CORPORATE SOCIAL RESPONSIBILTY REPORT

RELEASE AND U.S. FIRMS' STOCK

PRICE REACTION

by

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INTRODUCTION

Corporate social responsibility (CSR) is an interesting and much debated topic, as seen in a wide variety of research in the past decade. The ideals behind CSR contradict historically accepted business principles that a firm's primary goal should be to earn a profit for its owners. However, in recent years, many consumers and investors alike are calling for companies to consider the impact conducting their businesses has on a range of stakeholders. This is despite the fact that these initiatives may not increase a firm's cash flows. This movement towards socially responsible business demands that firms consider the environmental and social costs included as part of their day-to-day operations. The main goal of corporate social responsibility is to align a firm's business strategies, while remaining profitable, with the values of society rather than solely focusing on increasing the company's cash flows and net income. Many today refer to this combination of goals as the "triple bottom line".

Throughout the last half century, a number of firms have implemented CSR programs that include, but are not limited to, greening initiatives to reduce waste from production facilities, enforcing stricter employment and payroll policies in order to protect human rights and provide livable wages, campaigns to support charitable work, and programs that allow their employees to spend time during business hours volunteering throughout the community. Though many of these initiatives focus on social good outside of the firm's business activities, a number of them have led to efficiencies in terms of production, waste, energy usage, etc. and have increased their profitability and rate of production. Companies have also been able to capture a larger market share and increased number of investors by becoming more socially conscious.

Firms have evidenced this shift through a number of marketing plans that reach the end consumer in order to inform customers how purchasing their product can benefit the environment, society, etc. However, another trend that is less well known is the movement towards socially responsible investing. These investments focus on investing in firms with strong socially responsible business models and those that actively give back to their communities. Those involved in social investments consider both the social benefits and also the long-run financial opportunities, despite the misconception that these investors disregard financial measures of success. Today, nearly $4 trillion out of approximately $33 trillion in U.S. investments attribute to social investments (US Social Investments Forum [SIF] 2013). With the increasing number of social investments made each year, gaining a solid understanding of the CSR initiatives and socially-minded firms is essential for investors to make decisions.

Given the large number of firms nationally and globally that are developing more socially responsible business models and the number of those investing in social investment funds, a key issue that researchers still debate how firms can accurately report their CSR activities to consumers and investors. A number of standardized reports now exist that include the Global Reporting Initiative (GRI), One Report, and ISO 24000. The ultimate goal of these reports is to combine the CSR report with the annual financial reports. A wide range of firms release their own CSR report disregarding these templates. Many view these integrated reports with skepticism since the reports are unaudited. In 2005, 64% of the largest 250 global firms published some type of CSR report (Foote et. al, 2010). Despite weak acceptance throughout the accounting

community, firms across the U.S. have begun to provide and release these reports along with their financial statements.

With this in mind, researchers have tried to find links between an increase in firm profitability, market share, financial performance, etc. in relation to CSR activities and more specifically CSR reports. Research such as this will become increasingly important if a CSR report becomes standardized and required as part of a firm's financial disclosure because firms need to understand the costs and benefits of releasing this information. This paper focuses specifically on determining the relationship between a U.S. firm's stock price reaction to the release of a CSR report. Through a detailed review of similar and relevant research and an analysis of a sample of U.S. firms and their stock price reactions to the release of the reports, the paper provides evidence about investors' reactions to CSR information.. Also, this paper considers the implications that the release of these reports can have on a firm's profitability as well as the effects of mandating and standardizing reporting on the accounting community.

RESEARCH QUESTION

The objective of this paper is to add insight into potential effect that the release of a CSR report has on a U.S. firm's stock price. Specifically, will the release of a CSR report lead to an increase in a U.S. company's stock price following the disclosure? Researchers have conducted many similar studies in order to understand how corporate social responsibility, specifically CSR reports, affects firm's performance. However, this study varies from current research in that it focuses solely on United States public firms, whereas previous research has generally focused on firms incorporated in other countries around the globe. As CSR and its reporting become more widely accepted and practiced,

understanding its affects will become more important not only for the firms conducting these activities, but also for investors, NGOs, accountants, and standard-setting organizations, whether they be government-regulated entities or not. In terms of the significance to accountants, if these reports become mandated, accountants must be able to not only understand the reports, but also develop ways to audit them for accuracy as investors and other groups will rely on the information. These reports will become increasingly important to investors if firms begin to dedicate more funds to CSR initiatives.

In addition to NGOs and regulatory organizations, investors and other stakeholders rely on the information the reports provide, making the effects of a CSR report release on a firm's value and performance highly relevant. If these reports had no bearing on firm performance or did not change investor behavior, there would be no need to ensure the information's accuracy or to set any standards about how firms present the information.

To provide a better understanding of CSR initiatives and reporting, this paper conducts a detailed analysis of a sample of public United States firms that have released CSR reports over the past five years and the effects the release had on the firms' stock prices. The paper tests three explicit hypotheses, all which relate to the main research question. By testing individual situations related to the overarching research goal to determine how the release of a CSR report affects a firm's stock price, the research provides a greater understanding of the topic and the reasons why and when firms release CSR reports.

By conducting this study and reviewing existing literature, I hope to learn more about the ways in which firms conduct CSR initiatives as well as the various methods that they report this information to investors and consumers alike. Also, by conducting the data analysis, I hope to learn how the release can directly affect a firm's stock price and whether the impact varies across industries and firm sizes.

LITERATURE REVIEW

History of Corporate Social Responsibility

Since the 1970s when many began to accept the idea that businesses had a greater duty than simply earning profits and generating returns for its owners, many researchers have conducted studies on corporate social responsibility and how it can affect a firm's profits, market share, and consumer perceptions. Many definitions of corporate social responsibility (CSR) exist today, such as paying employees a living wage rather than the legal minimum, only conducting business in environmentally friendly ways, or simply a firm giving back to the community in which it operates through money or volunteering. One group of researchers claim CSR is a firm's ability to never intentionally conduct business in a way that could harm their stakeholders, but if they do harm them, they must "rectify it whenever the harm is discovered and brought to their attention" (Campbell 2007). Despite differences in specific wording of the definition, the over-arching theme throughout remains that firms have the obligation to conduct business in such a way that aligns the values of the firm with those of society.

This argument gives way to the discussion of the stakeholder theory that Edward Freeman, a long-time strategic management researcher, defines as the idea that there are other groups in the community firms have a responsibility towards and that those groups

"have a stake in the actions of the corporation" (Freeman 1983). These groups, now labeled as stakeholders, include, but are not limited to, shareholders, the firm's employees, the community in which the firm operates, the environment, suppliers, and consumers. Since Freeman's initial research, many strategic management and business researchers have begun to support these views and argue that society has given firms a "license to operate", therefore, firms have an obligation to the community in which they conduct business. Furthermore, the stakeholder theory argues that firms can no longer claim a disconnect between their business and society, and therefore have a "social contract" to its members to act ethically and responsibly. Due to the growing support of the stakeholder theory and the increasingly accepted idea of corporate social responsibility, firms must consider its stakeholders in order to thrive and grow in the current social climate (Holder-Webb et. al, 2008).

The stakeholder theory does not discount a corporation's need and obligation to earn profits, however. Recent research concludes that a firm's ultimate responsibility is to combine both economic and social welfare in order to do good for both shareholders and the remaining stakeholders. Firms depend on a range of stakeholders to conduct their operations, and if firms do not consider the effect their business has on these stakeholders, they could lose support, which could ultimately lead to a decrease in sales, market share, profitability, etc. (Mijoja, 2012). Conversely, by conducting business in such a way that combines the good of the firm and that of its stakeholders, the firm may gain competitive advantages and generate more wealth.

Though more and more individuals and business promote CSR and its ideals, a large portion of the academic community continues to disagree and argue that a firm's

sole responsibility is to earn profits and increase the wealth of its owners. Traditional economic theory suggests that managers should make decisions that maximize the wealth of the firm's equity holders, disregarding the impact it may have on others (Friedman, 1962). Furthermore, based on this argument, if a firm were to engage in socially-minded objectives, the firm should only do so if it increases profitability and future cash flows. The overall strategic goal does not revolve around the social good that the program or initiative provides, but rather views the program as simply another means to drive growth and wealth for the firm. One author writes that "managers should apply net present value (NPV) analysis to all potential CSR activities and take only actions that result in a positive NPV and, thus, increase shareholder wealth" (Holder-Webb et. al., 2008). This traditional thinking creates problems, however, because many CSR activities cannot be valued like other business decisions, such as the design of a new product or the implementation of a new marketing campaign, the release of a new product, or the expansion of a production facility. The benefits of CSR activities often extend beyond profit they provide to the company.

Corporate Social Responsibility Reporting

For those firms that accept the stakeholder theory and conduct business in socially responsible ways whether through greening initiatives, ethical leadership strategies, charitable donations or community involvement, the firms need to share this information with their stakeholders. Specifically, the firm should report these initiatives to their investors because they use firm resources to fund these projects. The projects and strategic decisions can lead to a variety of outcomes and could potentially put cash flows at risk and is relevant to shareholders. Also, many of these projects require a large

amount of capital commitment in their beginning stages, though the firm finds a long-run benefit that may not be clear to investors initially.

In the book Green to Gold, Esty and Winston discuss the specific advantages that firms can now garner through the use of sustainability efforts and acting in environmentally ethical ways. However, they note that firms and investors should reconsider the "hurdle rate," or the minimum return expected from an investment. The authors note that though projects may not provide an immediate return in cash flows, many intangible benefits may exist, such as stronger brand recognition, lower risk, and reputation building. Firms must consider stakeholders other than their shareholders, and at times should disregard the present value of future cash flows for some initiatives (Esty 2006). Recently, several researchers examined studies in order to find the relation between CSR and firm value. Mackey (2007) found a positive correlation between CSR and overall firm value, rather than simply the firm's net income. Due to many of these intangible benefits, it becomes essential for firms to report to their stakeholders the advantages the projects provide not only to the firm, but to the community as well. Scholars now theorize that due to the changing demands of firms and the number of those that engage in CSR, firms should openly communicate with stakeholders as management intertwines business decisions with those related to social and ethical concerns (Scherer, 2007).

Other research focuses on the types of CSR reports and accounting procedures that firms should engage in order to educate their investors and stakeholders on their CSR initiatives. To begin, Dawkins (2008) asserts that "companies engage in CSRR [corporate social responsibility reporting] for three primary reasons: (a) to maintain and

enhance perceptions of legitimacy, (b) to manage the perceptions of key stakeholders, and (c) as a reflection of their corporate values". As a result, many companies create annual CSR reports and release them to their investors and shareholders online or as part of their financial statements.

However, those in the accounting community must now consider how to account for these activities beyond the basic costs associated with them as well as how to audit or legitimize the firm's publicized results. Researchers argue that accountants must consider the purpose of these reports and the intended audience, whether that be investors or general stakeholders from the community, so that they can determine exactly how the reporting should take place (Moser, 2012).

The attempts to design effective communication of CSR information have given rise to the creation of a number of standardized CSR reports that companies can voluntarily create and release. Though governments regulate financial reporting and set requirements for public filings, the main impetus behind CSR reporting appears to come from non-governmental agencies through a "bottom-up" process (Tschopp, 2011). One of the most widely recognized texts discussing the need for integrated financial reporting is Robert Eccles's and Michael Krzus's book, One Report. The 'One Report' integrates a firm's financial reports and their CSR report in order to release one integrated report to firms' stakeholders in a more concise manner. Throughout the book, the authors demonstrate the sustainable advantage firms can gain by releasing their information in a combined report. Also, they argue the need for a standard report across firms in order to set benchmarks for comparison as well as the need for a way to provide assurance on the report, similar to audits performed on financial statements. Finally, they assert that

governments should require these reports for those firms that choose to conduct CSR activities and release this information to the public (Eccles, 2010).

A large number of organizations have created standardized reporting formats that companies can implement in order to report their initiatives and successes to investors and the public. Some of these include AccountAbility, which initially started in 1996 and launched a framework in 1999 to promote CSR by creating a way to give stakeholders confidence in the "quality of CSR accounting, auditing, and reporting," and the International Organization for Standardization, which has developed a number of standards for quality, environmental, and social responsibility management. The ISO 26000 provides guidance for CSR initiatives and how firms should disclose them; however, it does not offer any certification. Finally the Global Reporting Initiative, an organization that sets guidelines for a range of organizations based on size, industry, etc. provides a framework for CSR reporting. It also offers training in order to educate companies how to create these reports and provide the more accurate disclosures (Tschopp, 2011).

HYPOTHESES

The Market Effects of Corporate Social Responsibility Reporting

As previously discussed, researchers have conducted a number of studies in order to link CSR and a firm's performance, but in recent years, academics have tried to find a direct link in the release of a CSR report and firm's financial success. A study examined the association between CSR reporting and European banks' firm market value. The researchers hypothesized that publication of a CSR report would positively affect the banks' stock price because it supplied investors with more information in terms of

financial, environmental, and social data (Carnevale et al., 2011). Similar studies exist from other countries around the globe. For example, one study interviewed managers in Libya from range of industries around the country in order to determine how they viewed the release of a CSR report and its subsequent effect on firm value. The study concluded that the majority of managers agreed that by releasing additional information to stakeholders, it increased the firm's profitability, image, and forced management to make better business decisions (Bayoud, 2012). A study in Canada concluded that investors placed a positive value on the release of CSR reports (Berthelot et al., 2012). Another paper examined the relation to how a CSR report would affect firm competitiveness and success in Thailand, and concluded that because CSR reports give stakeholders more information about the firm beyond financial data, their brand and reputation among consumers improved (Prasertsang, 2012). By sharing positive information regarding the firm, it will not only give investors greater confidence, but the release of information itself could help pique interest in the firm and can increase the demand of the firm's stock. One of the valuable contributions of this study is that I address these issues in the context of United States firms, rather than the majority of other works that focus on other countries around the world. Based on the current research, the first hypothesis this paper tests is:

H1: By releasing CSR reports, United States public companies will have a positive reaction in stock price due to reduced skepticism and reliance on firm information by investors.

Prior studies have shown that firms with the largest assets and profitability are more likely to participate in CSR initiatives and place greater emphasis on these activities

(Holder-Webb et al., 2009). Another author who investigated the reasons when, why and how consumers respond to CSR found that the firm's size contributed to the impact the CSR report had on relations within and outside of the firm (Bhattacharya, 2004).

Because these firms are larger and have stronger financial performance, investors will react more to positive CSR information compared to underperforming companies. Similar research exists to support this hypothesis, though researchers conducted these studies outside of the United States. A study conducted to find the relation between financial performance and CSR disclosure in Croatian companies concluded that profitability not only increased the likelihood that a firm engaged in CSR activities, but also the largest firms in the sample saw the greatest returns from those activities (Vitezić, 2012). One explanation could be that in times of strong financial performance, investors have greater confidence in the firm, and therefore have greater confidence in the reports that the firm releases. Additionally, a study conducted in Egypt found that CSR only had a positive impact on firms with strong financial performance (Wahba, 2008). Larger firms have more market visibility, which may present one reason why larger firms could see stronger results based on these reports along with the aforementioned cause. Thus, the second hypothesis this paper will test is:

H2: U.S. publically-traded companies with larger market capitalization will see larger positive returns from CSR reports compared to firms with smaller market capitalization.

As discussed earlier, many organizations now encourage firms to release their CSR reports along with their financial statements. Firms across the U.S. have begun to release annual reports, while others release the CSR reports at seemingly random times

throughout the year. Today, firms can still choose when and if they would like to release a CSR report, and the rationale and implications behind these choices lead to the final hypothesis that this paper will test:

H3: Firms who choose not to release the CSR report on the same day as the financial report will see greater returns based solely on the release of the CSR report because the release of financial information will not distract investors.

The outcomes of this test could yield significant results for firms and regulatory agencies alike. If firms experience greater returns on these reports when not released along with their financials, they are much less likely to agree with the NGOs and regulators that support integrated reporting.

METHODS AND RESULTS

Sample Selection

Prior to beginning data collection and analysis, I researched a number of methodologies from studies that conducted similar research to link an event to a firm's stock price reaction. Two different groups of researchers conducted studies in order to link a switch in auditors (Asthana 2010) and SEC enforcement actions (Nourayi 1994) to either an increase or decrease in a firm's stock price. Both use similar historical data tables then ran linear regressions in order to determine the impact, if any, that these events had on the firms' stock prices. After reading these studies and others discussed throughout the literature review, I began my data collection and analysis.

My sample included thirty, randomly selected, publicly-traded U.S. firms from a variety of industries that released CSR reports in the last five years. I chose to only look at information since 2008 in order to focus on more recent data and obtain more relevant

results. Once I compiled the sample of firms, I utilized Mergent Horizon, an online database that includes historical stock prices and other financial information about firms, in order to download the historical stock prices for each of the thirty firms since the beginning on 2008. See Table 1 for an overview of the industries and sample size.

Table 1. Sample Selection

Industry	**Number of Firms**	**Total Number of CSR Reports Included in Sample**
Auto	2	5
Consumer Products	6	13
Courier	2	4
Financial Services	2	3
Food/Beverages	6	12
Oil and Gas	1	4
Pharmaceuticals	2	10
Real Estate	1	2
Retail	3	9
Technology	3	3
Telecommunications	2	6
Total:	**30**	**71**

I conducted a linear regression analysis on the data in order to try and determine the stock price reaction, if any, from the results. In order to do so, I chose four other variables along with the individual firm's stock price in order to conduct the analysis. These variables included the market stock price change, determined by Standard and Poor's 500, as well as the firms' market capitalization on the day of the release the current beta, and the unexpected earnings release, if applicable on that day. I chose to use the firms' market capitalization as a measure of firm size and to determine if this factored into the stock price reaction. In order to measure a firm's level of risk, I used its current beta. Finally, if a firm filed an earnings report with the SEC within a ten-day time frame, either five days before or after the release of the CSR report, I included the change in unexpected earnings in order to try to quantify earnings expectations.

Methodology

To examine the information, I estimated the linear regression to determine the relation between each variable in the analysis, i.e. change in overall market price, market capitalization, beta, and change in financial performance. The regression yielded the following coefficients as seen in Table 2.

Table 2. Linear Regression Results for Full Data Sample

Variables	Coefficients	T-Statistic
Intercept	0.0033394820	0.6931053668
Market Reaction (X1)	1.0413745090	4.5101617067
Unexpected Earnings (X2)	-0.0259086260	-1.4080469521
Beta (X3)	-0.0020682000	-0.6809401253
Market Capitalization (X4)	0.0000000000	-0.2238852593

Surprisingly, only the market price reaction yielded a coefficient and t-statistic that had any significance. Based on these results, I chose to measure net price reactions using the difference between the individual firms' stock prices and the market price. In order to test each of my three hypotheses, I conducted the analyses on the full data sample, those firms that did release their CSR reports along with financial data, as compared with those that did not, and within market capitalization groups — those above and below average size.

For each of the selected sample groups mentioned above, I took each individual firm's stock price reaction and the market price change for the announcement window and then calculated the difference. To test the statistical significance of these net returns, I used a t-statistic, as shown in the following equations:

$$\text{standard error} = \frac{\text{standard deviation}}{\sqrt{n}}$$

$$\text{t-statistic} = \frac{\text{mean net stock return}}{\text{standard error}}$$

where “n” is equal to the total sample size.

Analysis Results

Based on a 95% level of confidence, statistical significance means t-statistics greater than 2.0 in absolute magnitude. However, as seen in Table 3 below, the results proved statistically insignificant.

Table 3. Test of Market Reaction to the Release of CSR Report

Sample Tested	Number of Observations	Average Stock Price Reaction	Standard Deviation	Standard Error	T-Statistic
Full Sample	71	0.03%	0.0163	0.0019	0.1430
Full Sample - excluding outliers	66	0.01%	0.0095	0.0012	0.0517
Greater than Average Market Capitalization	25	-0.01%	0.0070	0.0014	-0.0767
Smaller than Average Market Capitalization	35	0.29%	0.0122	0.0021	1.4296
CSRR Incuded with Financials*	5	-0.80%	0.0108	0.0048	-1.6656
CSRR NOT Included with Financials	61	0.07%	0.0092	0.0012	0.6159

*Number of observations too small to yield any statistical significance

Though the results did not meet my original expectations, they still demonstrate interesting results. The full data sample revealed little correlation between the release of the CSR report and the stock price reaction. However, when excluding outliers, surprisingly an even smaller correlation occurred. This could be due to a number of reasons; mainly the size of the sample and the impact the outliers had on the data.

Opposite my expectations described in *H2*, those firms with greater than average market capitalization compared to the sample actually had less correlation between the CSRR release and the stock price reaction that those of the smaller market capitalization. Also, the sample that includes the smaller than average market capitalization had the strongest correlation between the CSRR release and stock price reaction of any sample in this test. However, one could argue that this number remains statistically insignificant due to the fact that the t-statistic falls below 2.0.

Finally, testing *H3* proved challenging because there were very few firms who actually released their CSR report along with their financial statements. Therefore, though the t-statistic shows a strong negative correlation between the report release and the stock price reaction, the sample is too small to demonstrate any statistical importance. In regards to those firms that did not release their CSR reports as an integrated report with their financials, similarly to that of the overall sample, there remains a very little correlation between the two events.

Unexpected Findings

Though the analysis of each of the three hypotheses failed to prove any correlation between the release of a corporate social responsibility report and a firm's stock price reaction, the study did reveal interesting results and create possible opportunities for future research. Prior to conducting the analysis, I did not expect to find such little correlation between the report releases and stock price reactions. I had anticipated that the results may not have been that strong for every hypothesis, however, given the number of socially-minded investors and the growing number of firms that release these CSR reports, it was unexpected to find such little reaction.

Specifically discussing the results, I found it interesting that excluding the outliers from the sample actually decreased the t-statistic and proved an even smaller correlation that initially expected. The most surprising result, however, came from testing *H2*, how the firm size can affect the stock price reaction. Some questions to consider after seeing these results include are smaller firms releasing these reports for the first time, which creates a bigger impact? Also, could larger firms be affected too much by market "noise" or have too many institutional investors that do not value these CSR reports and therefore do not react when they are released?

Some other reasons why the overall results did not turn out as expected include that there may be too much "noise", or other things happening in the market and world news, in order to determine a strong reaction of the release of simply one report. Also, thus far, these reports are not audited and therefore, investors may not place as much value on them as much as they would financial statements. Finally, because most firms simply publish these reports on their websites, investors may not be as likely to be aware of their release, unless the firm creates a press release and tries to notify the public of the report's existence.

Limitations and Suggestions for Future Research

Though the data testing considered a range of variables in order to try and control for unexplained changes in the firms' stock prices, a number of limitations exist. One of the first limitations lies in the scope and sample size of this research. The sample only included thirty companies, which may not be indicative of the entire market. By expanding the sample size and including a larger variety of industries, different results may occur. Secondly, one of the biggest and most challenging aspects of this research

lies in the fact that it is near impossible to capture every piece of news that affects both the overall stock market and individual firms. Though part of the testing excluded outliers, which could account for unusual firm-specific news, this project did not try to analyze the news from each day that a CSR report was released and included as part of the sample in order to control for unusual market activity.

Finally, another limitation of this research that could be altered in the future lies in the fact that I did not try and control for what type of information firms included in their CSR reports. Though firms did not get these reports audited, the information included could still change consumer and investor behavior. Generally these reports focus on the positive initiatives that firms commit time and capital to, however, some of them could include negative information, such as a large carbon footprint, or what some call “green washing”. Also, trying to quantify the positive effects, if any, that these initiatives have poses a great challenge. Future studies could try to do so, however, in order to include another variable in the data analysis. Also, another way that that future researchers could potentially analyze data is to categorize what type of information that the CSR report releases, whether it be a social program, an environmental initiative, or volunteer efforts. It could be interesting to see the percentage of firms that release each type of report as well as if consumer and investors place more value on one that the others.

THE FUTURE OF CSR REPORTING

As demonstrated by the increasingly large number of firms that dedicate time and capital to corporate social responsibility initiatives and the growing number of socially-minded investors, CSR is not a business practice that will be fading any time soon. As

firms continue to commit money to these programs, equity owners and consumers alike will want more knowledge and an understanding of how these firms allocate their resources and the impact they have on the community. The growth in reporting will likely lead to a need to audit these reports and determine their accuracy and validity. Also, in order to make these reports comparable and more meaningful for users, governmental agencies could implement a standardized reporting system. This will not only affect the firms, but can also have a profound effect of NGOs, regulatory agencies, CPAs, etc.

If regulatory agencies start to demand audits such as this on CSR reports, CPAs may be required to perform an integrated audit of both the financial statements as well as the CSR report. This would require significant training in order for CPAs to obtain enough knowledge and understanding of CSR, especially if firms are engaged in complicated greening initiatives, in order to attest to its correctness. CPAs may one day be required to become licensed on auditing these specific types of reports, which could in turn generate more business for accounting firms. NGOs such as the Global Reporting Initiatives, the International Standards Organization, and a number of others could potentially become involved in releasing official audit reports, rather than solely relying on public accounting firms.

For consumers, these reports may become more important as well as they are more cognizant from which firms they buy their products. Millions of consumers around the United States are trying to become more "green" and make environmentally-friendly choices. The products they choose to buy reflect these attitudes, and if a firm releases a report that they ranks lowest in terms of production and waste sustainability, customers

may choose to switch to their competitor. Consumers also need to view current reports with greater skepticism as firms are not currently required to have them audited, and therefore, could be releasing bad information to the public.

Finally, for the firms that do choose to engage in CSR and release reports in relation to their initiatives, they must act strategically in determining when and how they release the information. Because firms are not currently required to issue an integrated report, firms can take advantage of the timing of the releases. Mainly, firms can use these reports in order to generate a “buzz” and give current and potential investors more information, on which they can make trades. Conversely, companies could choose to release a strong CSR report in order to combat the fact that they may have missed analysts’ projections on earnings. Along with the timing of these reports, companies need to seriously consider the information they release. As stated previously, consumer trends show a movement towards environmentally-friendly products, therefore companies should take this information into consideration and release more positive statistics in terms of their production, recycling, and waste policies. Managers should more heavily scrutinize all decisions in regards to capital commitments in relation to the CSR activities as well as investors may become more increasingly concerned with the amount of money dedicated to these projects that are not necessarily profit-seeking ventures. Lastly, firms and their management should consider the type of CSR report they are releasing and determine which outlet in order to publish the CSRR. Many firms only utilize their own company’s website in order to publish this information, however, with the growing amount of the U.S. population on social media, firms could make use of those tools in order to spread the word about their reports and generate more feedback.

CONCLUSION

Given the current climate in regard to corporate social responsibility and reporting these activities, it remains clear that issues discussed in this paper will not be resolved quickly or easily. As the number of firms that release CSR reports continues to grow, NGOs, regulatory agencies, and firms will have to work with one another in order to compromise and create a solution that not only helps the firms, but provides the best information to investors and consumers. Though this research only focused on firms within the United States, the issue of CSR reporting remains a global challenge. Just as there are multiple debates surrounding adopting IFRS as the global financial reporting standard, academics and business people alike will continue to struggle to find a solution to this issue.

Similar to prior literature, this research focused on trying to determine how companies can benefit in terms of firm value, specifically market value, in relation to a firm's corporate social responsibility initiatives and the their related results. This research also added to current studies by utilizing event study methodology in order to determine the correlation between the release of a CSR report and a firm's stock price reaction. Though the test revealed no strong correlation, the results still provided valuable knowledge on the subject. One of the more surprising results in particular is that the firms who had smaller than average market capitalization size in relation to the sample actually had the strongest positive outcome of any test. Though the result was not statistically significant, further research into this topic could yield interesting results.

Along with the results of the data testing, I have included suggestions for additional studies in the future that may provide a better understanding of the subject and

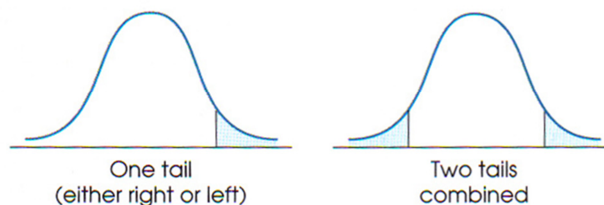
ways to improve the methodology. By quantifying information found in the CSR reports and segmenting them by type, researchers may find more significant results in their data testing and could determine which type of report investors found most valuable. This could help shape the future of CSR reporting if firms can determine what type of report will provide them the most value.

In summary, this paper includes a review of a number of current studies and research that will remain prevalent as others continue to add upon this subject. Also, through the data analysis, researchers can expand upon the methodology and take the suggestions offered into account in order to develop a variety of research questions in regards to how corporate social responsibility reports will affect firms as they continue to release them in future years.

APPENDIX A

TABLE B.2 THE *t* DISTRIBUTION

Table entries are values of *t* corresponding to proportions in one tail or in two tails combined.



	PROPORTION IN ONE TAIL					
	0.25	0.10	0.05	0.025	0.01	0.005
	PROPORTION IN TWO TAILS COMBINED					
df	0.50	0.20	0.10	0.05	0.02	0.01
1	1.000	3.078	6.314	12.706	31.821	63.657
2	0.816	1.886	2.920	4.303	6.965	9.925
3	0.765	1.638	2.353	3.182	4.541	5.841
4	0.741	1.533	2.132	2.776	3.747	4.604
5	0.727	1.476	2.015	2.571	3.365	4.032
6	0.718	1.440	1.943	2.447	3.143	3.707
7	0.711	1.415	1.895	2.365	2.998	3.499
8	0.706	1.397	1.860	2.306	2.896	3.355
9	0.703	1.383	1.833	2.262	2.821	3.250
10	0.700	1.372	1.812	2.228	2.764	3.169
11	0.697	1.363	1.796	2.201	2.718	3.106
12	0.695	1.356	1.782	2.179	2.681	3.055
13	0.694	1.350	1.771	2.160	2.650	3.012
14	0.692	1.345	1.761	2.145	2.624	2.977
15	0.691	1.341	1.753	2.131	2.602	2.947
16	0.690	1.337	1.746	2.120	2.583	2.921
17	0.689	1.333	1.740	2.110	2.567	2.898
18	0.688	1.330	1.734	2.101	2.552	2.878
19	0.688	1.328	1.729	2.093	2.539	2.861
20	0.687	1.325	1.725	2.086	2.528	2.845
21	0.686	1.323	1.721	2.080	2.518	2.831
22	0.686	1.321	1.717	2.074	2.508	2.819
23	0.685	1.319	1.714	2.069	2.500	2.807
24	0.685	1.318	1.711	2.064	2.492	2.797
25	0.684	1.316	1.708	2.060	2.485	2.787
26	0.684	1.315	1.706	2.056	2.479	2.779
27	0.684	1.314	1.703	2.052	2.473	2.771
28	0.683	1.313	1.701	2.048	2.467	2.763
29	0.683	1.311	1.699	2.045	2.462	2.756
30	0.683	1.310	1.697	2.042	2.457	2.750
40	0.681	1.303	1.684	2.021	2.423	2.704
60	0.679	1.296	1.671	2.000	2.390	2.660
120	0.677	1.289	1.658	1.980	2.358	2.617
∞	0.674	1.282	1.645	1.960	2.326	2.576

ble III of R. A. Fisher and F. Yates, *Statistical Tables for Biological, Agricultural and Medical Research*, 6th ed. London: Longman Group Ltd., 74 (previously published by Oliver and Boyd Ltd., Edinburgh). Adapted and reprinted with permission of the Addison Wesley Longman blishing Co.

Source: http://zhotzuko.com/admin/18/student-t-table

APPENDIX B

Data Analysis				
Year	Company	Date Rpt Released	Stock Price Percentage Change	Market Stock Price % Reaction
2008	Abbott	3/3/2009	-2.59%	-0.64%
2008	Novo Nordisk	3/4/2008	-0.70%	-0.34%
2008	Sprint	8/26/2009	3.84%	0.01%
2008	UPS	7/31/2009	0.21%	0.07%
2009	Abbott	9/4/2009	1.26%	1.31%
2009	AT&T	6/17/2010	0.20%	0.13%
2009	Avon Products	3/8/2010	0.38%	-0.02%
2009	Best Buy	8/26/2009	1.03%	0.01%
2009	Chevron	10/16/2009	0.16%	-0.81%
2009	Ford	8/28/2009	0.78%	-0.20%
2009	Johnson & Johnson	8/10/2009	-0.82%	-0.33%
2009	Johnson Controls	4/29/2009	4.52%	2.16%
2009	Microsoft	5/26/2009	2.99%	2.63%
2009	Novo Nordisk	11/18/2009	1.39%	-0.05%
2009	Office Depot	2/4/2009	-5.73%	-0.75%
2009	Pepsi Co	3/11/2010	0.84%	0.40%
2009	Proctor & Gamble	9/7/2010	-0.25%	-1.15%
2010	Abbott	6/8/2010	0.17%	1.10%
2010	AT&T	11/15/2011	0.21%	0.48%
2010	Best Buy	10/13/2010	0.74%	0.71%
2010	Chevron	7/6/2010	0.37%	0.54%
2010	Cliffs	11/29/2010	-0.04%	-0.14%
2010	Clorox	11/3/2010	-0.27%	0.37%
2010	Coca-Cola	6/17/2010	-0.08%	0.13%
2010	Ford	6/15/2010	2.09%	2.35%
2010	Microsoft	10/8/2010	0.16%	0.61%
2010	Nike	1/5/2011	0.65%	0.50%
2010	Novo Nordisk	2/8/2010	-0.36%	-0.89%
2010	Office Depot	1/18/2011	-0.35%	0.14%
2010	Pepsi Co	8/18/2010	-0.05%	0.15%
2010	UPS	8/30/2010	-0.82%	-1.47%
2011	Abbott	5/11/2011	0.40%	-1.11%
2011	Allstate	1/5/2012	0.65%	0.29%
2011	Avon Products	2/23/2012	-0.21%	0.43%
2011	Best Buy	8/25/2011	-3.63%	-1.56%
2011	Chevron	1/31/2012	-0.28%	-0.05%
2011	Cliffs	2/14/2012	-2.75%	-0.09%
2011	Clorox	9/26/2011	-4.27%	2.33%
2011	Coca-Cola	1/18/2011	0.54%	0.14%
2011	Ford	6/29/2011	0.68%	0.83%
2011	General Mills	12/21/2011	2.27%	0.19%
2011	Johnson & Johnson	4/11/2012	-0.11%	0.74%
2011	Johnson Controls	4/12/2012	3.14%	1.38%
2011	Jones Lang LaSalle	11/15/2010	-0.16%	-0.12%
2011	Microsoft	11/18/2011	-0.94%	-0.04%
2011	Molson Coors	7/12/2012	0.64%	-0.50%
2011	Novo Nordisk	6/7/2011	0.56%	-0.10%
2011	Office Depot	4/5/2012	-1.81%	-0.06%
2011	Pepsi Co	2/14/2012	-0.27%	-0.09%
2011	Proctor & Gamble	3/29/2012	-0.27%	-0.16%
2011	Sprint	4/5/2012	0.36%	-0.06%
2011	UPS	9/6/2011	-1.92%	-0.74%
2011	Yum Brands	8/25/2011	-2.53%	-1.56%
2012	Abbott	4/5/2012	-0.26%	-0.06%
2012	AT&T	11/27/2012	-1.03%	-0.52%
2012	Chevron	6/15/2012	2.36%	1.03%
2012	Cliffs	9/13/2012	6.30%	1.63%
2012	Clorox	11/27/2012	0.19%	-0.52%
2012	Coca-Cola	4/12/2012	0.14%	1.38%
2012	Fed-Ex	9/26/2012	-0.18%	-0.57%
2012	Jones Lang LaSalle	10/12/2012	-1.02%	-0.30%
2012	Microsoft	10/11/2012	-0.10%	0.02%
2012	MillerCoors	9/26/2012	-0.15%	-0.57%
2012	Nike	6/15/2012	1.73%	1.03%
2012	Novo Nordisk	11/16/2012	0.74%	0.48%
2012	Proctor & Gamble	12/19/2012	-0.90%	-0.76%
2012	Prudential Financial	12/5/2012	1.06%	0.16%
2012	Sprint	12/18/2012	-0.54%	1.15%
2012	Sysco	8/13/2012	4.51%	-0.13%
2012	UPS	7/31/2012	-0.81%	-0.43%
2012	Wal-Mart	5/10/2012	0.27%	0.25%

Source: https://www.globalreporting.org/Pages/resource-library.aspx

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ABSTRACT

This study focused on finding a correlation between the release of a corporate social responsibility report and investors' reaction s after its release, as seen in a change in stock price. I examined a random sample of thirty public United States firms and in order to try and determine a stock price reaction from the release of a CSR report in the past five years. By calculating the change in the individual firms' stock prices and the market change for the day, I ran statistical analysis in order to determine if the release of the report bore any significance. Though the results did to reveal a direct link to the change in stock price and the CSR report release, I also provide a number of suggestions for future research and implications that CSR reporting has on the accounting and regulator communities.