
Social impact as a measure of fit between firm activities and stakeholder expectations

Lisa Papania*, Daniel M. Shapiro and
John Peloza

Simon Fraser University,
8888 University Drive,
Burnaby, BC, Canada V5A 1S6

E-mail: lpapania@sfu.ca E-mail: dshapiro@sfu.ca

E-mail: peloza@sfu.ca

*Corresponding author

Abstract: Institutional investors are increasingly focusing on firms that prioritise Corporate Social Responsibility (CSR). In the absence of any objective measure of a firm's CSR Performance (CSP), their investment choices are largely guided by independent rating indices that rank firms according to their social performance metrics. As a result, firms looking to increase their attractiveness as targets of social investment focus their CSR efforts on increasing the visibility of activities that are recognised by such indices. However, the validity of these indices as accurate measures of firms' actual social performance has repeatedly been called into question. This means that the ability of these indices to measure and report on firms' actual social impact cannot be ascertained with any degree of accuracy. The result is that firms are incentivised to engage in activities (whether genuine or 'greenwashing') that cannot be said to improve social responsibility, and may even ultimately harm society. Thus, another method of measuring CSP must be found that enables firms to measure their true impact on society. We propose a new approach to measuring CSP that is integrated with stakeholder theory. Such an approach provides managers of firms with an interest in engaging in real social development for the purposes of ensuring firm survival with the ability to understand their social obligations, and the ability to measure the resulting benefit to society.

Keywords: Corporate Social Responsibility; CSR; corporate social performance; social indices; salient stakeholders.

Reference to this paper should be made as follows: Papania, L., Shapiro, D.M. and Peloza, J. (2008) 'Social impact as a measure of fit between firm activities and stakeholder expectations', *Int. J. Business Governance and Ethics*, Vol. 4, No. 1, pp.3-16.

Biographical notes: Lisa Papania is a PhD Candidate at Simon Fraser University, Vancouver, Canada. Prior to entering the doctoral programme, she held a number of marketing management positions and was an Academic Case Writer and a part-time Lecturer in Marketing and Strategy. Her current research focus is corporate governance and social responsibility.

Daniel M. Shapiro (PhD, Cornell) is currently Dean of the Segal Graduate School of Business and the Dennis Culver EMBA Alumni Professor in the Faculty of Business Administration, Simon Fraser University, Vancouver, Canada, and Director of the CIBC Centre for Corporate Governance and Risk