Marwan A. Al-Shammari
Soules College of Business, University of Texas, Tyler, Texas, USA
Hussam Al-Shammari
Eberly College of Business, Indiana University of Pennsylvania, Indiana, Pennsylvania, USA, and
Soumendra Nath Banerjee
Department of Business, Misericordia University, Dallas, Pennsylvania, USA

– The purpose of the current study is to revisit the relationship between CSR and firm market performance. The authors examine whether a gap between the firm's internal and external CSR moderates the CSR-firm market performance relationship. Additionally, the authors propose that the moderating effect of the CSR gap on this relationship is mediated by firm visibility.

– The initial sample is the Fortune 500 firms during the years 2004–2013. The final panel data sample consisted of 1,300 firms and 6,128 observations from 2004 to 2013. The authors obtained data from five different sources: Compustat North America Fundamental Annual, GMI Ratings, Execucomp, IBES and KLD Stats.

– The results of this research find evidence that both internal CSR and external CSR were positively related to firm market performance, but that the relationship was stronger for firms with equal emphasis on

2002; Petrenko et al., 2016; Tang et al., 2012). Research on the CSR-performance relationship uses stakeholder theory and the instrumental perspective to explain how CSR improves firm financial performance (Cheng et al., 2014). Advocates of these approaches propose several mechanisms through which CSR improves performance. For example, CSR can enhance firm reputation (Arendt and Brettel, 2010; Herremans et al., 1993; Sun et al., 2020), improve a firm's external linkages and access to external resources (Campbell, 2007; '

our study argues that neither path (Tang et al., 2012) nor the temporal evolution of CSR (Hawn and Ioannou, 2016) are theoretically solid. As for the path, a firm that focuses on internal CSR actions and disregards external duties for 3 years (Tang et al., 2012) could jeopardize their reputation. Although Hawn and Ioannou (2016) indicate that a temporally gradual focus on external CSR is more appropriate and that the gap should be measured as the difference between firm's prior year's internal CSR score and current year external CSR score, we argue that both internal and external CSR actions should be treated as equally important, simultaneously. We expect the gap to moderate the relationship between firm CSR and financial performance such that a larger gap between internal and external CSR will attenuate the positive CSR-FP relationship.

2.2 The moderating effect of CSR gap

Stakeholders who push firms to engage in CSR vary in power, legitimacy and salience (Aguinis and Glavas, 2012). They also differ in size and perceived importance in the eyes of a firm decision-makers (Wang and Choi, 2013). Such variation among stakeholders can lead to varying levels of a firm's internal and external CSR actions. Some firms may engage heavily in externally oriented CSR due to continued pressure from external stakeholders (Neubaum and Zahra, 2006; Crilly et al., 2012). Other firms may focus more on internal CSR. These variations in firms' external and internal CSR actions lead to a CSR gap in which a firm emphasizes one type of CSR (e.g. external CSR) at the expense of other types (e.g. internal CSR). Such a gap may induce internal or external stakeholders and the market to withhold or reduce their support.

When studying CSR performance effects, researchers often fail to distinguish between firms with high scores on CSR in one area that fail significantly in another category and firms with equal commitment across stakeholders. When a firm engages in highly visible external CSR actions to enhance reputation, but pays little attention to internal policies and practices, it may be seen as hypocritical (Arli et al.

firm (Al-Shammari et al., 2019; Tang et al., 2012; Petrenko et al., 2016). Knowing that not all CSR actions may generate equal amounts of attention, and that narcissistic CEOs tend to devalue whistled to the public. On the other hand, a firm's external practices can be easily watched and reported to the larger stakeholders' base.

The evaluation of firm's actions by stakeholders depends on how accessible the information about the company is (

internal CSR (ICSR2) is the difference between firm i's internal CSR in each year and the mean of ECSR2 is 0 and SD equals 0.57. The mean value of ICSR2 is −0.05 and the SD value is 0.91. The mean value for our dependent variable (Tobin's Q) is 0.55 with an SD value of 0.46. The mean value for our visibility measure (Visibility) is 1.20 with an SD value of 0.52. The correlation matrix in Table 2

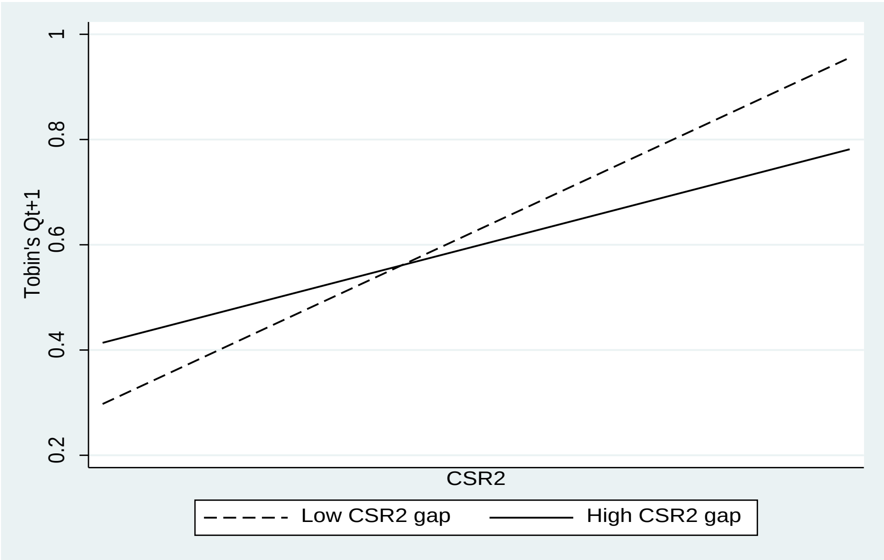
Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1. Tobin's Q																		
2. CSR2	0.05^{***}																	
3. ECSR2	0.05^{***}	0.78^{***}																
4. ICSR2	0.05^{***}	0.92^{***}	0.46^{***}															
5. CSR2 gap	0.00	0.23^{***}	0.14^{***}	0.23^{***}														
6. Visibility	0.23^{***}	0.33^{***}	0.27^{***}	0.29^{***}	0.12^{***}													
7. Outsider	−0.02	0.13^{***}	0.08^{***}	0.14^{***}	0.08^{***}	0.03^{*}												
8. Family	-0.09^{***}	-0.05^{***}	-0.03^{*}	-0.04^{***}	−0.01	-0.11^{***}	-0.20^{***}											
9. Founder	0.12^{***}	−0.02	−0.01	−0.02	−0.02	0.08^{***}	-0.09^{***}	-0.11^{***}										
10. Women share	−0.02	0.36^{***}	0.20^{***}	0.39^{***}	0.07^{***}	0.12^{***}	0.15^{***}	0.03^{*}	-0.09^{***}									
11. CEO tenure	0.05^{***}	-0.07^{***}	-0.03^{*}	-0.07^{***}	−0.02	0.02	-0.04^{***}	0.07^{***}	0.13^{***}	-0.16^{***}								
12. CEO age	-0.10^{***}	0.00	0.00	0.00	0.02	−0.02	-0.05^{***}	0.0510										

Variables	(1) Tobin's Qt+1	(2) Tobin's Qt+1	(3) Tobin's Qt+1	(4) Tobin's Qt+1	(5) Tobin's Qt+1	(6) Tobin's Qt+1
ECSR2		0.0619*** (0.0146)		0.0412** (0.0136)		
ICSR2			0.0449*** (0.0113)	0.0356** (0.0117)		
CSR2					0.0185*** (0.00388)	0.0241*** (0.00537)
CSR2gap						0.0310** (0.00983)
CSR2 X CSR2gap						−0.00683* (0.00320)
Outsider	0.00179 (0.0489)	−0.00840 (0.0490)	−0.0178 (0.0489)	−0.0196 (0.0488)	−0.0184 (0.0492)	−0.0211 (0.0494)
Family	−0.0905*** (0.0136)	−0.0868*** (0.0137)	−0.0868*** (0.0145)	−0.0852*** (0.0144)	−0.0860*** (0.0144)	−0.0869*** (0.0144)
Founder	0.0860* (0.0335)	0.0770* (0.0320)	0.0773* (0.0322)	0.0737* (0.0312)	0.0743* (0.0319)	0.0744* (0.0316)
Women share	0.0269 (0.0867)	−0.0178 (0.0910)	−0.118 (0.0993)	−0.112 (0.0978)	−0.118 (0.0985)	−0.107 (0.0960)
CEO tenure	0.0233* (0.00990)	0.0225* (0.00934)	0.0230* (0.00957)	0.0228* (0.00928)	0.0226* (0.00938)	0.0225* (0.00938)
CEO age	−0.222* (0.106)	−0.212* (0.105)	−0.224* (0.105)	−0.217* (0.105)	−0.218* (0.105)	−0.218* (0.104)
Duality	−0.0129 (0.0302)	−0.0107 (0.0302)	−0.0117 (0.0309)	−0.0119 (0.0308)	−0.0107 (0.0307)	−0.0116 (0.0304)
Ownership	0.00299* (0.00151)	0.00312* (0.00152)	0.00335* (0.00154)	0.00334* (0.00152)	0.00337* (0.00155)	0.00338* (0.00155)
Firm age	−0.0240 (0.0186)	−0.0256 (0.0178)	−0.0256 (0.0180)	−0.0270 (0.0176)	−0.0262 (0.0177)	−0.0256 (0.0177)
Size	−0.0365*** (0.00694)	−0.0455*** (0.00720)	−0.0433*** (0.00818)	−0.0475*** (0.00799)	−0.0468*** (0.00817)	−0.0490*** (0.00820)
Leverage	0.0141 (0.0840)	0.0186 (0.0836)	0.0167 (0.0820)	0.0180 (0.0830)	0.0191 (0.0819)	0.0210 (0.0819)

ROATD()Tj/F21Tf.76820TD[(0.01186TD(0.0365)Tj05.9771)Tj1TD7.9702-7.9702-0253.75746m0.00058Tm[((0.0069)5.9(4))]TJ/F61Tf4.6717(t)TD()Tj/F21Tf.72[(0.-*)T162.139T7.9702-7.9702-0253.757

are both positive and statistically significant. The coefficient on the interaction term between overall CSR2 and CSR2gap (CSR2 X CSR2gap), however, is negative and statistically significant at 5% significance level. The statistically significant negative coefficient of the interaction term indicates that CSR's effect on firm performance is positive, albeit less so for firms with a higher CSR gap. The greater the firm's CSR gap, the smaller the positive effect of CSR on the focal firm's performance (Tobin's Q). This supports hypothesis 1.

Figure 1 depicts the interaction between CSR2 and CSR2gap in predicting firm performance based on first and third quantiles of CSR2gap. A rise in CSR increases the Tobin



Note(s): Low CSR2 gap is the first quantile and high CSR2 gap is the third quantile. Minimum and maximum CSR2 values are used. The results show that the CSR2 slope (the impact of CSR2 on firm performance) is larger for firms with a relatively low CSR2 gap0. More specifically, the rise in CSR2 increases the Tobin's Qt+1 for the firms with lower CSR2 gaps more than for the firms with higher CSR2 gaps

1.
Effect of CSR2 gap on the CSR2-CFP relationship

As we mentioned earlier, prior studies have not provided any insights on the possible mediating channels through which the CSR gap may in fact affect the relationship between CSR and firm performance. We stated that the stakeholders' judgment of the firm's non-market actions depends on the visibility of these actions to them (Pham and Tran, 2020). Stakeholders use the available information (e.g. financial analysts report, annual reports, popular media) to evaluate the quality, consistency and impact of firm's actions in the social domain (Schnackenberg and Tomlinson, 2016; She and Michelon, 2019). To reach the desired perceived position with stakeholders, firms go through three inter-related stages: being known, being known for something and generalized favorability (Lange et al., 2011). The generalized favorability has been proposed as the most direct mechanism through which the perceptions of stakeholders affect the firm whether positively or negatively (Harrison et al., 2018; Pham and Tran, 2020). Thus, the results in Table 4 supports the notion that the effect of the CSR gap as an undesired characteristic of the firm's CSR practices will be at least partially mediated by the firm's visibility to stakeholders.

Further, we create Str2gap proxying for the gap between external CSR strengths and internal CSR strengths. Similarly, Con2gap captures the gap in external CSR concerns and internal CSR concerns. Then, we check the moderating roles of the variables in the CSR strengths (CSRstr2)-Tobin's Qt+1 and CSR concerns (CSRcon2)-Tobin's Qt+1 relationships, respectively. Table 5 presents the results. As anticipated, CSRstr2 X Str2gap and CSRcon2 X Con2gap yield statistically significant negative and positive coefficients in Model 1 and Model 2, respectively, implying higher the magnitude of Str2gap (Con2gap) the lower the positive (negative) impact of CSRstr2 (CSRcon2) is on Tobin's Qt+1.

5.

While extant literature provides moderate support for the positive effects of CSR on firm performance, there are still discrepancies to reconcile. While some studies find a positive relationship (Orlitzky et al., 2003; Saeidi et al., 2015; Wang and Choi, 2013), others report either a negative or null relationship (Smith et al., 2007). Such mixed findings suggest that moderator variables may be an important consideration to explain the boundary conditions under which CSR is most positively linked to firm performance. Recently, scholars suggest that how CSR is operationalized may be a key variable that affects the strength of the link between overall CSR and firm performance (Hawn and Ioannou, 2016). Given that most studies of CSR use composite measures that do not distinguish between CSR directed towards internal versus external constituencies, research that explores the implications of external versus internal CSR for firm performance is not well developed. Our goal in the current study is to examine various stakeholders of CSR and determine whether a consistent strategy of placing equal emphasis on both external and internal stakeholders would enhance a firm's financial returns.

To better understand how CSR might influence firm performance, it is crucial to examine internal and external CSR as unique constructs, rather than treating CSR as a single composite. Recent studies suggest the importance of examining CSR activities directed towards different stakeholders (Wang et al., 2016netweond CSFP9(er)1.4.3(o)0(I)-353.20ae may8engtstetan54(e)G2.5901

In short, our study suggests that engaging in CSR can be a source of competitive advantage for a firm. Firms that engage in CSR activities can and do attract the attention of analysts and this visibility is associated with better firm performance. However, these effects are attenuated when firms are inconsistent in terms of their treatment of different stakeholders. Firms that engage in CSR actions focused on a single stakeholder but neglect other stakeholders are likely to be seen as hypocritical and disingenuous in their intentions. In such cases, the visibility associated with CSR actions may be damaging to a firm's reputation and may even have negative effects on firm performance. Thus, while CSR can have positive effects on firm performance, such effects are most likely in the presence of strong CSR programs that consistently consider the needs of all their stakeholders.

In sum, our study highlights the need for more consistent CSR policies that equally and simultaneously consider all stakeholders. It also offers insights on how the visibility of the firm plays an important role in the interplay of CSR, CSR Gap and firm performance. Managers should be aware of the damaging effect of inconsistent CSR practices and therefore design their policies accordingly. Additionally, the mediating effect of firm visibility calls into attention the possibility that firms which enjoy lower visibility may get away 5mfore has always been a problem in strategy research and the dependence on archival data and its

Chen, Z., Hang, H., Pavelin, S. and Porter, L. (2020), “Corporate social (Ir)responsibility and corporate hypocrite: warmth, motive and the protective value of corporate social responsibility”, Business Ethics Quarterly, Vol. 30 No. 4, pp. 486-524.

Cheng, B., Ioannou, I. and Serafeim, G. (2014), “Corporate social responsibility and access to finance”, Strategic Management Journal, Vol. 35 No. 1, pp. 1-23.

Chiu, S. and Sharfman, M. (2011), “Legitimacy, visibility, and the antecedents of corporate social performance: an investigation of the instrumental perspective”, Journal of Management, Vol. 37 No. 6, pp. 1558-1585.

Chiu, S. and Sharfman, M. (2018), “Corporate social irresponsibility and executive succession: an empirical examination”, Journal of Business Ethics, Vol. 149 No. 3, pp. 707-723.

Christensen, L.T., Morsing, M. and Thyssen, O. (2020), “Timely hypocrite? Hypocrite temporalities in CSR communication”, Journal of Business Research, Vol. 114, pp. 327-335.

Crilly, D., Zollo, M. and Hansen, M.T. (2012), “Faking it or muddling through? Understanding decoupling in response to stakeholder pressures”, Academy of Management Journal, Vol. 55 No. 6, pp. 1429-1448.

Cruz, C., Larraza-Kintana, M., Garcés-Galdeano, L. and Berrone, P. (2014), “Are family firms really more socially responsible?”, Entrepreneurship Theory and Practice, Vol. 38 No. 6, pp. 1295-1316.

Dupire, M. (2018), “CSR strategies in response to competitive pressures”, Journal of Business Ethics, Vol. 148 No. 3, pp. 603-623.

Eesley, C. and Lenox, M.J. (2006), “Firm responses to secondary stakeholder action”, Strategic Management Journal, Vol. 27 No. 8, pp. 765-781.

Wright, P., Kroll, M. and Elenkov, D. (2002), “Acquisition returns, increase in firm size, and chief executive officer compensation: the moderating role of monitoring”, The Academy of Management Journal, Vol. 45 No. 3, pp. 599-608.

Ye, Y. and Li, K. (2020), “Internal and external social responsibilities in new ventures: evidence from Chinese private firms”, Management Decision, Vol. 59 No. 6, pp. 1462-1476.

Ye, K. and Zhang, R. (2011), “Do lenders value corporate social responsibility? Evidence from China”, Journal of Business Ethics, Vol. 104 No. 2, pp. 197-206.

Zavyalova, A., Pfarrer, M., Reger, R. and Hubbard, T. (2016), “Reputation as a benefit and a burden? How stakeholders’ organizational identification affects the role of reputation following a negative event”, Academy of Management Journal, Vol. 59 No. 1, pp. 253-276.

Zhang, H. p. and (2020), men?, vrsus, diaffrmeni(at)-36.2tion

ners

Variables	Measures	Sources
Tobin's Q	Market value of assets scaled by book value of assets	Compustat
CSR2	Difference between firm CSR (community plus environment plus diversity plus employee) minus average industry CSR (excluding the focal firm)	KLD
ECSR2	Difference between firm ECSR (average of community and environment) minus average industry ECSR (excluding focal firm)	KLD
ICSR2	Difference between firm ICSR (average of diversity and employee) minus average industry ICSR (excluding focal firm)	KLD
CSR2 gap	Absolute difference between ECSR2 and ICSR2	KLD
Visibility	Natural logarithm of number of analysts following the firm	IBES
Outsider	Number of outside directors scaled by the total number of directors	GMI
Family	1 if family owned; 0 otherwise	GMI
Founder	1 if CEO is the founder; 0 otherwise	GMI
Women share	The proportion of women board members	GMI
CEO tenure	Natural logarithm of number of years as the CEO at a firm	Execucomp
CEO age	Natural logarithm of CEO age in years	Execucomp
Duality	1 if duality; 0 if no duality	GMI
Ownership	Percentage of total shares owned (options excluded) by a CEO	Execucomp
Firm age	Natural logarithm of number of years since a firm's first appearance in Compustat	Compustat
Size	Natural logarithm of number of employees	Compustat
Leverage	Long-term debt plus debt in current liabilities scaled by total assets	Compustat
ROA	Earnings scaled by total assets	Compustat
Intangible share	Replacement cost of intangible capital scaled by total capital	Peter and Taylor (2017)
Industry	Two-digit SIC dummies	Compustat
Year	Year dummies from 2004–2013	KLD
CSRstr2	Difference between firm CSR strengths (community plus environment plus diversity plus employee) minus average industry CSR strengths (excluding the focal firm)	KLD
CSRcon2	Difference between firm CSR concerns (community plus environment plus diversity plus employee) minus average industry CSR concerns (excluding the focal firm)	KLD
ECSRstr2	Difference between firm ECSR strengths (average of community and environment) minus average industry ECSR strengths (excluding focal firm)	KLD