Accounting and Society: A Holistic Perspective on Corporate Social Responsibility

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I. Building a social empire? Managerial preferences, shareholder litigation, and corporate social responsibility*

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Abstract

We map out managerial preferences in terms of corporate social responsibility (CSR). For empirical identification, we exploit the staggered adoption of universal demand (UD) laws as a natural experiment. UD laws exogenously increase agency problems by insulating managers from shareholder litigation. We find that, after managers are insulated by the adoption of a UD law, they both misinvest in immaterial CSR and over-invest in material CSR. This suggests that managers have an underlying preference for *building a social empire*. Indeed, only managers who have greater ex ante incentives to empire build—for example, when free cash flow is abundant—react to a UD law being adopted. Beyond, after a UD law is adopted, managers issue CSR press releases more frequently, and these press releases have a more positive tone.

Keywords: Agency problems, corporate governance, corporate social responsibility, empire building, managerial preferences, shareholder litigation

JEL classification: K22, K41, M14, M21, M41

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II. Do customers affect the value relevance of corporate social responsibility reporting? Empirical evidence on stakeholder interdependence*

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Abstract

In spite of the strategic importance of corporate social responsibility (CSR) reporting in current business practice and the resulting increase in research on its value relevance, studies accounting for stakeholder interdependence are scarce. On the basis of the instrumental stakeholder theory, we investigate whether customers have an impact on the value relevance of CSR reporting. Using a sample of U.S. listed firms, we show that the value relevance of CSR reporting is affected by customer profile differences, thereby confirming customer-shareholder interdependence. However, customer profile effects are only predominant if firms profitability levels are low and disappear as profitability increases. Overall, our findings provide a more nuanced understanding of the value relevance of CSR reporting. Therefore, we offer managers a fine-grained guidance for value relevant CSR reporting.

Keywords: Corporate social responsibility reporting, customer profile differences, stakeholder interdependence, stakeholder theory, sustainable development, value relevance

JEL classification: M14, M32, M31, M41, G32

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‡The published version is slightly different from the version included in the dissertation.

III. Cultural rule orientation, legal institutions, and the credibility of corporate social responsibility reports*

Tobias Steindl†

Abstract

Culture matters for *credible* corporate social responsibility (CSR) reporting. I show that firms located in countries with stronger cultural rule orientation are more likely (1) to receive assurance on their CSR report, (2) to receive assurance from an accounting firm, (3) to receive assurance in accordance with an assurance standard, and (4) to receive assurance on their *entire* CSR report. Path analysis reveals that the *direct* effect of cultural rule orientation is much stronger than its *indirect* effect via legal institutions. In fact, the indirect effect, at most, accounts for 23% of the total effect, while the direct effect, at least, accounts for 77% of the total effect. I confirm the dominance of the direct effect in a qualitative comparative analysis. My findings survive several estimation approaches that address endogeneity concerns (e.g., an instrumental variable approach). Finally, I provide auxiliary evidence from a quasi-natural experiment, showing that firms located in countries with stronger cultural rule orientation respond stronger to the adoption of Directive 2014/95/EU (the so-called EU CSR reporting directive).

Keywords: Assurance, corporate social responsibility, culture, legal institutions, non-financial reporting, rule orientation, uncertainty avoidance

JEL classification: M14, M41, M42, Z1

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