

Heterogeneous CSR approaches, corporate social performance and corporate financial performance

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AFA: Poster presentation 2022,
7-9 Jan 2022

Stakeholders demand corporate social responsibility (CSR)

- Implicit homogeneity in past CSR literature (Awaysheh et al., 2020; Barnett & Salomon, 2012; Griffin & Mahon, 1997; Servaes & Tamayo, 2013; Waddock & Graves, 1997)
- Contrasts with institutional theory and instrumental stakeholder theory (Donaldson & Preston, 1995; Freeman & Reed, 1983; Oliver, 1991; Suchman, 1995)
- We identify three heterogeneous CSR approaches, namely strategic CSR, CSR-as-insurance, and corporate greenwashing

Promised CSP and Realised CSP

- Stakeholder CSR demands diverge (Choi & Wang, 2009; Henisz et al., 2014; Jensen, 2010; Oliver, 1991; Porter & Kramer, 2006; Suchman, 1995)
- Strategic CSR: High realised CSP, low promised CSP
- CSR-as-insurance: Average promised CSP and realised CSP
- Corporate greenwashing: High promised CSP, low realised CSP

Data & Method

- 136 granular CSR variables from Refinitiv ESG for a world-wide sample of 4,370 unique firm from 2003-2019
- K-means Clustering
- Wittkowski et al. (2004) non-parametric rank ordering test

Clustering CSR approaches

The CSR reporting, policy, target, activity, controversy and performance rank per cluster

Cluster	N	Asset4	Reporting	Policy	Target	Activity	Controversy	Performance
1	6,953	6.45 (1.61)	7.01 (2.33)	7.47 (1.94)	6.76 (3.59)	7.22 (1.69)	6.75 (3.54)	5.01 (1.75)
2	6,366	4.20 (1.61)	4.50 (3.23)	5.62 (1.97)	3.15 (3.71)	5.30 (2.01)	7.85 (2.74)	4.78 (2.04)
3	13,092	2.57 (1.75)	1.25 (2.52)	3.66 (2.61)	2.58 (3.19)	3.15 (2.54)	8.40 (2.38)	5.47 (2.31)

Internally consistent and externally divergent

Corporate social performance

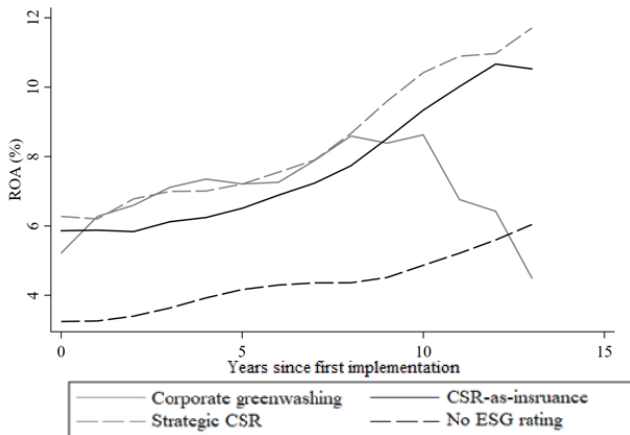
- Emissions, labour conditions, and CSR controversies
- Strategic CSR strictly superior in emissions and labour conditions
- Strategic CSR firms experience 2.10 and 6.29 times fewer CSR controversies than CSR-as-insurance and corporate greenwashing firms

Short-term outperformance

Fama & French international 5-factor model

Parameters	Strategic CSR		CSR-as-insurance		Corporate greenwashing	
	Estimates	t	Estimates	t	Estimates	t
Intercept	0.001***	2.23	-0.001	0.70	-0.001***	-2.74
Market	0.995***	8.58	0.943***	8.62	0.951***	10.53
SMB	0.479***	2.23	0.297	1.41	0.125	0.58
HML	0.005*	0.05	0.027	0.14	0.083	0.33
RMW	-0.075	-0.20	-0.013	-0.22	0.091	0.20
CMA	-0.149	-0.47	-0.107	-0.44	-0.057	-0.30
N	125,66		60,924		67,873	
Annualised alpha	1.42%***		-0.38%***		-1.33%***	

Long-term profitability



Conclusion

- It is not whether, but rather how firms approach CSR that determines their societal contribution and financial performance
- 50%, 24%, and 26% of the firms approach respectively strategic CSR, CSR-as-insurance and corporate greenwashing
- Strategic CSR firms outperform in both financial and social performance, whereas corporate greenwashing firms underperform

Implications

- Empirical CSR literature: we provide a plausible explanation for the diverging findings regarding the social to financial performance relation.
- Theoretical CSR literature: we verify the theoretical models for strategic CSR, CSR-as-insurance and corporate greenwashing on a global scale
- Theoretical contribution: we contribute to institutional theory and instrumental stakeholder theory by showing that firms heterogeneously approach CSR and that those who most consider stakeholder needs attain the largest benefits
- Practical implications: Managers and investors should pursue realised CSP, rather than provide empty promises. However, initial target setting is not penalised as long as these targets are materialised in the medium-run.

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