

**THE STRONG DIRECT LINK BETWEEN
CSR AND PROFITABILITY: THE BEST
CORPORATE CITIZENS DO OUTPERFORM
THE REMAINING S & P 500 COMPANIES**

a presentation by

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LATEST RESEARCH RESULTS

EARLIER RESEARCH

TWO GROUPS ANALYZED

- 1. 100 Best Corporate Citizens as Selected in 2001 by *Business Ethics* Magazine**
- 2. Remainder of S & P 500 Index Companies from which the 100 Best Corporate Citizens Were Selected – Loss Companies Eliminated as Done for the Selection of 100 Best Citizens**

PUBLICLY AVAILABLE VARIABLES UTILIZED TO MEASURE CORPORATE PERFORMANCE

1. 2001 *Business Week* Ranking of Total Financial Performance. *Business Week* uses eight criteria in its ranking of the financial performance of companies in the S&P 500 Index. They are: one-year total return; three-year total return; one-year sales growth; three-year average annual sales growth; one-year profit growth; three-year average annual profit growth; net profit margins; and return on equity.

2. 2001 *Fortune* magazine large-scale survey of “most admired companies.” To measure the reputation of corporations, *Fortune* uses eight attributes including innovation, quality of management, employee talent, financial soundness, use of corporate assets, long-term investment value, social responsibility, and quality of products/services.

3. 2001 “Market Value Added” – a concept developed by prominent financial consultants Stern Stewart & Co. MVA is the calculated difference (either positive or negative) between what investors and creditors have taken out or can now take out of a company and what they have put in over time.

RESULTS SHOW STRONG EVIDENCE THAT GOOD CITIZENS PERFORM BETTER

- 1. *Business Week* Mean Ranking of Financial Performance of the 100 Best Corporate Citizens is 10.42 percentiles higher than that of the remaining companies. The probability that this result could be caused by chance is .0252 or about 2.5 percent**
- 2. *Fortune* Mean Ranking of Most Admired Company of the 100 Best Corporate Citizens is 19 percentiles higher than that of the remaining companies. The probability that this result could be caused by chance is .0001 or 0.01 percent**
- 3. Stern Stewart Mean Market Value Added of the 100 Best Corporate Citizens is \$36 billion. This is more than four times that of the mean of the remaining companies, a difference of \$28 billion. The probability that this result could be caused by chance is .0001 or about 0.01 percent**

CONCLUSIONS

- We have found perhaps the most conclusive evidence ever developed that good corporate citizenship does richly reward shareholders while considering the needs of the other stakeholders in a corporation.**
- This finding should motivate boards of directors and senior managers to adopt and practice principles of good citizenship.**
- It should also motivate investors and their advisors to consider good corporate citizenship as an important factor when making investments**