

PhD in Management – XXIV Cycle

**CORPORATE SOCIAL RESPONSIBILITY AND PERFORMANCE
MEASUREMENT:
THREE STUDIES FROM A STAKEHOLDER MANAGEMENT
PERSPECTIVE**

(Summary)

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Introduction

The topic of Corporate Social Responsibility has received much attention along the years from a wide variety of fields, such as philosophy, ethics, political theory, economics, law and organizational science. While in the management literature the first definition of Corporate Social Responsibility (CSR) is generally attributed to Brown (1953), prominent scholars in other areas had tackled the issue much earlier. Among those, one of the most relevant being Adam Smith, who despite being represented as one of the main advocates of self-interest in the economic literature, both in the *Lectures on Jurisprudence* and in “*The Theory of Moral Sentiments*” (1759), developed a sound rationale as to the need of social responsibility on the part of business and honesty in the market place. The issue of CSR emerged as an interdisciplinary field of study in the 1960s and early 1970s, when a number of events (the OPEC oil crisis, the success of environmental and civil rights activists) made it clear that the business environment was social and political, as well as economic and technological (see Wood (1991)). During this time period, Milton Friedman intervened in the debate with his 1970 *New York Times Magazine* article “The social responsibility of business is to increase its profits”. The field received a foundational framework in the 1980s with the works of Freeman (“*Strategic Management: A Stakeholder Approach*”). Today, Corporate Social Responsibility is the subject of many studies investigating various issues, such as the effect of CSR on financial performance, the relationship with corporate governance as well as the ways in which firms communicate their social performance to various stakeholders.

The attention of firms, investors and policy makers toward the topic has also recently increased sharply. According to a survey by KPMG (2011) on corporate responsibility reporting, 70% of European firms and 69% of firms operating in the Americas issue CSR reports. The Forum for Sustainable and Responsible Investing reported that 3 trillion out of total 25 trillion \$ in the U.S. investment marketplace are invested under the guidelines of Socially Responsible Investing (SRI) practices, where SRI investors direct investment funds in ways that combine investors’ financial objectives with their commitment to social concerns (see Haigh and Hazelton (2004)). The European Commission devoted remarkable attention to CSR this past decade, one

of the last initiative being the 2011 issuance of a new set of policies for CSR going into effect during the 2011-2014 time period. Along with the increased interest by policy makers, many NGO have also began to take an active role in laying the foundation for CSR. Take for example the Global Reporting Initiative (GRI) is active in the field, trying to fill the void produced by the facultative nature of CSR implementation and communication.

The present work aims to contribute to the literature on Corporate Social Responsibility by investigating three different but connected research areas, thereby providing a cohesive and all encompassing view of the topic of Corporate Social Responsibility and stakeholder management in various areas.

The research begins from one of the most widely debated (yet still unanswered) question in the academic field of CSR, that is: do firms that contribute socially also do well financially? In other words, does CSR foster corporate financial performance (CFP)? Are managers investing in CSP destroying shareholder value (as argued by Friedman (1970)) or are they fostering the firms' ability to gain and maintain a competitive advantage over time (as argued by Freeman (1984))? Trying to answer these questions is probably the most natural way to start a path of research on CSR, because they touch upon all the central issues of the debate. Despite the massive amounts of studies on the mater, these questions still remain unanswered. We propose that, in order for the field to progress to finally reach an answer, a holistic approach to the issue ought to be employed. Thus, studies ought to look both at the potential benefits of CSP in the normal business environment as well as at the potential insurance effects in instances of economic crises. We contribute to the growing academic literature on the value of CSP as an insurance during crises or crises-like situations (see Jones, Jones and Little (2000), Schnietz and Epstein (2005) and Godfrey et al (2009)) by investigating whether CSP acted as insurance (buffer) in the context of the Lehman Brothers bankruptcy through an event study methodology. We find support for the insurance hypothesis, as empirical results show that, in the context of the Lehman Brothers bankruptcy, socially responsible firms' stock price decreased less than non-socially responsible firms', as measured by abnormal returns.

The second contribution of the investigation deals with the insurance property of CSP for managers, rather than for the firm as a whole. At the end of the day, the decision about whether to invest in socially responsible activities is left up to the managers (and in particular to CEOs). In taking such a decision, a CEO may consider both the positive effects of CSP for the firm and for him/herself. In this perspective, CSP is considered as an agency cost (see Cestone and Cespa (2007), Pagano and Volpin (2005) and Letza et al (2004)). In order to test for the potential positive effects of CSP for the CEO, we investigate the relationship between CSP and performance induced CEO turnover. In particular, two hypotheses on the nature of the relationship were implemented and tested. The first one being the Insurance Hypothesis (grounded in agency theory and the managerial entrenchment literature), predicting that the probability of the CEO being fired as a consequence of a negative financial performance shock will be decreasing in the presence of increasing CSP. Based on the notion that CEOs may buy off stakeholders' support via CSP, thus entrenching themselves in the firm (see Cestone and Cespa (2007) and Pagano and Volpin (2005)). The second hypothesis developed is the Punishment Hypothesis, predicting that CEOs will be fired more promptly in cases of poor negative financial performance and high CSP. This result, driven by shareholders punishing the CEO for the negative performance while considering CSP in this case as a distraction from the CEO's job of creating shareholder value. The analysis provides support for the Punishment Hypothesis, thus disconfirming the existence of insurance properties of CSP for the CEO in the context of negative firm performance.

Finally, the third contribution deals with the non-profit (more specifically, museums) sector. Non-profit organizations need to engage their various stakeholders in order to survive, that is to gather funding and contributions by donors or by the government while not being constrained by the issue of maximizing shareholders' benefit, as in the private sector. Therefore, the non-profit sector provides an even clearer environment to apply Freeman's (1984) framework of analysis to test for the positive effects of stakeholder engagement practices. While stakeholder management practices originated in the private sector, we intend to contribute to the stream of literature that applies such framework of analysis to non-profit organizations. The aim is to analyse

both the role of stakeholders in a clearer environment as well as learn from the differences in frameworks between the profit and non-profit sectors. More specifically, the research investigates the effects of stakeholder engagement (measured through the number of board members and the number of volunteers serving the museum) on the fundraising activity of museums and on the organizations' efficiency. Empirical results show that museums engaging in more dialogue with their stakeholders receive more contributions than those that do not. Furthermore, results show that museums more engaged in a dialogue with their stakeholders are more efficient in terms of their administrative expenses. We hypothesize this result may be driven by better monitoring (both by the board and by other stakeholders) given the active engagement of the museums.

1. DOES CORPORATE SOCIAL PERFORMANCE YIELD ANY TANGIBLE FINANCIAL BENEFIT DURING A CRISIS?

An event study of Lehman Brothers bankruptcy

Do investments in socially responsible activities increase firms' financial performance? The first empirical papers written on the issue date back to the 1970s, with the work by Bragdon and Marlin (1972) and Moskowitz (1972). Since then, many other studies have been conducted and the generation of literature continues till date, one of the reasons being that there is still not a widely accepted consensus about the intensity and the nature of the relationship. We believe that in order to completely understand the research problem, researchers need to adopt an holistic approach¹, therefore testing the impact of Corporate Social Performance (CSP) on Corporate Financial Performance (CFP) both in "business as usual" settings and in crisis or crisis-like situations.

This study tests the impact of firms' Corporate Social Performance on Corporate Financial Performance during the crisis due to Lehman Brothers bankruptcy. Lehman Brothers filed for Chapter 11 bankruptcy protection at early morning of September 15th

¹ Pelozo (2006) makes a similar argument, since he suggests that researchers should include both incremental gain and "the moderating effect of CSR on negative firm behavior" (Pelozo (2006), p 62).

2008. Drawing from newspapers and previous studies, we argue that this event brought stakeholders' attention towards ethical and social issues – more evidence is provided in the following sections. The research problem and (most importantly) the empirical results provided in this article are of paramount importance for academics, practitioners and policy makers. This analysis - and the growing stream of literature dealing with the value of an investment in socially responsible initiatives during a crisis - shows that CSP can both reduce the impact of a crisis on shareholders' value and limit stocks' volatility. This result is particularly relevant in the ever-changing environment in which firms operate today. The increasing globalization of financial markets makes crises and crisis-like situations easier to spread all around the world, and socially responsible firms may increasingly benefit from their socially responsible investments.

The methodology employed is based on the notion that stock prices are driven by investors' expectations about firms' ability to generate future cash flows. Using the event study methodology, we calculated Abnormal Returns (ARs), which represent the impact of Lehman Brothers bankruptcy on firms' return due to firms' specific risk. The present study tests whether CSP had an impact on Abnormal Returns and, at the same time, it indirectly tests investors' expectations on future CFP of socially responsible firms as a consequence of the crisis and in the part due to firms' specific risk.

Relying on previous literature, we propose the following hypotheses:

Hypothesis 1: in the context of the crisis due to Lehman Brothers bankruptcy, CSP is positively correlated with short term CFP / Abnormal Returns.

Hypothesis 2 a: in the context of the crisis due to Lehman Brothers bankruptcy, Institutional Weaknesses are negatively correlated with short term CFP / Abnormal Returns.

Hypothesis 2 b: in the context of the crisis due to Lehman Brothers bankruptcy, Institutional Strengths are positively correlated with short term CFP / Abnormal Returns.

Hypothesis 2 c: in the context of the crisis due to Lehman Brothers bankruptcy, Technical Weaknesses are negatively correlated with short term CFP / Abnormal Returns.

Hypothesis 2 d: in the context of the crisis due to Lehman Brothers bankruptcy, Technical Strengths are positively correlated with short term CFP / Abnormal Returns.

Hypothesis 3: in the context of the crisis due to Lehman Brothers bankruptcy, the positive effect of CSP on short term CFP / Abnormal Returns will be greater for firms with higher levels of intangible assets.

Empirical results show that CSP did act as a buffer in the context of the Lehman Brothers bankruptcy, being Abnormal Returns positively correlated with CSP (Hypothesis 1 is confirmed). Furthermore, following Mattingly and Berman (2006), CSP has been divided into its four components (Technical Strengths, Technical Weaknesses, Institutional Strengths and Institutional Weaknesses). Results show that results are driven by Technical Strengths (Hypothesis 2d is confirmed). Finally, the empirical analysis show that the buffer effect of CSP is not stronger for firms with a higher level of intangibles (Hypothesis 3 is disconfirmed).

The present research contributes to existing literature in several ways. First of all, it shows the existence of a positive relationship between CSP and CFP (both short term and expected) during the crisis due to Lehman Brothers bankruptcy. In particular, these findings prove that high CSP firms benefited – through higher (less negative) ARs - of a buffer effect and that investors considered them able to produce higher financial performance than low CSP firms, in the part due to specific risk. This confirms the results of Schnietz and Epstein (2005) and represents a step forward toward the achievement of a generally accepted consensus on the role of CSP during exogenous crisis. At the same time, it provides some indirect empirical evidence for the “stakeholder theory of crisis management” (see Alpaslan et al (2008)). Furthermore, we showed that Technical Strengths are driving the results and that more intangibles-intensive firms did not benefit more from CSP. Managers considering whether to invest

in socially responsible activities or investors considering whether to invest in socially responsible firms may find these results of interests.

2. THE IMPACT OF CSP ON FORCED CEO TURNOVER: BUFFER OR INTENSIFIER?

While there exists an extensive literature on the topics of Chief Executive Officer (CEO) turnover, specifically in regards to performance (Warner et al. 1988, Murphy 1999, Jensen et al. 2004), and on the drivers and effects of Corporate Social Performance (CSP) in firms (Schidt and Rynes 2003 for a review), very little has been studied empirically on the intersection of these two streams. Specifically, there is no empirical documentation as to the effects of CSP on CEO performance turnover sensitivity. In this study, we focus on the interactive impact of CSP on CEO performance turnover sensitivity finding that rather than buffering the CEO from the impact of negative performance shocks it magnifies their sensitivity to such performance shocks.

The Literature on performance induced CEO turnover suggests a significant association between forced turnovers and firm stock performance (Murphy (1999), Warner et al. (1988) Kaplan and Minton (2008)). Specifically, Kaplan and Minton (2008) find that forced turnovers are significantly associated with firm stock performance and this relation has gotten stronger since 1998. Moreover, they find that the relation is also sensitive to CEO tenure, with shorter CEO tenure associated with an increased sensitivity to stock performance, a result also found in Dikolli, Mayew and Nanda (2009). Given that CEO sensitivity may be affected by certain characteristics of the CEO or firm and given also the great interest in CSP, there is room to speculate as to what effects CSP would have on CEO sensitivity to stock performance.

In the realm of CSP research, despite a plethora of studies investigating the association between CSP and a firm's financial performance, the existent literature has so far failed to give a definitive answer on the matter. The literature is saturated with empirical studies finding rather conflicting results, ranging from a positive to a negative relation, to a U-shape or even an inverse U-shaped relation (Margolis and Walsh 2003

and Orlitzky, Schidt and Rynes 2003 for a review). In addition to the contradictory results, there has been almost no work done on the impact of CSP on managers' employment, with the few studies that even remotely touch the issue being theoretical in nature. Within the theoretical realm we find studies rooted in neoclassical economics that view the use of valuable firm resources on CSP as resulting in managerial rather than shareholders benefits (Brammer and Millington (2008)). Moreover, some models take the view that CSP serves as an entrenchment mechanism for managers (Pagano and Volpin (2005); Cestone and Cespa (2007)). Given the lack of evidence on the relationship, we view the effects of CSP on CEO performance turnover sensitivity to be an empirical one, which is yet not answered.

In this study, we focus on the interactive impact of CSP on CEO performance turnover sensitivity using a sample of large U.S. firms from 1996 to 2005 in which we could measure CSP as well as forced CEO turnover. Our study is based on the premise that CEOs ultimately decide which level of CSP the firm should partake in, given the separation of ownership and control (see Alchian and Demsetz (1972) and Jensen and Meckling (1976)). Given this discretion it is likely that there would exist a relationship between CSP and CEO turnover, with various theoretical papers modeling the supposed relation with almost no direct empirical evidence on the matter.

We begin our study by looking at the governance characteristics of high and low CSP firms in order to see whether any difference in CEO turnover could be driven by better governance rather than just CSP (Fombrun and Shanley (1990); Fombrun (2005)). We propose the following hypothesis:

Hypothesis 1: There are no significant differences in the corporate governance and board characteristics between high CSP and low CSP firms.

We find that the firms do not differ significantly with the exception that higher CSP firms have larger boards consistently sample specifications, but this could just be due to their overall larger size. More importantly is the finding that the average rate of unconditional CEO turnover does not differ between High and Low CSP firms, instilling confidence that our findings are related to CSP rather than to any monitoring benefits associated with CSP.

We then proceed to our main research question looking at the effects of CSP on CEO performance turnover sensitivity. Therefore, we propose the two following Hypothesis:

Hypothesis 2 a: The likelihood of a CEO turnover conditional of negative performance will be lower given higher CSP

Hypothesis 2 b: The Likelihood of a CEO turnover conditional on negative performance will be higher given a higher level of CSP.

Using a sample of performance induced CEO turnovers we regress various measures of CSP as well as their interactions with negative returns on CEO turnover. We formulate the hypothesis in the null form:

Hypothesis 3: The association between CEO turnover and CSP is the same for each category of stakeholders.

Using the general net CSP score of the firm we find that while unconditionally it does not affect CEO turnover when we condition on negative returns we find a significant and positive association with the probability of turnover, increasing the marginal likelihood of turnover by 2.3%, that is almost half the magnitude as the unconditional effect of negative returns. We further explore the relation by studying the effects of various measures of CSP finding that the most of the power comes from total strengths when we separate strengths from concerns, while at the same time concerns do not provide any protection from shareholder punishment nor exasperate the performance turnover sensitivity in the event of a negative performance shock. When we look at the categorical segmentation of CSP we find most of the positive association stemming from the categories of diversity and employees relations. Given this evidence it leads us to view CSP as an intensifier of the likelihood of CEO turnover given negative performance surprise.

Finally, we investigate whether CSP is correlated with shareholders value, in order to better understand shareholders' behavior in terms of probability for the CEO of

being fired as a consequence of negative financial performance. We propose the following Hypothesis:

Hypothesis 4: There is not any significant relationship between CSP and shareholder value

Therefore, we corroborate our findings by running change regressions of CSP on firm value as measured by Tobin's Q as well as other variables previously found to be associated with firm value. We look to find whether these measures of CSP are positively associated with Tobin Q, finding that the net CSP score is marginally significant, with all of the significance coming from the lowest decile of Tobin's Q firms. More importantly when we use the strength measure and diversity measure there is no significant association while the employee measure having only marginal significance at the 10% level. These results are in line with our finding that the social projects that the CEOs engage in are not creating value to the firm thus given a negative performance shock he/she would be punished more for engaging in such activities.

Our study contributes to the literature in several ways. First, while previous studies investigate whether CSR affects firm value, this is the first study to our knowledge to use a large panel of U.S. firms to examine the effect of CSR on CEO performance turnover sensitivity. We provide a cleaner setting in which to test the effects of CSP on firm outcomes, in our case CEO turnover, without relying on an ex ante belief on the relation between CSP and Financial performance. Moreover we contribute to the literature on CSP and monitoring by providing preliminary evidence as to the relation of CSP and governance.

3. THE DETERMINANTS OF ORGANIZATIONAL EFFECTIVENESS: STAKEHOLDER DIALOGUE AND MONITORING IN MUSEUMS

Museums and other non-profit organizations need to engage stakeholders in order to survive. They receive contributions and – to a lesser extent – government grants only if they manage to persuade stakeholders as to the merits of their activity, taking

into account stakeholders' needs. Despite the critical nature of stakeholder engagement for these institutions, the topic of stakeholder dialogue in non-profit organizations (and in particular museums) has received relatively little attention in the literature and as a result we feel further empirical and theoretical investigation is required. Furthermore, Blaser and McClusky (2005) call for more research on the relationship between stakeholder management practices and organizational effectiveness, because much of the current research is mainly descriptive and based on case study methodology.

Our study is grounded in Stakeholder Theory and Stakeholder Dialogue, concepts that have been developed in the profit sector, yet should – and to some extent have been - employed in the non-profit sector as well.

We rely on a sample of 72 US museums in order to empirically test our hypotheses. While operationalizing stakeholder dialogue through a quantitative variable is not an easy task, we believe we managed to find a good proxy in: the number of independent voting members of the board as reported by the museums' 990 IRS form and the number of volunteers working for the museum. We provide some theoretical arguments in order to support our choice and we also test it empirically by proposing the following hypothesis:

Hypothesis 1: museums with larger board of directors are more successful in dialoguing and engaging with their stakeholders.

We show that board size is positively related with the number of volunteers serving in the museum, which we regard as a good proxy for the successfulness of stakeholder dialogue.

As recognized by previous studies (see Bryson (1995), Drucker (1990), Forbes (1998), Oster (1995), Kanter and Summers (1987)) the measurement of organizational effectiveness in the non-profit sector is a challenging task. We employ three financial indicators in order to measure the effectiveness of fundraising activities (contributions and fundraising expenses) and the effectiveness of monitoring both by the board and other stakeholders (administrative expenses).

Hypothesis 2a and 2b empirically test whether museums engaging in more dialogue with their stakeholders receive more contributions as well as bear less fundraising expenses to attract donors:

Hypothesis 2 a: ceteris paribus, museums engaging more in a dialogue with their stakeholders will have more contributions.

Hypothesis 2 b: ceteris paribus, museums engaging more in a dialogue with their stakeholders will have to bear less fundraising expenses.

We construct our hypotheses under the guide of previous literature on Stakeholder Dialogue. The existence of a positive relationship between board size and contributions has been already proposed by previous studies. According to Ostrower (2002) and Hyndman and McDonnell (2009), large boards are advantageous from a fundraising perspective, because seats can be used to attract and reward generous donors. To the best of our knowledge, no previous study has empirically tested such relationship in the context of museums. Hypothesis 2a is confirmed while Hypothesis 2b is not, showing that museum more engaged with stakeholders do collect more contributions but they do not manage to keep their fundraising expenses lower than museums non engaging in a dialogue with stakeholders.

Hypothesis 3 investigates the impact of stakeholder dialogue on organizational efficiency (as measured by the amount of administrative expenses) through the monitoring activity of the board and other stakeholders not represented into the board.

Hypothesis 3: Ceteris paribus, museums engaging more in a dialogue with their stakeholders will be more efficient in the use of contributions as viewed through lower administrative expense.

Callen et al (2010) calls for more research on the factors influencing the relationship between board effectiveness and organizational effectiveness. We propose that stakeholder dialogue may have a positive effect on monitoring (both by the board and by other stakeholders). To the best of our knowledge, ours is the first attempt to tie

stakeholder dialogue and monitoring in the non-profit sector. Previous literature on non-profit board monitoring deals with such issues as board composition, size, board-staff relationships, and ultimately board effectiveness. We propose that the effectiveness of the monitoring role of the board and other stakeholders may be positively influenced by the degree of stakeholder dialogue. Thus we propose that stakeholder dialogue has a beneficial impact on organizational efficiency through monitoring (which in this context plays a mediating effect between stakeholder dialogue and organizational efficiency). Our empirical results confirm Hypothesis 3, showing that stakeholder dialogue has a positive impact on organizational effectiveness through direct stakeholder monitoring and/or better board monitoring.

This study aimed to investigate the role of stakeholder dialogue in non-profit organizations (museums) and its relationship with organizational effectiveness (in terms of fundraising and monitoring effectiveness). We believe we managed to contribute to existing literature (in particular, the literature on stakeholder dialogue-organizational effectiveness association as well as to the literature on non-profit board monitoring) in several ways. First, our article is one of the first attempts to define stakeholder dialogue from an empirical perspective in the context of museums management. Second, we obtained some interesting results on the role of stakeholder dialogue on the fundraising activity of the museum. Third, we linked stakeholder dialogue with organizational efficiency and in particular with monitoring, both by the board and by other stakeholders not included into the board.

It may be of interest for future researchers to test whether museums engaging in more dialogue with their stakeholders disclose more fully their performance, for example through the issuance of a sustainability report. According to this perspective, it would be important also to test whether museums do implement some specific measurement tools in order to measure their non-financial performance.

It would be also interesting to test whether board size, in the present study employed as a measure for stakeholder engagement, is positively correlated with board diversity and composition. If this is the case, our results may be extended to the non-profit board member composition.

Conclusion

This study tackles the issue of stakeholder management and its impact on the governance and performance of firms and non-profit organizations. We start by analysing the role of Corporate Social Performance as insurance for firms' financial performance in the context of a crisis (Lehman Brothers bankruptcy). We then move on to look at the insurance properties of CSP for CEOs (in terms of their probability of being fired) when performance has been negative. Finally, we look at the application of stakeholder management in a novel setting of non-profits by studying the effects of stakeholder dialogue on non-profit museums performance.

We believe this work manages to make some significant contributions to current scholastic knowledge in the area of corporate social performance. In general, the present analysis overcomes the endogeneity problems that have plagued previous studies by investigating the relationship between CSP and CFP in situations that do not rely on an *ex ante* belief on the direction of the CSP effects. Specifically avoiding one of the main questions of previous studies: Is it CSP causing CFP or vice versa? In Chapter 3 we rely on an exogenously determined event (Lehman Brothers bankruptcy) and look at the reaction of firms' stock prices as a consequence of the event conditional on the firms CSP level. In Chapter 4, we examine the effect of CSP on the CEO turnover-financial performance relationship conditional on a negative performance shock.

Chapter 2 contributes to the growing stream of literature (see Schnietz and Epstein (2005) and Godfrey et al (2009)) on the insurance properties of CSP during negative events. Thus, investigating stakeholder management and its benefits in the context of a crisis. While most of the literature looks at the relationship between CSP and CFP under a static stable business environment framework, we propose to investigate a more dynamic setting in order to determine the ultimate value of CSP to shareholders, via its insurance quality. In particular, we find that high CSP firms benefited, through higher (less negative) Abnormal Returns, from a buffer effect and that investors punished them less than they did those firms with low CSP, in the part due to specific risk. This confirms the results of Schnietz and Epstein (2005) and

represents a step towards the achievement of a generally accepted consensus on the role of CSP during exogenous crises. At the same time, it provides some indirect empirical evidence for the “stakeholder theory of crisis management” (see Alpaslan et al (2008)), since the main construct of the two mechanisms studied have a direct impact on expected CFP (“Implicit Claims Management and Regulatory Costs” and “Resource Availability and Withholding”) and stakeholder relations. Furthermore, we showed that Technical CSP (and in particular Technical Strengths) is driving the results with intangibles-intensive firms benefitting less from the CSP buffer. Finally, Chapter 2’s findings are of particular interest to shareholders and policy makers who are faced with the decision of how many incentives to provide to encourage CSP.

Chapter 3 aims at empirically testing whether CEOs that managed to build better relationship with firm’s stakeholders face a lower probability of being fired in the case of negative events. To the best of our knowledge, the issue of the insurance properties of CSP for CEOs has never been tested before. We empirically test two competing hypothesis as to the effects of CSP on CEO turnover. Under the Insurance Hypothesis, given a negative performance, the CEO should be buffered from firing by performing social projects. Under the alternative Punishment hypothesis shareholders take into account the social performance and punish the CEO more for the CSP conditional on a negative performance shock. Overall our results support the Punishment hypothesis, thus finding that, conditional on negative performance, a CEO is not only punished for the negative performance itself by a higher unconditional likelihood of being fired but also punished if they engage in CSP. These results suggest that CEOs gain no advantage in performing these social projects in times of bad performance. Thus our results support the view that shareholders take into account the wasteful non-value adding activities of CEOs (such as CSP) in bad time and, as a consequence, adequately punish them.

Having analysed the insurance properties of stakeholder management both for firms overall benefit and for managers, in Chapter 4 we study its potentially beneficial effects in a completely different setting, namely the non-profit sector. We chose to move the analysis to this completely different setting because it provides me

with an even clearer environment to test the effects of stakeholder management (more specifically, stakeholder dialogue) on organizational effectiveness. Our results contribute to the literature in three ways. First, we are among the first to define stakeholder dialogue from an empirical perspective in the context of museums management. Second, we obtain some interesting results on the role of stakeholder dialogue on the fundraising activity of the museum finding that increase dialogue increases contributions. Third, we link stakeholder dialogue with organizational efficiency and in particular with monitoring, and we hypothesize that monitoring may be due to the board and/or to other stakeholders not included into the board. This chapter serves as a first step towards establishing a robust stream of literature on the implementation and effects of stakeholder management in the non-profit sector. It also provides CSR researchers in the private sector a novel way to study the effects of stakeholder management in an experimental setting where the results of stakeholder engagement can be more accurately measured given the lack of the stakeholder – shareholder conflict.

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