Essays on Corporate Social Responsibility

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Vir my ouers, nou kan ma-hulle vra "Hoe gaan dit daar?".

ABSTRACT

This thesis aims to deepen our collective understanding of corporate social responsibility (CSR). The findings suggest the conventional aggregation of corporate social responsibility (CSR) raw scores and its interpreted impact on firm value is unsound. Instead, the value impact of CSR activities relies heavily on the relative position of the firm within its own industry. A firm tends to achieve a boost in value when it distinguishes itself over its peer firms. This finding is robust and holds for both responsible and irresponsible behavior. Information concerns and portfolio construction allude to a possible CSR clientele, which may suggest the existence of an optimal CSR level.

Building on CSR's effect on performance, the second part of the thesis focuses on the cultural drivers of CSR, using a geographic lens. This study investigates whether firm headquarter location is indicative of a firm's CSR profile, and presents evidence that location affects firm value. The findings document that location has a large significant effect on the CSR profile of resident firms. The results contend that CSR varies significantly across geography. Furthermore, firms that diversify along a CSR continuum within their locale could share in an increase in value. The legal, cultural, and social demographic differences across geography explain some of the significant variation in CSR means between metropolitan statistical areas, states, and regions. More significantly, we show that CSR might destroy firm value. The result is

robust to concerns of endogeneity, as the socio-economic indicators are used as exogenous instruments for CSR.

The last part of the thesis contends that CSR is a proxy for good management, and as a result CSR firms should be less likely to engage in myopic activities. It presents evidence of an association between discretionary investment and CSR. The results indicate that firms that engage in socially destructive behavior are more likely to engage in myopic activities. More importantly, our results indicate that CSR (specifically concern) can be considered a proxy for good management. This indicates that firms with high levels of socially destructive behavior are more likely to manipulate earnings through myopic behavior. However firms with high levels of strength behavior are not less likely to be myopic, and in some cases might be more likely. Our results shed light on the complex interplay between discretionary activities and the multifaceted impact of CSR on firm's corporate activities. As a final point our results indicate that socially responsible behavior is a poor indicator of good management and is unrelated to myopic behavior with regard to other discretionary expenditures. However, a firm's level of socially destructive behavior is significantly correlated with management quality and the likelihood that a firm might engage in myopic practices for the sake of earnings manipulation.

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