

Building on the theoretical argument that a firm's ability to profit from social responsibility depends upon its stakeholder influence capacity (SIC), we bring together contrasting literatures on the relationship between corporate social performance (CSP) and corporate financial performance (CFP) to hypothesize that the CSP-CFP relationship is U-shaped. Our results support this hypothesis. We find that firms with low CSP have higher CFP than firms with moderate CSP, but firms with high CSP have the highest CFP. This supports the theoretical argument that SIC underlies the ability to transform social responsibility into profit. Copyright © 2012 John Wiley & Sons, Ltd.

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