

### Internet Appendix A3: Illustrative Pitch Example in Corporate Social Responsibility

This appendix presents an exemplar CSR example – in three versions: (a) original pitch; (b) original pitch with feedback; (c) revised pitch after feedback.

**Figure A3.1**

**(a) Original Pitch (Marion Dupire-Declerck, mentored by Bouchra M'Zali)**

<b>(A) Working Title</b>	"CSR strategies in response to competitive pressure"
<b>(B) Basic Research Question</b>	How does product market competition affect CSR strategies?
<b>(C) Key paper(s)</b>	Fernández-Kranz, D. & Santaló, J., 2010. When Necessity Becomes a Virtue: The Effect of Product Market Competition on Corporate Social Responsibility. <i>Journal of Economics &amp; Management Strategy</i> , 19(2), p.453–487. Flammer, C., 2012. Does Product Market Competition Foster Corporate Social Responsibility? Working Paper, Massachusetts Institute of Technology.
<b>(D) Motivation/Puzzle</b>	The causes and effects of CSR may be subject to a debate, but the negative business shocks resulting from environmental disasters (e.g., Exxon Valdez crash in March 1989; BP Deepwater Horizon spill in April 2010) or poor labor protections (e.g., Rana Plaza building collapse in October 2013) are clearly harmful, with strong negative market reactions. Competitive pressures increase the need to address extra-financial risks, whose impacts have stronger negative consequences in competitive contexts than in monopolies. But the notion of CSR also includes many different dimensions that can be studied independently. With respect to competition, the multidimensionality of CSR is crucial, because the strategic interest of CSR is likely to vary across different dimensions. <b>Puzzle:</b> How do firms adapt their CSR strategies in response to competitive pressure?
<b>THREE</b>	<b>Three core aspects of any empirical research project i.e. the "IDioTs" guide</b>
<b>(E) Idea?</b>	<b>"Core" idea:</b> Competitive pressures lead firms to adapt their CSR strategies. While prior literature has raised an average positive effect of competition on social performance, the idea here is that the impact may actually vary with specific dimensions of CSR, and industry specificities may also play a role. <b>Central hypothesis(es):</b> Competitive pressures lead to changes in CSR strategies, and this change is highly dependent of industry specificities. <b>Theoretical "tension":</b> According to the strategic CSR view, firms in more competitive environments have more incentives to invest in social actions. However, CSR is also costly and competition may similarly alter the incentives to engage in social initiatives.
<b>(F) Data?</b>	(1) <b>Country/setting:</b> US to get comparable results with prior related studies. <b>Unit of analysis:</b> individual firms. <b>Sampling:</b> annual. <b>Type:</b> mainly firm specific. (2) Expected <b>sample size:</b> about 4000 firms on 15 years (1995-2009); unbalanced panel data (3) Data <b>source(s):</b> Compustat/CRSP/KLD ratings. No hand-collecting required. <b>Timeframe:</b> no major time delays; Research <b>assistance</b> needed?: no; Funding/ <b>grants</b> ?: no; (4) Standard data – nothing novel, high <b>quality</b> data from Compustat/CRSP/KLD (5) Will there be any problem with <b>missing data</b> /observations?: nothing major, just standard issues (6) Will your <b>test variables</b> exhibit adequate ("meaningful") <b>variation</b> to give good power?: plan to implement a methodology which will counteract the problem of having all firms in one industry with the same value for the competition variable, using a firm-level indicator of external competitive pressure.
<b>(G) Tools?</b>	Basic <b>empirical framework:</b> panel regressions with lagged variables (endogeneity) + Granger causality tests. Econometric <b>software</b> needed/appropriate for job?: Gauss and Stata Knowledge of <b>implementation</b> of appropriate or best statistical/econometric tests?: yes <b>Compatibility</b> of data with planned empirical framework?: yes, already used and admitted in the existing literature

<b>TWO</b>	<b>Two key questions</b>
<b>(H) What's New?</b>	<b>IDEA</b> is novel – the effect of competition on CSR strategies has never been studied in such terms. Prior research has documented a positive aggregate effect of competition on social performance but this study would be the first to consider the underlying mechanism that justifies this variation, and further explore how industry specificities play an important role.
<b>(I) So What?</b>	This research holds particular interest for investors and regulators who consider the implicit social contract between business and society. Investing in socially responsible organizations requires understanding the dynamics that prompt them to engage in social actions. Understanding which responsible actions result in response to external constraints, such as competitive pressure, offers a first step toward designing appropriate incentives to enhance social welfare. With our analysis of the relationship of CSR with competition, we focus on the strategic side, but we do not intend to exclude potential altruistic motives. Rather, we acknowledge the coexistence of strategic and altruistic motives and explain how they function as complements.
<b>ONE</b>	<b>One bottom line</b>
<b>(J) Contribution?</b>	<b>Primary source of the contribution:</b> The angle of approach of the competition-CSR relationship is our main contribution. We consider how CSR in its multidimensionality and account for industry specificities, while other studies rather focused on the aggregate effect of competition on CSR.
<b>(K) Other Considerations</b>	<p>Is <b>Collaboration</b> needed/desirable?</p> <ul style="list-style-type: none"> <li>– idea: no;</li> <li>– data: yes, no personal access to KLD data, need collaboration with someone who is able to use these data;</li> <li>– tools: no</li> </ul> <p>Target Journal(s)? Journal of Business Ethics. Realistic? To be discussed.</p> <p><b>“Risk”</b> assessment:</p> <ul style="list-style-type: none"> <li>– “no result” risk: LOW – the source of contribution rather comes from the angle of approach, any results can be interesting, although it will be easier to ‘sell’ the paper if we get significant coefficients;</li> <li>– “competitor” risk (ie being beaten by a competitor): MEDIUM/HIGH –A working paper at MIT is online, dealing with how social performance varies around import tariff reductions (used as exogenous shocks on competition)</li> <li>– risk of “obsolescence”: LOW – CSR issues are attracting a growing interest, and markets are becoming more and more competitive, the subject is likely to remain topical for a while;</li> </ul>

## (b) Original Pitch with Feedback

(A) Working Title	“CSR strategies in response to competitive pressure”
(B) Basic Research Question	How does product market competition affect CSR strategies?
(C) Key paper(s)	Fernández-Kranz, D. & Santaló, J., 2010. When Necessity Becomes a Virtue: The Effect of Product Market Competition on Corporate Social Responsibility. <i>Journal of Economics &amp; Management Strategy</i> , 19(2), p.453–487. Flammer, C., 2012. Does Product Market Competition Foster Corporate Social Responsibility? Working Paper, Massachusetts Institute of Technology.
(D) Motivation/Puzzle	The causes and effects of CSR may be subject to a debate, but the negative business shocks resulting from environmental disasters (e.g., Exxon Valdez crash in March 1989; BP Deepwater Horizon spill in April 2010) or poor labor protections (e.g., Rana Plaza building collapse in October 2013) are clearly harmful, with strong negative market reactions. Competitive pressures increase the need to address extra-financial risks, whose impacts have stronger negative consequences in competitive contexts than in monopolies. But the notion of CSR also includes many different dimensions that can be studied independently. With respect to competition, the multidimensionality of CSR is crucial, because the strategic interest of CSR is likely to vary across different dimensions. <b>Puzzle:</b> How do firms adapt their CSR strategies in response to competitive pressure?
THREE	Three core aspects of any empirical research project i.e. the “IDIoTs” guide
(E) Idea?	“Core” idea: Competitive pressures lead firms to adapt their CSR strategies. While prior literature has raised an average positive effect of competition on social performance, the idea here is that the impact may actually vary with specific dimensions of CSR, and industry specificities may also play a role. <b>Central hypothesis(es):</b> Competitive pressures lead to changes in CSR strategies, and this change is highly dependent of industry specificities. <b>Theoretical “tension”:</b> According to the strategic CSR view, firms in more competitive environments have more incentives to invest in social actions. However, CSR is also costly and competition may similarly alter the incentives to engage in social initiatives.
(F) Data?	(1) <b>Country/setting:</b> US to get comparable results with prior related studies. <b>Unit of analysis:</b> individual firms. <b>Sampling:</b> annual. <b>Type:</b> mainly firm specific. (2) Expected <b>sample size:</b> about 4000 firms on 15 years (1995-2009); unbalanced panel data (3) Data <b>source(s):</b> Compustat/CRSP/KLD ratings. No hand-collecting required. <b>Timeframe:</b> no major time delays; Research <b>assistance</b> needed?: no; Funding/ <b>grants</b> ?: no; (4) Standard data – nothing novel, high <b>quality</b> data from Compustat/CRSP/KLD (5) Will there be any problem with <b>missing data</b> /observations?: nothing major, just standard issues (6) Will your <b>test variables</b> exhibit adequate (“meaningful”) <b>variation</b> to give good power?: plan to implement a methodology which will counteract the problem of having all firms in one industry with the same value for the competition variable, using a <b>firm-level indicator</b> of external competitive pressure.
(G) Tools?	Basic <b>empirical framework:</b> panel regressions with lagged variables (endogeneity) + Granger causality tests. Econometric <b>software</b> needed/appropriate for job?: Gauss and Stata Knowledge of <b>implementation</b> of appropriate or best statistical/econometric tests?: yes <b>Compatibility</b> of data with planned empirical framework?: yes, already used and admitted in the existing literature

**Comment [RF1]:** Title and question are informative and concise – good for gaining attention

**Comment [RF2]:** I don’t know this journal – is it high quality?

**Comment [RF3]:** Since it is only a working paper, I need to be convinced that this is an “influential” paper. Sourced from MIT helps.

**Comment [RF4]:** You don’t really have a “puzzle” in the sense that I meant – refer back to the relevant discussion in the paper

**Comment [RF5]:** Strategies generally – but you are looking at CSR – which is good

**Comment [RF6]:** Seemingly contradicts what you say later about the novelty of your idea?

**Comment [RF7]:** Weak – do you have a (credible) directional prediction?

**Comment [RF8]:** I guess that you do have a theoretical tension here – but many good papers don’t need to. Its just an extra thing to think about.

**Comment [RF9]:** Healthy sample size – but will the KLD “requirement” cut this back quite a bit?

**Comment [RF10]:** Why stop in 2009?

**Comment [RF11]:** Vague – is it a Herfindahl type measure?

<b>TWO</b>	<b>Two key questions</b>
<b>(H) What's New?</b>	<b>IDEA</b> is novel – the effect of competition on CSR strategies <b>has never been studied</b> in such terms. Prior research has documented a positive aggregate effect of competition on social performance but this study would be the first to consider the underlying mechanism that justifies this variation, and further explore how industry specificities play an important role.
<b>(I) So What?</b>	This research holds particular interest for investors and regulators who consider the implicit social contract between business and society. Investing in socially responsible organizations requires understanding the dynamics that prompt them to engage in social actions. Understanding which responsible actions result in response to external constraints, such as competitive pressure, offers a <b>first step toward designing appropriate incentives to enhance social welfare</b> . With our analysis of the relationship of CSR with competition, we focus on the strategic side, but we do not intend to exclude potential altruistic motives. Rather, we acknowledge the coexistence of strategic and altruistic motives and explain how they function as complements.
<b>ONE</b>	<b>One bottom line</b>
<b>(J) Contribution?</b>	<b>Primary source of the contribution:</b> The <b>angle of approach</b> of the competition-CSR relationship is our main contribution. We consider how CSR in its multidimensionality and account for industry specificities, while other studies rather focused on the aggregate effect of competition on CSR.
<b>(K) Other Considerations</b>	Is <b>Collaboration</b> needed/desirable? – idea: no; – data: yes, no personal access <b>to KLD data</b> , need collaboration with someone who is able to use these data; – tools: no Target Journal(s)? <b>Journal of Business Ethics</b> . Realistic? To be discussed. <b>“Risk”</b> assessment: – “no result” risk: LOW – the source of contribution rather comes from the angle of approach, any results can be interesting, although it will be easier to ‘sell’ the paper if we get significant coefficients; – “competitor” risk (ie being beaten by a competitor): MEDIUM/HIGH –A working paper at MIT is online, dealing with how social performance varies around import tariff reductions (used as exogenous shocks on competition) – risk of “obsolescence”: LOW – CSR issues are attracting a growing interest, and markets are becoming more and more competitive, the subject is likely to remain topical for a while;

**Comment [RF12]:** See earlier comment – seems to be contradictory

**Comment [RF13]:** Sounds grand! Will be great if you can meaningfully pull this off!

**Comment [RF14]:** Sounds like you have a “tools” type contribution in mind – especially given the slight confusion above?

**Comment [RF15]:** Do you know anyone that has KLD data?

**Comment [RF16]:** Should/could you aim higher in the 1<sup>st</sup> instance?

## (c) Revised Pitch – yellow highlights identifying new parts

(A) Working Title	“CSR strategies in response to competitive pressure”
(B) Basic Research Question	How does product market competition affect CSR strategies?
(C) Key paper(s)	Fernández-Kranz, D. & Santaló, J., 2010. When Necessity Becomes a Virtue: The Effect of Product Market Competition on Corporate Social Responsibility. <i>Journal of Economics &amp; Management Strategy</i> <sup>1</sup> , 19(2), p.453–487. Flammer, C., 2012. Does Product Market Competition Foster Corporate Social Responsibility? Working Paper, Massachusetts Institute of Technology.
(D) Motivation/Puzzle	The causes and effects of CSR may be subject to a debate, but the negative business shocks resulting from environmental disasters (e.g., Exxon Valdez crash in March 1989; BP Deepwater Horizon spill in April 2010) or poor labor protections (e.g., Rana Plaza building collapse in October 2013) are clearly harmful, with strong negative market reactions. Competitive pressures increase the need to address extra-financial risks, whose impacts have stronger negative consequences in competitive contexts than in monopolies. But the notion of CSR also includes many different dimensions that can be studied independently. With respect to competition, the multidimensionality of CSR is crucial, because the strategic interest of CSR is likely to vary across different dimensions. <b>How</b> do firms adapt their CSR strategies in response to competitive pressures?
THREE	Three core aspects of any empirical research project i.e. the “IDioTs” guide
(E) Idea?	<p>“Core” idea: The novel idea is that competitive pressures lead firms to engage in social initiatives with more strategic interest. While prior literature has raised an average positive effect of competition on social performance, the idea here is to investigate whether this effect is actually pulled by the fact that only CSR dimensions that are of strategic interest for the firm are fostered by competitive intensity. This is tested by looking at the effect of competition on CSR performance toward core stakeholders versus peripheral stakeholders, as well as investigating whether the degree of strategic interest of CSR with respect to the core activity of the industry makes it more or less sensitive to competitive intensity.</p> <p>Central hypothesis(es): Competitive pressures lead firms to engage in CSR initiatives with more strategic interest, and this is dependent of industry core activity:</p> <ul style="list-style-type: none"> <li>• Competitive pressure improves social performance targeting core stakeholders to a greater extent than social performance targeting peripheral stakeholders</li> <li>• Competitive pressures lead firms in ‘dirty’ industries to ignore environmental initiatives (environment is less likely to be a source of strategic competitive advantage in a pollution-intensive industry than in other industries)</li> <li>• Competitive intensity in B2C industries (a) fosters ‘visible’ social performance and (b) leads to a decline in ‘less visible’ social performance.</li> </ul>
(F) Data?	<p>(1) Country/setting: US to get comparable results with prior related studies. Unit of analysis: individual firms. Sampling: annual. Type: mainly firm specific.</p> <p>(2) Expected sample size: about 4000 firms on 15 years (1995-2009); unbalanced panel data</p> <p>(3) Data source(s): Compustat/CRSP/KLD ratings. No hand-collecting required. Timeframe: no major time delays; Research assistance needed?: no; Funding/grants?: no;</p> <p>(4) Standard data – nothing novel, high quality data from Compustat/CRSP/KLD</p> <p>(5) Will there be any problem with missing data/observations?: nothing major, just standard issues</p> <p>(6) Will your test variables exhibit adequate (“meaningful”) variation to give good power?: plan to implement a methodology which will counteract the problem of having all firms in one industry with the same value for the competition variable, using a firm-level Herfindahl Hirschman index as indicator of firm-level external competitive pressure. More specifically, the idea is to use the industry concentration indicator provided by Hoberg and Phillips, the “fitted HHI” which counteracts many of the limitations of classical concentration ratios, accounting for the fact that a firm may operate on multiple segments by computing a weighted sum of the fitted-HHIs associated to each of the segments in which the firm is operating. Compustat segments database contains these data.</p>

<sup>1</sup> The Journal of Economics and Management Strategy is a ‘B’ journal in Industrial Organization

<b>(G) Tools?</b>	Basic <b>empirical framework</b> : panel regressions with lagged variables (endogeneity) + Granger causality tests. Econometric <b>software</b> needed/appropriate for job?: Gauss and Stata Knowledge of <b>implementation</b> of appropriate or best statistical/econometric tests?: yes <b>Compatibility</b> of data with planned empirical framework?: yes, already used and admitted in the existing literature
<b>TWO</b>	<b>Two</b> key questions
<b>(H) What's New?</b>	<b>IDEA</b> is novel – The idea of “CSR strategies” to reach a competitive advantage is novel. While the (positive) effect of competition on aggregate indicators of social performance has been studied in prior research, the more specific effect on ‘CSR strategies’ has never been approached in such terms. The main novelty therefore lies into a focus on CSR <b>strategies</b> , accounting for -1- their multi-dimensionality and -2- their industry-specificity. Prior research has indeed <b>already documented</b> a positive aggregate effect of competition on social performance but this study’s novelty would lie into the consideration of the underlying mechanisms as well as potential nuances of this variation, and further explore how industry specificities play an important role.
<b>(I) So What?</b>	Considering the competition-CSR relationship is of particular interest for regulatory authorities on one side, and socially responsible investors on the other side. Indeed, both need to understand the underlying mechanisms that prompt firms to engage in social actions. As our economies are becoming always more competitive, understanding how product market competition influences firms’ CSR decision is a very important issue.
<b>ONE</b>	<b>One</b> bottom line
<b>(J) Contribution?</b>	<b>Primary source of the contribution</b> : The idea that <b>firms focus more on strategic CSR under competitive pressure</b> is our main contribution. We test this idea by considering CSR in its multidimensionality and accounting for sector specificities, while other studies rather focused on the aggregate effect of competition on CSR.
<b>(K) Other Considerations</b>	Is <b>Collaboration</b> needed/desirable? – idea: no; – data: yes, no personal access to KLD data, need collaboration with someone who is able to use these data; – tools: no Target Journal(s)? Journal of Business Ethics. Realistic? To be discussed. <b>“Risk”</b> assessment: – “no result” risk: LOW – the source of contribution rather comes from the angle of approach, any results can be interesting, although it will be easier to ‘sell’ the paper if we get significant coefficients; – “competitor” risk (ie being beaten by a competitor): MEDIUM/HIGH –A working paper at MIT is online, dealing with how social performance varies around import tariff reductions (used as exogenous shocks on competition) – risk of “obsolescence”: LOW – CSR issues are attracting a growing interest, and markets are becoming more and more competitive, the subject is likely to remain topical for a while;