSR reporting among firms included in our sample. First, we observe the pattern of diffusion of CSR reporting by industry. The pattern of diffusion of CSR reporting varies significantly across industries. In some industries, the numbers of firms that publish CSR reports increase as years go by, while in other industries, the numbers of firms that publish CSR reporting decrease as years go by. However, when we collapse industry categories and observe the total number of firms that publish CSR reports, our data show a clear increasing trend. The diffusion pattern of CSR reporting in our sample is summarized in Table IV.

V. Conclusion

In this paper we set out to investigate the relationship between a firm's publication of an annual CSR report and its CSP, and how the strength of corporate governance and reporting frequency might moderate the relationship. Notable firms such as GE, American Express, Microsoft, and Aetna all started publishing annual CSR reports, investing substantial firm resources into the endeavor. However, there has been a paucity of academic research into the actual relevance and intention of firms engaging in such practices. Our research is a first step in understanding

why firms are publishing CSR reports and how it is related to actual firm CSP.

We find that a firm that publishes a CSR report in a given year achieves better CSP in the next year, after controlling for the effect of financial performance, available financial resources, size, leverage, and book-to-market ratio. This finding suggests that publishing a CSR report formalizes the organizational routine in dealing with various stakeholder issues and makes the firm more capable of meeting stakeholder demands. In addition, we find that the aforementioned relationship is positively moderated by the strength of the firm's corporate governance. Our finding that publication of a CSR report has no significant impact on CSP for a firm with weak corporate governance means that publication of a CSR report could be window-dressing for such a firm. However, there is a positive and significant relationship between the publication of a CSR report and CSP for a firm with democratic corporate governance. This implies that sound corporate governance is a necessary condition for effective CSR reporting.

The frequency of CSR report publication also turns out to be a positive moderator of the aforementioned relationship. It is natural to think that a firm that publishes a CSR report more frequently is more serious about CSR and also possibly possesses better organizational capabilities to handle stakeholder issues. Therefore, this result is reassuring; it

shows that publication of a CSR report can serve as a good indicator of the firm's attitude toward and capabilities in dealing with social responsibility.

The limitations of our current research are as follows: the dummy variable for publication of a CSR report in a given year is a crude one; it does not measure the true quality of a CSR report. The length of the report, its width of coverage, and other qualitative aspects that should be integrated in evaluating a CSR report are absent in our measure. Therefore, we have to admit that our attempt is a first step in understanding the value of a firm's publication of a CSR report. Further research should include an effort to develop ways to evaluate CSR reports.

References

- Beder, S.: 1997, *Global Spin: The Corporate Assault on Environmentalism* (Chelsea Green, White River Junction, VT).
- Belal, A. R. and R. W. Roberts: 2010, "Stakeholders' perceptions of corporate social reporting in Bangladesh," *Journal of Business Ethics* 97 (2), 311-324.
- Berman, S. L., A. C. Wicks, S. Kotha and T. M. Jones: 1999, "Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance," *Academy of Management Journal* 42(5), 488-506.
- Berthoin-Antal, A. and A. Sobczak: 2004, "Beyond CSR: Organizational learning for global responsibility," *Journal of General Management* 30(2), 77-98.
- Chatterji, A. K., D. I. Levine and M. W. Toffel: 2009, "How well do social ratings actually measure corporate social responsibility?" *Journal of Economics and Management Strategy* 18(1), 125-169.
- Deegan, C.: 2002, "Introduction: The legitimising effect of social and environmental disclosures - A theoretical foundation," *Accounting, Auditing, and Accountability Journal* 15 (3), 282-311.
- General Electric: 2009, "2009 Citizenship Report: Renewing Responsibilities," General Electric Company, Fairfield, Connecticut.
- Gompers, P. A., J. L. Ishii and A. Metrick: 2003, "Corporate governance and equity prices," *Quarterly Journal of Economics* 118(1), 107-155.
- Gond, J. and O. Herrbach: 2006, "Social reporting as an organizational learning tool? A theoretical framework," *Journal of Business Ethics* 65(4), 359-371.
- Gray, R., D. Owen and K. Maunders: 1987, *Corporate Social Reporting: Accounting and Accountability* (Prentice-Hall, London).
- Guthrie, J. and L. D. Parker: 1989, "Corporate social reporting: A rebuttal of legitimacy theory," *Accounting and Business Research* 9(76), 343-352.
- Harrison, J. S. and R. E. Freeman: 1999, "Stakeholders, social responsibility, and performance: Empirical evidence and theoretical perspectives," *Academy of Management Journal* 42(5), 479-485.

- Hogner, R. H.: 1982, "Corporate social reporting: Eight decades of development at US steel," *Research in Corporate Performance and Policy* 4, 243-250.
- Hooghiemstra, R.: 2000, "Corporate communication and impression management - New perspectives why companies engage in corporate social reporting," *Journal of Business Ethics* 24(1), 55-67.
- Kaliner, J.: 1997, *The Corporate Planet: Ecology and Politics in the Age of Globalization* (Sierra Club Books, San Francisco).
- Kolk, A. and F. Lenfant: 2009, "MNC reporting on CSR and conflict in Central Africa," *Journal of Business Ethics* 93(2), 241-255.
- Laufer, W. S.: 2003, "Social accountability and corporate greenwashing," *Journal of Business Ethics* 43(3), 253-261.
- Lehman, G.: 1999, "Disclosing new worlds: A role for social and environmental accounting and auditing," *Accounting, Organizations and Society* 24(3), 217-241.
- Lessem, R.: 1977, "Corporate social reporting in action: An evaluation of British, European, and American practice," *Accounting, Organizations and Society* 2(4), 279-294.
- Leveson, N. G.: 'Software system safety,' <http://ocw.mit.edu/courses/aeronautics-and-astronautics/16-358j-system-safety-spring-2005/lecture-notes/>.
- Lydenberg, S. D.: 2002, "Envisioning socially responsible investing," *Journal of Corporate Citizenship* 7(Autumn), 57-77.
- Maignan, I. and D. A. Ralston: 2002, "Corporate social responsibility in Europe and the US: Insights from Businesses' self-presentations," *Journal of International Business Studies* 33(3), 497-514.
- Mathews, M. R.: 1993, *Socially Responsible Accounting* (Chapman and Hall, London).
- Mathews, M. R.: 1997, "Twenty-five years of social and environmental accounting research," *Accounting, Auditing, and Accountability Journal* 10(4), 481-531.
- Milne, M. J. and D. M. Patten: 2002, "Securing organizational legitimacy: An experimental decision case examining the impact of environmental disclosures," *Accounting, Auditing, and Accountability Journal* 15(3), 372-405.
- Mitchell, A., T. Puxty, P. Sikka and H. Willmott: 1994, "Ethical statements as smoke-screens for sectional interests: The case of the U.K. accountancy profession," *Journal of Business Ethics* 13(1), 39-51.
- Owen, D. and T. Swift: 2001, "Introducing social accounting, reporting and auditing: Beyond the rhetoric," *Business Ethics: A European Review* 10(1), 4-8.
- Quirola, D. and M. Schulup: 2001, "WS19 - Sustainability reporting - Beyond Greenwash," Minutes of Workshop of the 7th ERCP, Lund, Sweden.
- Reynolds, M. and K. Yuthas: 2007, "Moral discourse and corporate social responsibility reporting," *Journal of Business Ethics* 78 (1-2), 47-64.
- Rosen, B. N., D. M. Sandler and D. Shani: 1991, "Social issues and socially responsible investment behavior: A preliminary empirical investigation," *Journal of Consumer Affairs* 25(2), 221-234.
- Shleifer, A. and R. W. Vishny: 1997, "A survey of corporate governance," *Journal of Finance* 52(2), 737-783.

기업의 사회적 책임 보고서와 사회적 책임 성과간의 관계에 대한 연구: 지배구조와 보고서 발간 빈도의 조절효과

강진구* · 문정빈**

요 약

최근 다수의 기업들이 사회적 책임 보고서 (Corporate social responsibility report)를 발간하고 있다. 본 연구는 기업들이 사회적 책임 보고서를 발간하는 목적에 대해서 살펴보고자 한다. 기업의 사회적 책임 보고서의 발간 현황과 기업의 실제 사회적 책임 성과 (Corporate social performance)의 관계를 살펴봄으로서 기업의 목적을 이해할 수 있다. 본 연구의 결과는 사회적 책임 보고서와 사회적 책임 성과가 정의 관계를 가지는 것을 보여주며, 이는 사회적 책임 보고서를 발간하는 기업이 실제로 사회적 책임에 투자를 더 하고 있음을 시사한다.

주제어: 기업의 사회적 책임, 사회적 책임 보고서, 사회적 책임 성과, 패널 데이터 분석

* 고려대학교 경영대학(jg20605@korea.ac.kr)

** 고려대학교 경영대학(jonjmoon@korea.ac.kr)