ESSAYS ON CORPORATE SOCIAL RESPONSIBILITY (CSR) AS RISK MANAGEMENT STRATEGY

Dissertation

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CHAPTER 1

Introduction

1. The Strategic Importance of a Risk Perspective in Modern Business

Risk has been an inherent aspect of industrial capitalism since its inception. In the nineteenth century, scholars such as Karl Marx and his contemporaries (Marx & Engels, 1848) critically examined the systemic vulnerabilities and crises embedded within capitalist production, implicitly laying an early foundation for understanding risk. Later, Frank Knight (1921) introduced statistical and probabilistic methods to distinguish calculable risks from deeper uncertainties that defy precise economic measurement, particularly in business and finance. Although these insights broadened the appreciation of a "risk paradigm," much twentieth-century thought remained oriented toward rule-based frameworks and competitive strategies prioritizing shareholder value (Amit & Wernerfelt, 1990; Kaplan & Mikes, 2012). This ethos, epitomized by Milton Friedman's (1962) view that a firm's core responsibility is to channel its resources into profit generation (p. 133), entrenched shareholder primacy while downplaying broader stakeholder considerations and their associated risk implications.

Following World War II, modern capitalism and its industrial frameworks became firmly entrenched, giving rise to corporate structures and notions of risk that still inform today's business environment. Over the past half-century, however, societies worldwide have shifted into a postindustrial or "modernity" phase, characterized by globalization, heightened stakeholder awareness, and existential challenges such as climate change (Beck, 1992; Schneider & Scherer, 2015; Shrivastava, 1995). Under these conditions, traditional mid-20th-century management paradigms—which emphasize internal controls and short-term returns—have struggled to address the complex vulnerabilities facing multi-fiduciary firms, including reputational risks, stakeholder legitimacy pressures, and unexpected shocks. Precisely because such vulnerabilities are no longer confined to internal corporate functions and in fact intertwine with broader social and economic systems, risk management has emerged as a central strategic concern—one that affects not only businesses and their immediate stakeholders but also governments, communities, and society at large. In Ulrich Beck's (1992) terms, this development marks a shift from the "logic of wealth production"

to the "logic of risk society," bringing new dysfunctions and threats—ranging from globalized corporate interdependencies to climate-related disruptions—to the forefront of corporate, public, and policy agendas.

Despite this heightened awareness, risk remains an underexplored strategic priority in modern organizations (Gephart, Van Maanen, & Oberlechner, 2009; Ross, 2014). From a classical standpoint, firms have managed risk primarily through measures aimed at addressing agency conflicts, maintaining operational stability, and securing acceptable rates of return (Amit & Wernerfelt, 1990). Yet, as organizations increasingly navigate interconnected global markets, shifting societal expectations, and heightened scrutiny from diverse stakeholders, such traditional frameworks appear insufficient. Recent scholarship therefore advocates for a broader conceptualization of risk—one that explicitly acknowledges socially constructed dimensions such as stakeholder legitimacy, reputation management, and systemic interdependencies, factors often sidelined in traditional shareholder-centric models yet crucial to sustained value creation (Kaplan & Mikes, 2012; Orlitzky & Benjamin, 2001; Ross, 2014; Shrivastava, 1995). Building upon these insights, the present dissertation focuses on strategy-linked stakeholder risks, defined as those arising directly from the way firms manage relationships with their diverse stakeholders in an increasingly reflexive and risk-conscious society. By situating stakeholder relationships as pivotal determinants of a firm's exposure to financially significant risks, this research highlights the strategic importance of those relationships. Understanding how these interactions mitigate—or, in some cases, exacerbate—vulnerability has thus become a central concern not only for academic scholarship but also for businesses navigating the complexities of modern multi-fiduciary firms. In doing so, this perspective connotes a compelling business case for effective stakeholder management and ultimately motivates the dissertation's core inquiry.

2. Connecting Corporate Social Responsibility with Risk Management

Heightened concerns about climate change and global sustainability goals—reflected in initiatives such as the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and the UN 2030 Agenda—have increasingly placed corporations under scrutiny to support the transition to more sustainable practices. This growing movement, alongside rising stakeholder awareness, is defining new legitimacy benchmarks for businesses.

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Consequently, extensive scholarly discourse has emerged among business and society scholars, economists, ethicists, and social and political commentators regarding the scope and implications of Corporate Social Responsibility (CSR). The term "CSR" itself often used to encompass for cognate concepts such as corporate citizenship, corporate sustainability, and stakeholder management—concepts widely recognized for their potential strategic impact on a firm's financial well-being (Matten & Moon, 2008; Vishwanathan et al., 2019).

Against this backdrop, risk management has gained traction as a compelling framework for understanding the strategic benefits of CSR. Both risk management and strategic CSR are fundamentally tied to financial expectations, with a particular emphasis on managing stakeholder relationships (Godfrey, 2005; Ross, 2014). Social and environmental initiatives are increasingly seen as mechanisms to mitigate financially significant vulnerabilities, such as reputational damage, stakeholder conflicts, and operational disruptions. An expanding body of work—though still maturing— links positive CSR performance in key stakeholder domains (environmental, workforce, community, and governance) to lower levels of firm risk (Albuquerque et al., 2019; Orlitzky & Benjamin, 2001; Godfrey, Merrill, & Hansen, 2009).

Much of this research draws on Freeman's (1984) stakeholder perspective, which has evolved from a technical view of stakeholder relations to a broader foundation for strategic governance and risk mitigation. Theoretical work on the CSR–risk nexus can be diverse and occasionally conflicting, depending on which stakeholder-based outcomes are emphasized. Two conceptual pillars inform and motivate the present discussion. The first is a reputational view grounded in stakeholder reciprocity, suggesting that responsible engagement across multiple domains builds moral and reputational capital while fostering ethical conduct and transparency; these qualities elicit positive responses from both internal and external stakeholders, ultimately protecting and enhancing risk-adjusted returns (Godfrey, 2005; Herremans et al., 1993; Matten & Moon, 2008). The second is the stakeholder salience approach (Mitchell, Agle, & Wood, 1997), emphasizing the attributes of power, legitimacy, and urgency in how firms prioritize stakeholder needs; it holds that corporate legitimacy now hinges on more than shareholder returns, so purposeful CSR investments help secure goodwill and earn market premiums (Campbell, 2007; Odziemkowska & Henisz, 2021). At the same time, the discourse is not unidirectional; scholars caution against the "dark side" of

CSR—practices such as greenwashing or misaligned CSR overtures can, in fact, elevate a firm's risk profile and cause financial harm (Delmas & Burbano, 2011; Einwiller, Lis, Ruppel, & Sen, 2019; Heugens & Dentchev, 2007).

While research on CSR's impacts on various organizational outcomes continues to burgeon, questions persist. Scholars increasingly advocate for risk-based approaches to understanding CSR's strategic value, shifting from narrowly defined profitability metrics toward a more comprehensive focus on long-term corporate viability (Godfrey, 2005; Ross, 2014). Such perspectives recognize that risk matters not only to shareholders but also to a wider network of stakeholders and society at large, both of which benefit from stable relationships and economic stability. In this sense, risk-oriented frameworks extend Freeman's (1984) inclusionary stakeholder perspective while preserving core elements of Friedman's (1962) profit-maximization emphasis—namely, that stakeholder engagement is ultimately justified by its ability to enhance shareholder wealth (Ferrero et al., 2014). Indeed, from a shareholder standpoint, Nguyen et al. (2020) show that investors value CSR not just for higher expected returns but also for lowering cash-flow risk. In today's volatile global environment, such an integrated approach to CSR—one that couples robust stakeholder engagement with comprehensive risk management—provides a viable route to cement economic stability, mitigate uncertainty, and strengthen long-term organizational resilience.

3. Framing the Research: Key Questions and Study Outline

To develop actionable insights for both academic inquiry and practice, it is essential to diagnose the pressing gaps in the existing literature on CSR and its role in risk management. Accordingly, this dissertation investigates *how*, *why* and *when* CSR influences a firm's risk exposure, thereby clarifying the strategic implications of stakeholder-oriented practices. By examining these dynamics through different theoretical and methodological lenses, the research aims not only to refine current scholarly understanding but also to offer a solid foundation for informed managerial and policy decisions.

An additional goal of this dissertation is to bridge the enduring "relevance gap" in management and strategy research, wherein academic work is often perceived as detached from real-world business challenges (Birkinshaw, Lecuona, & Barwise, 2016; Starkey & Madan, 2001; Van De Ven & Johnson, 2006). With that in mind, *Chapter 2* begins with a

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Table 1. Overview of studies

	1st Study: Review of literature on CSR and Risk	2nd Study: Understanding the CSR-Fraud and CSR-Enforcement Nexus	3rd Study: Strategic Fit between CSR and Firm Risk
Aim and Scope	Maps the progression of CSR–risk literature, synthesizes key *channels* and *consequences* of the relationship, and proposes future research agendas for integrating CSR in risk management.	Examines how CSR influences a firm's interactions with the Securities and Exchange Commission (SEC), focusing on implications for fraud and regulatory enforcement.	Explores how CSR aligns with diverse institutional frameworks, examining its implications for market-based risk management.
Methods	Bibliometric analysis & integrative literature review	Strategic Logit with Partial Observability (SLPO)	Mixed-method approach, combining Qualitative Comparative Analysis (QCA) and fixed-effects regression
Sample	554 studies	U.S. publicly listed firms, 12,480 firm-year observations	G-7 countries, 6,446 firm-year observations

bibliometric analysis tracing the evolution of CSR and risk-related literature, culminating in an integrative assessment that highlights key unresolved questions that are addressed in subsequent chapters. *Chapter 3* then addresses one such gap: the strategic role of CSR in shaping interactions between firms and regulatory bodies. Drawing inspiration from recent mandates by the U.S. Securities and Exchange Commission (SEC) requiring transparency in Environmental, Social, and Governance (ESG) performance (SEC, 2021, 2022), this chapter

examines how CSR across ESG dimensions shapes the propensity of fraud within firms and, when fraud occurs, impacts the likelihood of subsequent regulatory enforcement. *Chapter 4* focuses on the underexplored challenge of how firms navigate distinct institutional contexts—shaped by differing stakeholder expectations and governance mandates—to align CSR initiatives with risk-averse financial objectives.

Table 1 provides an overview of these three individual studies.

3.1. Bibliometric and Integrative Account of CSR and Risk literature

Chapter 2 provides a foundation for the dissertation by tracing the evolution of CSR and risk-related research through a bibliometric analysis. This approach identifies important themes, trends, and emergent areas, highlighting the multifaceted intersections between CSR and risk management. The findings point to seven distinct research streams that shed light on how firms strategically integrate CSR to mitigate financially consequential risks and meet stakeholder expectations. Drawing on these insights, the chapter then presents a detailed synthesis of the literature, focusing on the channels and consequences that reveal the mechanisms through which CSR shapes or modulates financially significant risk outcomes.

Viewing CSR as part of a broader risk management framework provides a stakeholder-based explanation for risk management, offering a forward-looking perspective that transcends the limitations of traditional, profitability-centric frameworks. Rather than treating CSR as a peripheral add-on or simply an extension of shareholder interests, recognizing it as a strategic tool underscores its potential to align diverse stakeholder concerns, prevent costly disputes, and bolster organizational resilience both before and after disruptions occur. This literature review also reveals several gaps that warrant empirical attention, forming the basis for the dissertation's subsequent studies. Among these gaps are CSR's ex-ante preventive and ex-post protective roles, which prior work has often restricted to large-scale, system-induced crises, such as the 2007–08 financial collapse or natural disasters, leaving unexplored the strategic flexibility and discretion that firms may exercise in other contexts. In addition, questions remain regarding how stakeholder-specific CSR strategies could yield market-based risk rewards across heterogeneous institutional environments.

By identifying these gaps and offering a research agenda, Chapter 2 underlines the need for a more nuanced understanding of how, why, and when firms can employ CSR to engender strategic value that may help them navigate uncertainties and sustain value over time. In doing so, the review emphasizes CSR's growing significance as a strategic resource for managing present and future risks.

3.2. Unraveling the CSR-Fraud-Enforcement Triad

Chapter 3 extends the insights from the literature review by examining CSR's influence on firm–government interactions, particularly with regard to corporate fraud and regulatory enforcement. Despite the proliferation of moral and sustainability-oriented initiatives ostensibly designed to foster ethical behavior and bolster regulatory compliance, high-profile scandals—from Enron onward—show that even firms with seemingly impeccable citizenship profiles can engage in fraudulent activities (Hemingway & Maclagan, 2004). This paradox motivates two core questions: (1) Does CSR influence a firm's likelihood of committing fraud? and (2) For firms that do engage in fraud, do CSR overtures affect the likelihood of facing regulatory enforcement? These issues are especially pertinent given the U.S. SEC's heightened focus on Environmental, Social, and Governance (ESG) practices, as alluded to earlier.

The cornerstone of this inquiry lies in the development of a database capturing firm-specific violations of SEC rules[1] the application of a game-theoretic framework—Strategic Logit with Partial Observability (SLPO)—to model the strategic interplay between corporate behavior and regulator response. Additionally, it introduces a long-term CSR measure that illustrates how a firm's sustained stakeholder engagement may shape fraud risk and subsequent regulatory scrutiny.

The findings reveal CSR's dual functionality: on one hand, it deters corporate malfeasance by cultivating transparent, ethics-oriented cultures; on the other hand, it exposes rent-seeking corrupt organizations to regulator-imposed sanctions, counteracting attempts to evade oversight. These insights add depth to debates on CSR's role as both a proactive measure in mitigating moral hazard and a protective mechanism in firm–government relations, thereby enriching the literature on fraud mitigation and efficacious regulatory

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[1] Securities Exchange Act of 1933 & 1934

oversight (e.g., Amiram et al., 2018). Conceptually, the chapter highlights CSR's role in reinforcing the broader societal contract that expects adherence to established legal and ethical norms. Practically, it offers significant managerial and policy implications by illustrating the conditions under which CSR can influence managers' inclinations to reduce malfeasance, as well as how regulators like the SEC respond to corporate wrongdoing—ultimately helping to sustain public trust in the business ecosystem.

3.3. Strategic Fit between CSR and Firm Risk

Chapter 4 addresses lack of research on how the context-sensitive CSR strategies can yield market risk-premiums. While an extensive body of work has recognized CSR's influence on financial performance, relatively few studies have offered a comparative view of how CSR initiatives can generate distinct risk premiums under varying regulatory and competitive conditions. Drawing on strategic embeddedness (Aguilera & Jackson, 2003; Blindheim, 2015; Garcia-Castro et al., 2013; Haxhi & Aguilera, 2017), this investigation argues that firms must carefully align their CSR actions with shifting institutional demands to unlock tangible risk benefits.

Central to this investigation is a typology of efficacious stakeholder engagement strategies, mapping how CSR actions converge with—or diverge from—locally salient stakeholder expectations. A configurational lens based on Qualitative Comparative Analysis (QCA) underpins this study, capturing the synergistic interplay of multiple causal factors (conjunctural causation) and recognizing that various strategic paths (equifinality) can lead to risk outcomes (Garcia-Castro et al., 2013; Misangyi et al., 2017). Notably, the asymmetric causality component reveals how some firms may favor avoiding high-risk scenarios over aggressively mitigating risk, resulting in distinct firm–stakeholder–context configurations consistently linked to lower or elevated risk exposures. Because no single "best" strategy exists, outcomes depend on a constellation of stakeholder needs, institutional pressures, and firm attributes. To enhance both empirical rigor and interpretative depth, this study integrates QCA with a regression-based approach, demonstrating that these configurational solutions exert varying effects across different institutional settings.

Taken together, the findings propose a risk-based configurational theory of CSR, suggesting that extracting market risk premiums requires leveraging multiple levers in

concert rather than relying on any single dimension. Practically, these insights highlight the necessity for tailored CSR strategies: rather than deploying uniform policies across diverse regions or markets, firms are required to continually reassess local stakeholder priorities and regulatory environments, adjusting their socially responsible activities to preserve competitive advantage and reduce risk exposure. Theoretically, this research broadens our understanding of CSR as both a proactive facilitator of institutionally shaped stakeholder engagement and a mechanism for securing market-based risk premiums.

In the chapters that follow, three standalone papers elaborate on these investigations; several are under review or nearing submission to peer-reviewed outlets. Finally, *Chapter 5* synthesizes the overall contributions and discusses implications for both theory and practice.

CHAPTER 2

Corporate Social Responsibility Beyond Normativism: Strategic Integration for Risk Management Value

Abstract

This review studies the strategic potential of Corporate Social Responsibility (CSR) in risk management, offering a forward-looking perspective that transcends traditional profitability-focused frameworks. Drawing on a bibliometric analysis, it traces the evolution of CSR and risk research, identifying key thematic areas and intersections within the broader business literature. Building on these findings, the review adopts an integrative approach to appraise the primary channels and associated consequences through which CSR delivers risk-mitigating benefits—while acknowledging missteps that may instead heighten vulnerability. The synthesis provides key insights into the current state of the field while proposing a research agenda to expand CSR's role in risk management, urging cross-fertilization among thematic streams identified in the bibliometric analysis to guide future inquiry into its risk-adjusted outcomes and contribution to sustainable, stakeholder-aligned strategies.

Keywords: corporate social responsibility, risk management, strategy, bibliometric analysis, literature review

1. Introduction

The relationship between Corporate Social Responsibility (CSR) and risk management has been treated sporadically in the business and strategy literature. Traditionally, CSR has been characterized as a voluntary commitment where firms engage in socially beneficial activities beyond legal obligations, driven by altruistic motives rather than direct economic gains (Husted & Salazar, 2006). This perspective frames CSR as a tool for moral suasion, emphasizing ethical commitments over strategic value. However, more recent scholarship has largely converged toward an instrumental understanding of stakeholder theory, emphasizing the strategic importance of CSR in creating shared value (see reviews by Malik, 2015; Vishwanathan et al., 2019). Building on this evolving understanding, this review advocates for integrating CSR within a risk management framework, as both are intertwined in helping organizations adopt financially viable practices while securing the long-term interests of identifiable stakeholders.

Despite the growing acknowledgment of CSR's potential in risk mitigation, existing research remains fragmented across disciplines such as management, finance, and business ethics. Numerous studies have highlighted the significance of CSR initiatives in mitigating firm risk (Albuquerque, Koskinen, & Zhang, 2019; Bouslah, Kryzanowski, & M'Zali, 2013; Chollet & Sandwidi, 2018; Godfrey, 2005; Orlitzky & Benjamin, 2001; Shiu & Yang, 2017). However, the lack of a cohesive framework unifying these findings has created substantial knowledge gaps regarding the mechanisms through which CSR contributes to risk mitigation and its broader implications for firms and their stakeholders. These gaps are further widened by disciplinary silos that compartmentalize CSR either as a peripheral ethical concern or a regulatory compliance tool, rather than recognizing it as a strategic imperative. Additionally, the enduring dominance of the shareholder primacy paradigm often dismisses CSR as a costly endeavor with inherent risk-amplifying implications. Consequently, advancements in understanding the strategic risk management value of CSR engagements have been limited.

Over the past half-century, society has evolved from an industrial era focused solely on value creation to a postindustrial era emphasis on managing the risks tied to producing, sustaining, and distributing that value. This paradigm shift is encapsulated in the concept of "Risk Society," where modernization continually introduces new uncertainties and potential

losses (Schneider & Scherer, 2015; Shrivastava, 1995). As firms grow and amass wealth, the scope of their potential liabilities extend beyond traditional productive assets to include the interests of various stakeholders—employees, consumers, suppliers, communities, governments, and the environment—on whom they depend for long-term stability (Amit & Wernerfelt, 1990; Nguyen, Kecskes, & Mansi, 2020; Ross, 2014). In this context, viewing CSR through a risk management lens becomes particularly pertinent, as it addresses stakeholder-centric risks that can jeopardize a firm's long-term viability and capacity for sustainable value creation—risks that extend well beyond immediate financial implications. Yet, traditional frameworks remain narrowly fixated on profitability and shareholder returns, overlooking how strategically integrated CSR initiatives can mitigate exposure to stakeholder-driven risks and, in doing so, secure the firm's economic prospects well beyond immediate financial performance.

This review seeks to bridge these persistent knowledge gaps by providing an integrative account of CSR's strategic role in risk management. Utilizing bibliometric analysis, it begins by mapping the evolution of CSR and risk literature over recent decades, identifying key themes, trends, and emerging areas of focus. The analysis then critically synthesizes how CSR's risk value manifests across major thematic areas, organized around the channels through which CSR influences risk and the consequent outcomes for firms and stakeholders. By tracing the emergence and realization of CSR's risk value potential, this review offers actionable insights into aligned CSR strategies that effectively enhance and preserve value while cautioning against misaligned approaches that may backfire.

The remainder of this article is structured as follows. First, it presents a bibliometric mapping of CSR and risk literature, highlighting its evolution and the increasing emphasis across different research themes. Second, it revisits the scope of risk-based CSR research, conducting a purposive synthesis of CSR's risk value implications across key areas. Finally, building on the discussion of this synthesis, it proposes promising avenues for future research and highlights the potential for cross-disciplinary transfer of knowledge to advance understanding of CSR-based risk management.

2. Mapping the Literature on CSR and Risk Over Time

Understanding the intersection between Corporate Social Responsibility (CSR) and risk management necessitates a systemic examination of how scholarly discourse on these topics has evolved over time. Early strategic CSR research, rooted in classical industrial logic, largely treated risk as a negligible byproduct or peripheral externality, fixating instead narrowly on measures of Corporate Financial Performance (CFP) that emphasized profitability and prioritized shareholder returns. These conventional frameworks assumed linear progressions from past to future, neglecting the inherent uncertainties that characterize complex, dynamic business environments (Ross, 2014; Schoeneborn, Morsing, & Crane, 2020). As a result, they overlooked the multifaceted ways in which CSR initiatives influence a firm's risk profile—a critical factor affecting stakeholder relationships and the organization's long-term future (Godfrey, 2005; Shiu & Yang, 2017). Recognizing these blind spots, both conceptual and logical, this review builds upon the premise that, within the context of CSR, risk must be considered a financially material construct in its own right, warranting direct attention rather than being treated merely as an adjustment or indirect implication.

Risk, broadly defined as the uncertainty surrounding future outcomes or events (Orlitzky & Benjamin, 2001), is a fundamental concern in business strategy. It originates from various factors that influence organizational decision-makers and their strategic choices, leading to variability in corporate returns and increasing the likelihood of corporate decline or failure (Ross, 2014). By reducing risk, managers safeguard their positions and protect firm-specific investments, while principals aim to sustain the firm's financial well-being. Operationally, minimizing risk leads to more predictable cash flows, enabling efficient resource allocation and investment in growth opportunities (Amit & Wernerfelt, 1990). Furthermore, effective risk management involves navigating regulatory complexities and avoiding legal setbacks, which enhances the firm's reputation as a responsible market player, preserves brand equity, attracts ethically conscious investors, and sustains long-term competitive advantage.

Across these scenarios, burgeoning literature on CSR demonstrates its vital role in a firm's risk management (Chakrabarty, Lee, & Singh, 2017; Godfrey, 2005; Godfrey et al.,

2009; Koh, Qian, & Wang, 2014; Luo & Bhattacharya, 2009; Orlitzky, 2013; Shiu & Yang, 2017). However, as the concept and practice of CSR have evolved over the decades, so has the literature's approach to studying its relationship with risk, transcending thematic traditional disciplinary boundaries across management and economics. Identifying the main theoretical and empirical building blocks linking CSR and risk is crucial for developing a meaningful understanding of this dynamic field. Examining these connections uncovers the diverse pathways scholars have explored to embed CSR into risk management frameworks.

2.1. Scope of Review and Literature Specification

Most prior reviews of CSR-related literature face notable limitations, such as examining only short time periods (Agle et al., 2008; Mellahi, Frynas, Sun, & Siegel, 2016), focusing on a narrow set of journals (Crane & Glozer, 2016; Montiel & Delgado-Ceballos, 2014), or restricting themselves to certain methodologies (Armstrong & Green, 2013; Orlitzky & Benjamin, 2001) and countries (Chang, Yu, & Hung, 2015; Strand, Freeman, & Hockerts, 2015). In contrast, I adopt a broader and more inclusive approach in this review, deliberately avoiding rigid constraints on time frames and publication selections. This strategy seeks to mitigate selection bias and address the limitations of a fragmented perspective, thereby facilitating a comprehensive bibliometric analysis that captures the full scope of CSR and risk research.

To assemble my dataset, I began by searching the Web of Science Core Collection (WOS) within the broad research area of Business and Economics. This search focused on categories such as Business, Management, Ethics, Economics, Business Finance, and Environmental Studies from the earliest available date (1968) up to 2020. Articles were included if they contained the keywords "CSR" and "risk" in the title, abstract, or keyword fields. Following sample selection criteria applied in previous studies (Bartolacci, Caputo, & Soverchia, 2020; Oliveira & Lumineau, 2019), I screened for duplicates, retracted publications, and non-English texts, resulting in 681 unique articles. Next, to ensure journal relevance and quality, I applied the Academic Journal Guide 2018 to exclude journals ranked at quality level 1—the category deemed "modest standard" in the field (Harvey, Kelly, Morris, & Rowlinson, 2010)—yielding a final sample of 554 articles. Appendix A details the

tasks performed at each step of the search process, illustrating how I arrived at this final sample.

Figure 1 shows the annual count of articles published through 2020. The earliest article meeting set criteria appeared in 1993. Examining the progression by decade, only 3 articles were published in the 1990s, 43 articles in the 2000s, and a substantial increase to 508 articles from 2010 to 2020. Notably, no qualifying articles were published between 1997 and 2002.

Figure 1. Corporate Social Responsibility–Risk Articles between 1993-2020
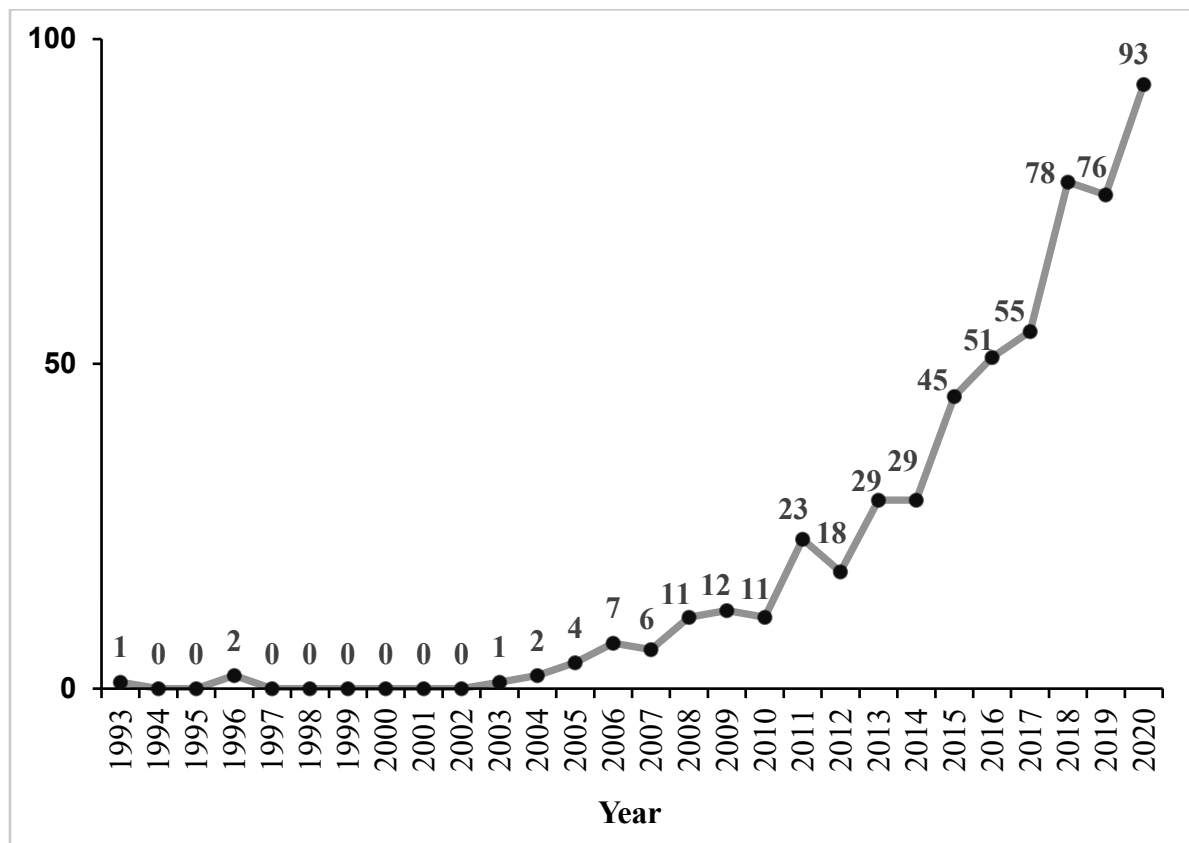
Concerning the distribution of publications, the 554 articles are spread across 145 indexed journals[2], predominantly within the fields of Management, Business Ethics, Finance, and Accounting. *Table 1* lists the journals with the highest representation, including the number of publications, total citations, citations per publication, and quartile ranking. Journals categorized as "Others" have fewer than ten publications and are not individually listed. Of the total of journals, the top ten concentrates nearly 50% of the publications found.

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[2] Science Citation Index (SCI) and Social Science Citation Index (SSCI)

The publication volume and citation metrics evidence that these studies are predominantly published in high impact and influential journals.

Table 1. Journals distribution with relevant publications within the CSR and Risk topic.

Journal name	Number of publications	Total Citations*	Citation per publication	Quartile
Journal of Business Ethics	117	15150	128	Q1
Business Strategy and The Environment	29	3195	110	Q1
Journal of Banking & Finance	20	6181	309	Q1
Strategic Management Journal	20	5470	274	Q1
Journal of Corporate Finance	19	2536	133	Q1
Journal of Business Research	16	1782	111	Q1
Management Decision	15	1499	100	Q1
Business & Society	14	1127	81	Q1
Business Ethics-A European Review[3]	13	1074	83	Q1
Accounting and Finance	12	693	75	Q2
Others	279			
Total	**554**			

*Updated as of June 2024

2.2. Bibliometric Analysis

To manage a literature of this burgeoning size, I employ VOSviewer, software version 1.6.11, a bibliometric network mapping and clustering software that creates co-occurrence maps based on text mining of article titles and abstracts (Barnett, Henriques, & Husted, 2020; Van Eck & Waltman, 2010, 2018). This approach allows for the analysis, clustering, and

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[3] Business Ethics: A European Review was renamed as *Business Ethics, the Environment & Responsibility* (BEER) in 2021.

visualization of large bibliometric networks, providing a systemic overview of the field. For a detailed description of VOSviewer's methodology, please refer to the Appendix B.

Figure 2 presents a bibliographic map of the full sample, showing the number of items grouped within each cluster and the strength of the links between them. To ensure clarity and consistency, duplicate items were removed, and a focused thesaurus was developed to merge abbreviations (e.g., CSR, corporate social responsibility, corporate responsibility) and resolve spelling variations (e.g., nonfinancial versus non-financial; behavior versus behaviour), synonyms (e.g., MNE, multinational enterprise, multinational corporation), and term redundancies (e.g., firm, business, corporate, organization). This process yielded 3,006 unique items derived from the titles and abstracts of 554 articles. Links between items represent the frequency of co-occurrence, with stronger links indicating closer thematic connections. Larger labels and circles denote more prominent items, while the proximity of clusters reflects thematic overlap. Each cluster is represented by a distinct color, making color an essential aspect of interpretation.

Seven distinct but interrelated clusters emerge, each representing prominent themes. The red cluster: *CSR & Strategic Integration*, the largest and most central, includes studies focused on integrating CSR into corporate strategies to manage risk and enhance performance. The green cluster: *Financial Risk, Investment Strategies, and ESG* centers on market risk management and investment decisions, emphasizing the role of environmental, social, and governance (ESG) factors. The blue cluster: *Corporate Governance, Leadership, and Agency Theory* explores governance structures and leadership in shaping corporate risk. The yellow cluster: *Reputation and Crisis Management in Stakeholder Engagement* examines the role of stakeholders and reputational management in mitigating risks, especially during crises. The purple cluster: *Corporate Transparency & Accountability* focuses on transparency in corporate reporting and the effectiveness of internal control systems in relation to their risk implications. The light blue cluster: *Balancing Philanthropy, Stakeholder Value & Profitability* addresses the relationship between financial performance, philanthropy, and CSR's role in risk management. Lastly, the orange cluster: *M&A, and Socially Responsible Investing Strategy* explores how companies leverage mergers and acquisitions (M&A) and socially responsible investing (SRI) strategies to reduce risk exposure and drive long-term value creation.

Figure 2. The bibliographic mapping of Corporate Social Responsibility–Risk Scholarship.
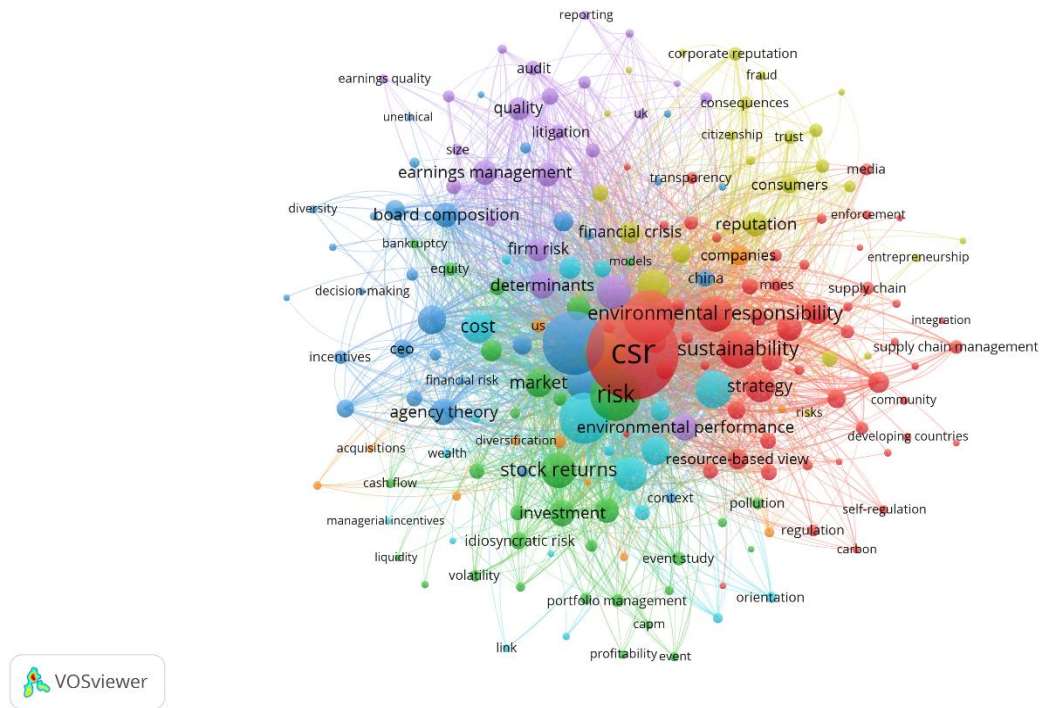
Figure 3. The density-based bibliographic visualization of Corporate Social Responsibility–Risk Scholarship.
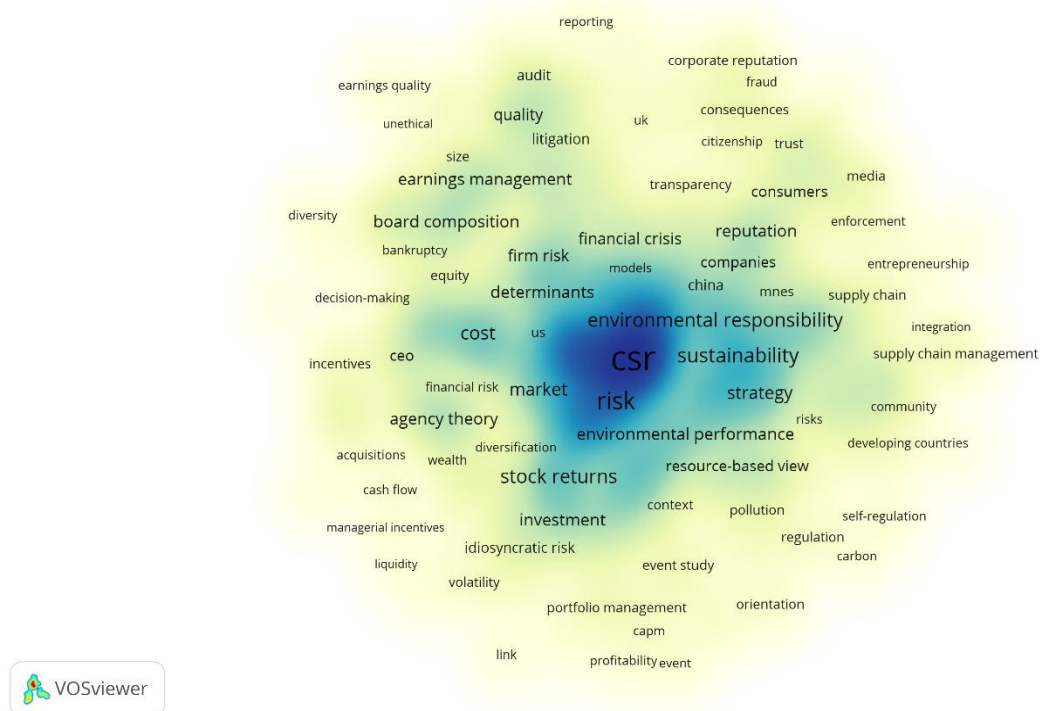
Figure 3 provides a density-based visualization of the co-occurrence map, illustrating how frequently key terms appear together in the CSR-risk literature. Denser areas represent stronger thematic relationships, while the color gradient—from blue to yellow—indicates the relative importance of these terms. Terms in blue signal higher centrality and influence, with "CSR" and "risk" forming the primary hub of interlinked concepts at the center. Smaller pockets of blue depict more specialized clusters or sub-themes linked back to these core ideas, whereas lighter (yellow) regions show lower item density yet remain integral to the broader discussion. By depicting the relative frequencies and intensities of co-occurring terms, this density view complements the thematic structure shown in Figure 2, offering insights into how CSR- and risk-related constructs interconnect and reinforce one another within the literature.

The red cluster: CSR & Strategic Integration emphasizes how CSR strategies are leveraged to mitigate risks and enhance firm competitiveness, focusing on the role of stakeholder engagement in value creation. The green cluster: Financial Risk, Investment Strategies, and ESG investigates how firms balance financial risk with responsible investment, offering insights into how ESG factors are increasingly integrated into investment decisions to enhance firm value. The blue cluster: Corporate Governance, Leadership, and Agency Theory focuses on how governance structures—such as board composition and executive compensation—affect decision-making and corporate risk management. Leadership dynamics play a crucial role in shaping long-term performance and risk mitigation strategies. The yellow cluster: Reputation and Crisis Management in Stakeholder Engagement highlights how firms navigate uncertainty by leveraging stakeholder engagement and reputational capital to mitigate risks, particularly in the periods of instability.

The purple cluster: Corporate Transparency & Accountability explores the importance of transparency in corporate reporting, showing how disclosure practices, including sustainability reporting, enhance accountability and reduce risks related to earnings management and investor uncertainty. The light blue cluster: Balancing Philanthropy, Stakeholder Value & Profitability examines the relationship between CSR and financial performance, particularly how CSR functions as a protective mechanism, providing an "insurance effect" against financial and regulatory risks. Finally, the orange cluster: M&A,

and Socially Responsible Investing examines how firms leverage M&A, R&D, and SRI to reduce risk and manage reputational challenges, particularly in controversial industries.

Together, these clusters provide an purposive understanding of how firms integrate CSR into their broader strategies to manage financially consequential risks and meet stakeholder expectations. Table 2 summarizes the core keywords, their occurrence frequencies, and the research focus of each cluster, along with representative studies. Building on the substantial progress evident in the CSR-risk literature, I proceed to conduct a detailed synthesis of the identified literature, focusing on the CSR-derived risk value channels and their associated consequences across the established thematic areas.

Table 2. Summary of clusters from bibliographic analysis

Cluster	Core Keywords	Research Focus & Scope	Key Authors & Studies
1. **Red:** CSR & Strategic Integration	CSR (688), Sustainability (117), Strategy (81), Legitimacy (52), Environmental responsibility (99), Institutional environment (84), Stakeholder engagement (37), Ethics (42), Corruption (27), Competitive advantage (14)	• Examines how CSR is strategically integrated into corporate practices to manage risks (e.g., climate change, corporate irresponsibility, corruption) and enhance competitiveness and long-term sustainability. • Highlights CSR's role in reinforcing corporate legitimacy, ethics, reputation, and addressing broader stakeholder expectations. • Includes the institutional environment and stakeholder salience as	Vishwanathan et al., (2019); Orlitzky & Benjamin (2001); Brower & Mahajan (2013); Fu et al. (2019); Bansal & Clelland (2004); Godfrey (2005); Krishnamurti et al. (2018); Rodgers et al. (2015)

Cluster	Core Keywords	Research Focus & Scope	Key Authors & Studies
		crucial factors in designing risk mitigating CSR strategies.	
2. **Green:** Financial Risk, Investment Strategies, and ESG	Risk (211), Stock Returns (99), ESG (47), Investment (56), Firm Value (46), Capital Structure (19), Debt (21), Idiosyncratic Risk (23), Market (63), Systematic Risk (11)	• Explores the integration of ESG (Environmental, Social, and Governance) factors into investment strategies and their impact on corporate valuation, risk management, and market efficiency. • Focuses on the CSR (proxied by ESG metrics) and financing opportunities, examining how capital structure, and debt management influence stock returns and ultimately bankruptcy risk. • Highlights the role of market-based risks, such as, systematic and idiosyncratic risk in shaping investment decisions and portfolio management.	Bouslah et al. (2013); Salama et al. (2011); Shafer & Szado (2020); Chollet & Sandwidi (2018); Hoepner et al. (2016); El Ghoul et al. (2018)
3. **Blue:** Corporate	Corporate Governance (316),	• Focuses on how corporate governance structures	Arora & Dharwadkar

Cluster	Core Keywords	Research Focus & Scope	Key Authors & Studies
Governance, Leadership, & Agency Perspective	Firm Performance (86), Agency Theory (55), Board Composition (48), CEO (28), Ownership (65), Business Ethics (33), Risk-taking (21), Executive Compensation (25), Directors (31)	influence firm performance, with agency theory central to understanding the separation of ownership and control. • Investigates ownership structures, executive compensation, and board characteristics as critical governance mechanisms influencing leadership behavior, firm risk-taking, and corporate strategies. • Special emphasis on governance in emerging markets (e.g., China), where political connections and ownership structures present unique challenges.	(2011); Boubaker et al. (2020); Chang et al. (2015); Helfaya & Moussa (2017); Harjoto et al. (2017); Schneider & Scherer (2015)
4. **Yellow:** Reputation and Crisis Management in Stakeholder Engagement	Corporate Reputation (49), Impact (139), Stakeholder Theory (86), Consumers (25), Trust (16),	• Focuses on how corporate reputation is shaped and protected through effective stakeholder engagement. Emphasizes the role of stakeholder theory in understanding the firm's obligations to	Albuquerque et al. (2019); Lins et al. (2017); Bhattacharya & Sen (2004); Stanaland et al. (2011); Scruggs & Van

Cluster	Core Keywords	Research Focus & Scope	Key Authors & Studies
	Social Responsibility (15), Customer Satisfaction (21), Financial Crisis (37), Reputational Risk (7)	various groups and how social responsibility reinforces trust and yields strategic risk premiums. • Explores the dynamics of reputation management during crises, particularly financial crises, and how firms can leverage communication strategies to mitigate reputational risk. • Examines the consequences and antecedents of reputation-building, utilizing models like signaling theory to explain how corporate actions influence stakeholder perceptions and expectations.	Buren (2016); Zhang et al. (2014)
5. **Purple:** Corporate Transparency & Accountability	Disclosure (97), Earnings Management (47), Environmental Performance (56), Determinants (55), Firm Risk (42),	• Examines the role of corporate disclosure (both financial and nonfinancial) in reducing firm risk and the cost of equity, with a strong emphasis on how transparency and	Flammer (2013); Albarrak et al. (2019); Halter et al. (2009); LópezPuertas-Lamy et al.

Cluster	Core Keywords	Research Focus & Scope	Key Authors & Studies
	Nonfinancial Disclosure (44), Cost of Equity (24), Audit (17), Sustainability Reporting (17)	disclosure quality impact investor confidence. • Focuses on how audit quality and assurance services enhance the credibility of corporate reports, helping to mitigate risks related to earnings management and information asymmetry. • Investigates the key determinants of disclosure practices, including the growing significance of sustainability reporting, and explores how factors such as ownership structure, firm size, and litigation risks influence disclosure quality and contribute to investor protection.	(2017); Peters & Romi (2014)
6. **Light Blue:** Balancing Philanthropy, Stakeholder Value & Profitability	Financial Performance (205), Risk Management (109), Shareholder Value (87),	• Investigates how financial performance is influenced by effective risk management strategies, with a focus on balancing the pursuit of shareholder	Godfrey et al. (2009); Shiu & Yang (2017); Husted (2005); Chollet & Sandwidi (2018);

Cluster	Core Keywords	Research Focus & Scope	Key Authors & Studies
	Stakeholder Management (66), Philanthropy (38), Credit Risk (23), Industry (32), Cost (82), Insurance Effect (20)	value with broader stakeholder interests. • Examines how CSR acts as a strategic insurance mechanism, safeguarding shareholder value amid adversity, reputational crises, and moral hazards • Explores CSR and philanthropy as drivers of long-term financial stability, focusing on balancing cost-benefit considerations with outcomes like enhanced reputation, trust, and improved credit access, particularly within certain sensitive industries.	DesJardine et al. (2019); Nguyen et al., (2020) ; Weber et al. (2010)
7. **Orange: M&A, and Socially Responsible Investing Strategy**	Mergers and Acquisitions (6), Diversification (7), Risk Reduction (6), Socially Responsible Investing (8), Research & Development (13), Controversial Industries (9),	• Explores how mergers and acquisitions (M&A) and diversification strategies drive risk reduction and value creation, particularly in controversial industries facing reputational risks (e.g., tobacco, alcohol).	Arouri et al. (2019); Gomes & Marsat (2018); Kuo & Chen (2013); Li et al. (2020); Luo & Bhattacharya, (2009); Jo & Na (2012)

Cluster	Core Keywords	Research Focus & Scope	Key Authors & Studies
	US (15), Companies (33)	• Investigates the emergence of socially responsible investing (SRI) and investment decisions such as research and development (R&D) in examining how firms balance ethical considerations to align with changing societal expectations and mitigate market risks.	

3. Synthesizing Perspectives on CSR's Risk Value

To develop a more nuanced and meaningful understanding of the relationship between Corporate Social Responsibility (CSR) and risk-related outcomes, this section employs an integrative review approach through the lens of Channels and Consequences. The Channels represent the primary mechanisms and drivers that initiate the emergence and growth of CSR's risk value phenomenon. The Consequences encompass the key outcomes associated with these determinants, effectively linking CSR initiatives to risk management results. Drawing on insights from the bibliometric analysis—which illustrate the heterogeneous and multifaceted nature of CSR's impact on risk—this integrative approach allows for synthesizing diverse research forms, including empirical, theoretical, qualitative, and quantitative studies across the identified clusters.

By critically appraising and collating the literature on the channels and consequences within the CSR-risk nexus, and as summarized in Table 3, I provide a comprehensive overview of the current state of the art and disentangle the different aspects of CSR-derived risk value nested across various research streams.

Table 3 Integrative Table of CSR Channels and Consequences

CSR Channels	Synopsis	Consequences	Representative Scholarship
Internal Governance Enhancements - Aligning managerial incentives - Promoting ethical culture - Reducing agency conflicts	Strengthens internal governance by aligning management objectives with long-term goals and fostering an ethical culture, reducing agency problems and opportunistic behavior.	- Improved employee morale and commitment - Reduced operational and agency risks - Improved resource allocation efficiency - Reduced managerial misconduct and fraud risk	Boubaker et al. (2020); Flammer & Luo (2017); Guo et al. (2016); Carnahan et al. (2017); Rodgers et al. (2015); Glavas & Kelley (2014)
Reduction of Information Asymmetry - Increasing transparency - Building trust and social capital	Enhances transparency and builds trust, reducing information gaps between the firm and external stakeholders, thereby lowering uncertainty and risk perceptions.	- Lower transaction and financing costs - Decreased financial risk premiums - Improved investor confidence - Enhanced access to capital markets - Reduced auditors' and regulator's risk assessment	Cui et al. (2018); Lins et al. (2017); Gomes & Marsat (2018); Halter et al. (2009); LópezPuertas-Lamy et al., (2017)
Reputational Capital Accumulation - Building a positive public	Builds positive reputational capital, acting as an intangible asset that is valued more by stakeholders as well as the market.	- Increased Employee attractiveness - Greater customer loyalty	Fombrun et al., (2000); Godfrey (2005); Koh et al. (2014); Nguyen et al., (2020); Wiles et

CSR Channels	Synopsis	Consequences	Representative Scholarship
image - Strengthening stakeholder loyalty - Positive stakeholder reciprocation		- Competitive Product differentiation - Lower borrowing costs - Reduced reputational risk	al. (2010); Zhang et al. (2014)
Environmental Stewardship - Implementing sustainable practices - Ensuring regulatory compliance	Promotes environmental responsibility, reducing liabilities and aligning with societal expectations for sustainability and market rewards.	- Lower environmental and regulatory risks - Reduced likelihood of environmental incidents - Positive market perception - Compliance cost savings	Bansal & Clelland (2004); El Ghoul et al. (2018); Flammer (2013); Sharfman & Fernando (2008); Li et al. (2020)
Institutional Alignment - Navigating regulatory environments - Adapting to cultural norms	Facilitates institutional alignment with regulatory frameworks and stakeholder expectations, resulting in a strategic fit that drives financially efficacious, risk-adjusted outcomes.	- Reduced compliance and legal risks - Enhanced legitimacy and social license to operate - Lower cost of capital in stakeholder-oriented contexts	Fu et al. (2019); Hawn & Ioannou (2016); Benlemlih & Girerd-Potin (2017); Cheung et al. (2018); Schneider & Scherer (2015)
Ex-Ante Risk Prevention Mechanism	Serves as a proactive tool, enabling firms to anticipate and address	- Limited downside risk exposure	Husted (2005); Flammer & Luo (2017); Jia et al.

CSR Channels	Synopsis	Consequences	Representative Scholarship
- Strategic flexibility - Anticipating potential risks	potential risks before they materialize.	- Reduced risks of misconduct and regulatory breaches - Mitigation of environmental hazards - Strategic adaptability to regulatory shifts	(2020); Boubaker et al., (2020); Shafer & Szado (2020)
Ex-post Protective Mechanism - Leveraging stakeholder goodwill - Mitigating impact of adverse events	Provides a buffer during and after adverse events, leveraging built-up goodwill to protect against negative reactions and preserve firm value.	- Less severe immediate economic impact and swifter recovery from adverse events - Preservation of reputational capital - Sustained stakeholder support	Herremans et al. (1993); Godfrey et al. (2009); Jia et al. (2020); Luo et al. (2018); DesJardine et al. (2019); Minor & Morgan (2011)
Misaligned CSR (Dark side of CSR) - Organizational Hypocrisy & facades - Window-dressing - Greenwashing	When CSR is poorly aligned with business strategy and context, or seen as disingenuous, it risks generating skepticism, amplifying reputational risks, and undermining stakeholder trust.	- Loss of stakeholder trust - Heightened scrutiny and backlash - Reputational damage - Elevated market-based risks	Heugens & Dentchev (2007); Oh et al. (2017); Luo et al. (2018); Delmas & Burbano (2011); Einwiller et al. (2019)

CSR Channels	Synopsis	Consequences	Representative Scholarship
- Misalignment with core operations & context			

3.1. Channels

One of the primary channels through which CSR operates is by strengthening internal governance mechanisms. CSR initiatives align managerial incentives with the firm's long-term objectives, thereby reducing detrimental short-termism that can lead to suboptimal decision-making and increased risk exposure (Boubaker, Chebbi, & Grira, 2020; Lins, Servaes, & Tamayo, 2017). This alignment fosters a culture of accountability and mitigates agency problems by harmonizing the interests of agents (employees and managers) with those of principals (shareholders), thereby reducing the reliance on costly monitoring and control measures (Cui, Jo, & Na, 2018). Acting as a strategic governance tool, CSR enhances employee engagement, discourages counterproductive behaviors such as absenteeism and shirking, and promotes resource efficiency (Flammer & Luo, 2017). As Rodgers, Söderbom, & Guiral (2015) argue, CSR institutionalizes ethical principles within the organization, establishing a behavioral control system that effectively suppresses fraud risks. Moreover, CSR's emphasis on internal governance extends to psychosocial risk management by addressing employee well-being and mitigating workplace stressors (Jain, Leka, & Zwetsloot, 2011). These efforts not only reduce organizational vulnerabilities but also foster employee loyalty and job satisfaction, both of which has direct risk implications (Edmans, 2012).

Another key channel through which CSR contributes to risk management is by reducing information asymmetry between the firm and its external stakeholders. Transparency, a cornerstone of CSR, promotes disclosure of both financial and non-financial information that stakeholders need for informed decision-making. By fostering openness about their activities, firms build trust with investors, regulators, customers, and others, thereby narrowing informational gaps. This increased transparency not only promotes more

equitable financial markets by lowering uncertainty and perceived risks (Nguyen, Agbola, & Choi, 2019) but also reduces transaction and financing costs linked to opaque behaviors. Moreover, it strengthens compliance with corporate codes of conduct, mitigating corruption and regulatory violations (Halter, De Arruda, & Halter, 2009). Firms with robust CSR appeal to ethically conscious investors seeking clarity and reliability, enhancing confidence in the firm's long-term outlook and boosting access to capital (Eccles, Ioannou, & Serafeim, 2014). This effect is particularly relevant in industries with heightened environmental or social risks, where transparency helps manage liabilities related to regulatory or environmental damage (Reverte, 2016; Zeng, Xu, Yin, & Tam, 2012). Finally, a credible CSR track record often earns more favorable assessments from auditors and regulators, further lowering compliance and regulatory risks (LópezPuertas-Lamy, Desender, & Epure, 2017).

Externally, CSR contributes to the accumulation of reputational capital—a key mechanism through which it mitigates risk and adds value (Fombrun, Gardberg, & Barnett, 2000; Gaultier-Gaillard & Louisot, 2006; Minor & Morgan, 2011). Reputational capital develops through a legitimation process wherein stakeholders observe the firm's consistent socially responsible actions over time, cultivating trust and shaping expectations about its commitment to stakeholders and financial stability. Fombrun (2005, p. 293) defines this intangible capital as "a collective representation of a company's past actions and future prospects that describes how key resource providers interpret a company's initiatives and assess its ability to deliver valued outcomes." In an era of heightened scrutiny regarding corporate trustworthiness, CSR-derived reputational capital functions as a powerful signaling mechanism, demonstrating a firm's integrity and dedication to social responsibility (Lins et al., 2017). Consequently, markets may employ alternative metrics—such as social capital ratings—to evaluate companies, placing a premium on those recognized for their social and environmental responsibility. This means that a firm's reputation becomes integral to how the market appraises its assets. Moreover, this reputational capital influences how stakeholders interpret controversies, prompting investors to view issues as industry-wide rather than firm-specific, even amid repeated allegations (Wiles, Jain, Mishra, & Lindsey, 2010).

Environmental stewardship is another vital channel through which CSR contributes to risk management, particularly in addressing the far-reaching consequences of postindustrial modernization, which are often "global, pervasive, long-term, imperceptible,

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incalculable, and often unknown" (Shrivastava, 1995, p. 121). Firms increasingly adopt eco-efficiency practices—maximizing outputs while minimizing environmental harm (Al-Najjar & Anfimiadou, 2012)—to align with stakeholder expectations and secure environmental legitimacy. By such means, they actively manage liability-associated risk premiums, and positively influence the perceptions of key market participants (Bansal & Clelland, 2004; Helfaya & Moussa, 2017). Moreover, the emergence of alternative environmental governance structures—such as environmental committees and the appointment of Chief Sustainability Officers (CSOs)—further contributes to enhancing transparency regarding a firm's environmental performance, creating accountable benchmarks for stakeholders (Peters & Romi, 2014). CSR's emphasis on environmental responsibility and transparency allows firms to demonstrate their commitment to sustainability, strengthening relationships with regulators and communities, and enhancing perceived legitimacy and long-term viability, particularly in industries subject to intense environmental scrutiny (Kuo & Chen, 2013; Zeng et al., 2020).

CSR also functions as a vital mechanism for facilitating institutional alignment, playing a key role in managing risk as firms navigate diverse political, social, and regulatory landscapes that impose expectations on corporate behavior (Fu, Boehe, Orlitzky, & Swanson, 2019; Hawn & Ioannou, 2016). In a globalized economy, firms that have traditionally relied on compliance with national legal frameworks may find their legitimacy threatened by shifting risk distributions, making institutional alignment through CSR essential for effective stakeholder engagement and risk mitigation. Recent studies emphasize the importance of achieving a strategic fit between CSR activities and the firm's stakeholder environment, highlighting that in highly regulated settings, CSR is crucial for compliance and reinforcing legitimacy, while in more lenient contexts, it can be leveraged to secure a social license to operate and gain competitive advantages through differentiation (Bryant, Griffin, & Perry, 2020; Darendeli & Hill, 2016). Under these circumstances, a firm's strategic capabilities—such as efficient resource allocation, adaptive learning processes, and the capacity to engage constructively with multiple constituencies—become paramount for aligning CSR initiatives with the prevailing institutional context (Asmussen & Fosfuri, 2019; Branco & Rodrigues, 2006; Campbell, 2007). As globalization deepens interdependencies among markets and industries, CSR's role in mitigating cross-border risks becomes increasingly vital. In this globalized "risk society," traditional shareholder-centric corporate governance often proves

inadequate, as risks become more individualized and legitimacy needs to be continuously negotiated across diverse stakeholders and jurisdictions (Schneider & Scherer, 2015). By leveraging CSR to foster institutional alignment, firms can bridge governance gaps, resolve inter-stakeholder tensions, and counter perceptions of opportunism and shareholder-society conflicts, thereby strengthening stability and legitimacy in complex global contexts.

Furthermore, CSR plays a dual role in the context of crises or potential exposure to them, functioning both as an ex-ante risk prevention mechanism and an ex-post protective buffer (Godfrey, 2005; Koh et al., 2014). Corporate crises, though diverse in nature, are typically defined as unpredictable events or disruptions that jeopardize an organization's stability and its ability to meet stakeholder expectations (Janssen, Sen, & Bhattacharya, 2015). As an ex-ante mechanism, CSR empower firms to exercise due diligence in identifying and mitigating potential risks before they materialize. Through strategic foresight and flexibility, CSR initiatives allow firms to limit exposure to downside risks by serving as an early warning system for emerging threats—such as regulatory changes, supply chain vulnerabilities, or stakeholder conflicts—and implementing proactive strategies to firewall against their impact (Harrison, Bosse, & Phillips, 2010; Henisz, Dorobantu, & Nartey, 2014; Husted, 2005). This proactive approach aligns firms with evolving regulatory standards, particularly in environmentally sensitive and consumer-facing sectors, where staying ahead of constraints strengthens legitimacy and reduces the likelihood of crises escalating (Delmas, Etzion, & Nairn-Birch, 2013; Scruggs & Van Buren, 2016). Moreover, stakeholders tend to value CSR that addresses risks preemptively (Koh et al., 2014), reinforcing the long-term strategic importance of CSR.

As an ex-post protective mechanism, CSR provides a buffer that mitigates the adverse impacts of crises after they occur. Firms with robust CSR credentials accumulate "moral capital," which tempers stakeholder sanctions and fosters stakeholder loyalty (Godfrey, 2005; Herremans, Akathaporn, & McInnes, 1993). Such goodwill helps cushion reputational and financial damage, as stakeholders prove more forgiving when setbacks occur (Bhattacharya & Sen, 2004). From macro-level crises (e.g., natural disasters or economic downturns) to micro-level failures (e.g., operational glitches), robust stakeholder relationships typically lessen immediate fallout and accelerate recovery—a phenomenon widely documented in resilience research (DesJardine, Bansal, & Yang, 2019; Ortiz-de-Mandojana & Bansal, 2016).

Over time, strategic investments in CSR not only enhance firm value preservation through established goodwill, but also grant a competitive edge when competitors falter post-crisis, offering a head start during market resets. Thus, the ex-post channel underscores CSR's capacity to leverage stakeholder trust, cushioning firms during crises and fostering long-term viability.

However, CSR's capacity as a risk mitigating channel is not without its challenges. Heugens and Dentchev (2007) liken the integration of CSR principles to a Trojan horse, warning that poorly conceived or implemented initiatives can expose firms to serious risks, from strategic failures to legitimacy destruction, ultimately jeopardizing their competitiveness. Superficial efforts—often labelled as "greenwashing," "window-dressing," or "hypocrisy"— can backfire by eroding stakeholder trust, inviting reputational damage, and increasing regulatory scrutiny (Delmas & Burbano, 2011; Einwiller, Lis, Ruppel, & Sen, 2019; La Cour & Kromann, 2011; Wagner, Lutz, & Weitz, 2009). Firms that engage in symbolic CSR rather than authentic initiatives run the risk of creating skepticism among stakeholders, ultimately undermining the positive impacts that CSR is meant to achieve (Bager & Lambin, 2020; Gaultier-Gaillard & Louisot, 2006). To complicate matters further, even well-intentioned CSR can lead to unintended negative consequences if poorly aligned with strategic goals. Examples include heightened organizational identification leading to employee burnout or unrealistic stakeholder expectations that, when unmet, can result in disproportionate damage to shareholder value (Brieger et al., 2020; Liu, Liu, Wang, & Xu, 2020; Minor & Morgan, 2011). Thus, the risk-mitigating effect of CSR is contingent upon its genuine integration into a firm's strategic framework, and any misalignment can transform what should be protective and preventive channels into risk amplifiers and as a source of noise (Armstrong & Green, 2013; Orlitzky, 2013).

3.2. Consequences

The consequences of Corporate Social Responsibility (CSR) engagement in risk management are reflective of the strategic channels through which CSR operates. A fundamental outcome of CSR's risk-related value is the stabilization of a firm's future cash flows. By adopting responsible practices, firms cultivate stronger relationships with stakeholders and receive positive evaluations, which collectively lead to more predictable

financial performance by mitigating various risks associated with financial instability. Such stability is crucial for firm survival and reduces the likelihood of default (Sun & Cui, 2014), conversely, neglecting CSR or misaligned efforts can expose firms to destabilizing cash flows and threatening the firm's longevity through terminal loss to stakeholder trust.

Early research underscores how CSR-driven intangible assets, particularly reputational capital, mitigate risk by cultivating favorable perceptions and reciprocations among stakeholders and markets (Branco & Rodrigues, 2006; Fombrun et al., 2000; Herremans et al., 1993). This enhanced reputation translates into tangible benefits across various domains. In governmental relations, firms with strong CSR records may receive more favorable oversight and regulatory leniency (Campbell, 2007; Tran & O'Sullivan, 2020). In customer relations, CSR leads to positive product evaluations and brand resilience, allowing firms to command price premiums from socially conscious consumers (Klein & Dawar, 2004; Stanaland, Lwin, & Murphy, 2011). Regarding human resources, perceived CSR helps attract high-quality employees and improves labor investment efficiency (Cao & Rees, 2020; Turban & Greening, 1997). In financial markets, CSR signals ethical governance and sustainable practices, thereby diminishing perceived risks and raising creditworthiness (Weber, Scholz, & Michalik, 2010). Empirical evidence, supported by the proliferation of Environmental, Social, and Governance (ESG) data from rating purveyors (e.g., Refinitiv, MSCI, Vigeo Eiris, Sustainalytics), demonstrate that robust CSR engagement correlates with lower market-based risk outcomes. Specifically, firms with high ESG scores exhibit reduced systematic (market beta) and idiosyncratic (firm-specific) risks, maintain superior risk control and compliance standards, and experience fewer severe incidents like litigation (Albuquerque et al., 2019; Girerd-Potin, Jimenez-Garcès, & Louvet, 2014). These factors lead to more stable stock returns and reduced market sensitivity, collectively acting as risk-adjusted transmission channels that positively influence firm's valuation (Giese et al., 2019).

Furthermore, CSR's enhancement of stakeholder governance and reduction of information asymmetry, achieved through greater transparency and social capital, significantly influence stakeholder behavior with important risk implications. Responsible practices foster trust and positive reciprocity, motivating employees to remain committed and ethically engaged, which mitigates risks tied to turnover and internal control lapses (Carnahan et al., 2017; Glavas & Kelley, 2014; Guo et al., 2016). Ethical supplier relationships similarly

reduce operational disruptions and can facilitate trade credit (Lee & Kim, 2009; Zhang et al., 2014), while satisfied customers, inclined to remain loyal and support the brand, stabilize revenue and lower market-related risks (Deng & Xu, 2017; Gurhan-Canli & Batra, 2004). Collectively, these positive stakeholder interactions preserve and enhance the firm's valuation by signaling reduced cash flow volatility and diminishing the likelihood of financial distress. This added confidence also influences strategic decisions, including mergers and acquisitions, where robust CSR records can command premiums by offsetting heightened risks and information gaps (Gomes & Marsat, 2018). Such premiums reflect investors' appreciation of CSR not solely for higher expected cash flows but also for the lower cash flow risk they confer (Nguyen et al., 2020), ultimately contributing to long-term survivorship and reducing the likelihood of financial distress (Gangi, Meles, Monferrà, & Mustilli, 2020).

In the environmental and climate-change domain, a key thematic area of CSR, firms mitigate risk by addressing environmental liabilities and ensuring regulatory compliance and legitimacy. Adopting ecofriendly policies—such as cutting emissions, conserving resources, and minimizing waste—yields cost savings, operational efficiencies, and fewer regulatory penalties (Sharfman & Fernando, 2008). By viewing the environment as a strategic resource (Flammer, 2013), these firms gain competitive advantages as stakeholders increasingly favor organizations with strong environmental credentials. This preference leads to lower costs of capital, including both equity and debt, as firms are perceived as less risky and more transparent, resulting in enhanced market value and reduced financial distress risk (Albarrak, Elnahass, & Salama, 2019; El Ghoul et al., 2018; Salama, Anderson, & Toms, 2011). Du et al. (2017) found that superior environmental performance can substitute for robust internal controls in lowering debt costs, as lenders prioritize "soft" information like environmental performance, especially when a firm's internal control systems are relatively weak or opaque. Green mergers and acquisitions (M&A) further highlight the strategic value of environmental efforts, as heavy polluters acquire environmentally responsible firms to enhance legitimacy, access resources, and mitigate risks (Li, Xu, McIver, Wu, & Pan, 2020). In summary, these findings demonstrate that investments in environmental initiatives not only lower compliance costs and liabilities but also increase a firm's attractiveness to investors and lenders, positioning environmentally legitimate firms as more stable and appealing compared to their peers (Bansal & Clelland, 2004; Jo & Na, 2012).

CSR's capacity to foster institutional alignment carries important implications for risk management effectiveness. Aligning CSR practices with the formal and informal institutional frameworks—laws, regulations, cultural norms, and stakeholder expectations—helps firms gain legitimacy, minimize public scrutiny, deter conflicts, and address uncertainties that extend beyond legal compliance alone. These institutional ecosystems, comprising both regulatory mandates and social pressures, can incentivize beyond-compliance behaviors among firms that contribute to pressing global issues such as climate change or stakeholder conflicts, thereby catalyzing more active risk mitigation efforts (Bryant et al., 2020). Empirical findings show that in stakeholder-oriented jurisdictions (e.g., much of Western Europe), CSR effectively lowers idiosyncratic and systematic risks by reducing financing costs and improving credit terms under supportive regulatory conditions (Benlemlih & Girerd-Potin, 2017; Cheung, Tan, & Wang, 2018; Hoepner et al., 2016). In contrast, shareholder-centric contexts (e.g., the United States) may constrain CSR's risk mitigation potential (Hartman, Rubin, & Dhanda, 2007). Furthermore, CSR's impact on specific risks, like corruption, depends on local institutional maturity; stronger enforcement mechanisms amplify CSR's risk-reducing impact, whereas weaker regulatory structures diminish it (Krishnamurti, Shams, & Velayutham, 2018). Consequently, CSR-driven institutional alignment yields a more adaptive and context-sensitive risk management approach, preserving long-term value and enhancing competitive positioning.

From a strategic risk management perspective, CSR's crisis prevention capacity has spurred interest in both ex-ante and ex-post benefits. Ex-ante, firms that invest in CSR can preempt litigation, decrease the likelihood of regulatory sanctions, and limit financial and reputational losses (Koh et al., 2014; Tran & O'Sullivan, 2020). Reid and Toffel (2009) emphasize CSR's role in priming firms to adopt socially responsible practices in response to the emerging shareholder and regulatory threats, with ripple effects prompting industry-wide alignment with broader social and regulatory expectations. Additionally, socially responsible efforts focused on employee relations can reduce the likelihood of moral hazard by promoting transparency and ethical conduct, thereby lowering the risk of stock price crashes linked to information hoarding (Kim, Li, & Li, 2014). CSR therefore functions as a critical hedging instrument in volatile environments, lowering financial distress risks by reducing the likelihood and the potential costs of adverse harmful events (Boubaker, Cellier, Manita, &

Saeed, 2020). Shafer and Szado (2020) further validate these insights through the ESG lens, demonstrating that CSR significantly reduces the ex-ante probability of left-tail events—such as substantial declines in stock price—thereby safeguarding firm value. Ultimately, these preventive effects of CSR contribute to greater stability and resilience, preventing relatively smaller threats from escalating into potentially costly crises.

Ex-post, CSR serves as a protective buffer that mitigates the negative impacts of adverse events after they occur. Firms with a history of positive CSR are better equipped to endure crises, as stakeholders are more likely to support them during challenging periods (Brower & Mahajan, 2013; Godfrey et al., 2009; Shiu & Yang, 2017). Godfrey et al. (2009) find that firms with robust prior CSR profiles experience smaller declines in firm value and less severe stakeholder sanctions following negative legal or regulatory events, indicating an insurance-like effect of CSR. During the 2008–2009 global financial crisis, firms with high CSR ratings outperformed those with lower CSR performance, attributed to accumulated trust and goodwill between firms and investors (Lins et al., 2017). CSR also enhances organizational resilience, facilitating quicker recovery from shocks and attenuating crisis severity (DesJardine et al., 2019). By aligning CSR investments with pressing issues and engaging relevant stakeholders, firms optimize risk mitigation and preserve value post-crisis (Jia, Gao, & Julian, 2020). Nevertheless, firms with strong CSR profiles may encounter harsher market reactions if implicated in irresponsible behavior, as stakeholders hold them to elevated standards (Flammer, 2013; Minor & Morgan, 2011; Liu, Cheong, & Zurbruegg, 2020). Thus, the protective consequences of CSR highlight the imperative of sincere and consistent practices to maintain stakeholder goodwill and effectively manage risks in the aftermath of adverse events.

However, the benefits of CSR in risk management are not guaranteed and may be undermined by unintended consequences. In certain industries, especially those associated with negative externalities (e.g., tobacco, alcohol, gambling), CSR efforts can be perceived as disingenuous or as attempts to offset unethical practices, leading to stakeholder skepticism (Oh, Bae, & Kim, 2017). For instance, in environmentally sensitive sectors like oil and gas, philanthropic actions might temporarily mitigate the financial fallout of environmental incidents but could also increase their frequency if firms use philanthropy as a form of reputation insurance, prioritizing self-interest over societal well-being (Luo, Kaul, & Seo,

2018). Similarly, supply chain responsibility initiatives, if poorly managed, may inadvertently incentivize riskier sourcing strategies, ultimately harming broader social welfare (Guo, Lee, & Swinney, 2016). Furthermore, Larcker and Watts (2020) find that investors in real-world markets are unwilling to forgo returns for environmentally sustainable investments, as green and non-green securities with identical ex-ante risks and payoffs are viewed as interchangeable, effectively diminishing the so-called "green premium". These examples highlight, on the one hand, the challenges of implementing CSR to realize its strategic value and, on the other hand, the importance of authentic CSR engagement that is fully integrated with core business operations and aligned with the expectations of its stakeholders.

4. Discussion

This review sheds light on the risk management value of Corporate Social Responsibility (CSR), addressing a notable gap in the literature where prior scholarships largely focused on CSR's performance-based rationale rather than its role in risk management—an aspect that carries substantial financial implications. The pioneering review of Orlitzky and Benjamin (2001) marked an important milestone in demonstrating CSR's potential to generate risk value; however, focus of their meta-review remained on establishing empirical validity rather than evaluating the underlying stakeholder-based mechanisms and the evolving complexities that underlie this efficacy. By charting the evolution of CSR and risk research, this review illustrates how CSR strategies can shape a firm's risk profile across multiple channels—ranging from internal governance enhancements and transparency to reputational capital, environmental stewardship, institutional alignment, and crisis-management tactics.

Current synthesis reveals an emergent and nuanced nature of CSR-derived risk value, characterized by exponential growth in CSR-related risk studies over the past decade— accounting for approximately 91% of such research—signals a paradigm shift in recognizing CSR's potential to mitigate a spectrum of stakeholder and market risks. However, it also highlights a critical insight: CSR's risk-based value is neither guided by identical strategic mechanisms nor desired outcomes are guaranteed. Instead, it is contingent upon various factors, including resource constraints, context-dependent stakeholder salience, and the

often-competing interests of shareholders and stakeholders—a tension encapsulated in the enduring debate over shareholder versus stakeholder primacy (Husted & Salazar, 2006).

One key insight from this risk-centered perspective on CSR is its capacity to reconfigure stakeholder saliences, treating Mitchell, Agle, and Wood's (1997) power, legitimacy, and urgency not as static, externally imposed factors but as fluid levers that firms can strategically reshape to avert or contain both firm-specific and systemic vulnerabilities. Rather than passively responding to whichever stakeholders appear most salient, this approach encourages firms to identify those with significant risk potential and deploy CSR to recalibrate these relationships, whether by reducing threat exposure or harnessing support. In practice, it may involve engaging moderately "powerful" yet high-hazard stakeholders early on through responsible conduct and transparency, thereby shifting perceptions of urgency or legitimacy. In this sense, a risk-focused CSR lens transforms the original salience triad into a strategic, forward-looking risk management tool. Stakeholder attributes become co-constructed and continuously renegotiated through CSR strategies designed to address risk premiums, ultimately promoting greater organizational stability and resilience in an evolving, uncertain environment.

In parallel, the evolving nature of institutional, regulatory, and market conditions not only elevates the importance of a risk-centered, alignment-driven CSR perspective, but also progressively reduces the relevance of traditional market distinctions as global standards converge. Initiatives like the U.S. SEC's (2022) ESG disclosure mandate for large public firms, alongside the European Union's Corporate Sustainability Reporting Directive (CSRD), signal a shift away from narrow shareholder-primacy doctrines toward globally consistent expectations for transparency and stakeholder engagement. As a result, differences in stakeholder- versus shareholder-focused markets may diminish, encouraging firms worldwide to view CSR not as a reactive add-on, but as a strategic cornerstone of corporate governance and risk mitigation. In this vein, integrating CSR into governance frameworks becomes imperative, as historical corporate scandals like Enron and WorldCom have spotlighted the dire consequences of ignoring agency problems and the unreliability of financial disclosures. By involving a broader array of empowered stakeholders—employees, activists, rating agencies, and the media—firms can compensate for governance deficits and foster accountability, benefiting both organizational stability and societal trust (Aguilera,

Desender, Bednar, & Lee, 2015; Villarón-Peramato et al., 2018). Such approach can build moral capital, mitigate risks through ethical practices and operational improvements, and create goodwill, reinforcing a virtuous cycle of trust, value preservation, and value creation, as implicitly alluded to by Orlitzky and Benjamin (2001).

From a practical standpoint, existing views of CSR that focus primarily on short-term gains within a shareholder-centric framework overlook how rapidly stakeholder expectations can evolve, exposing firms to broader vulnerabilities (Chakrabarty et al., 2017; Vishwanathan et al., 2019). By recasting CSR through a risk-based lens, managers recognize that stakeholder relationships function as both early warning systems and protective buffers: they help detect emerging threats before crises escalate (ex-ante) and mitigate repercussions after crises occur (ex-post). Strategic CSR initiatives—aligned with the firm's long-term objectives and responsive to context-specific legitimacy concerns—can defuse reputational landmines, reduce regulatory complications, and engender stakeholder goodwill. For practitioners, integrating CSR into central risk management processes thus becomes less about compliance or branding and more about forging trust-based alliances, cultivating transparency and resilience, and ensuring a forward-looking approach to value preservation. This risk-informed approach not only offers a more instructive understanding of CSR's strategic relevance but also ensures a more stable and ethically grounded path to enduring corporate success.

5. Actionable Research Steps and Suggestions for Future Directions

This review of the cross-disciplinary research on CSR and its risk implications reveals three overarching gaps that present opportunities for future exploration. Addressing these gaps is imperative for deepening our understanding of the CSR-risk nexus and for further refining stakeholder-based frameworks for effective risk management.

The first significant area for future research lies in understanding how perceived risk values differ across various CSR issues and their implications for diverse stakeholder and shareholder groups. While much of the current literature focuses on broad, aggregate categories of market stakeholders—such as employees, customers, and generic "investors"— it often overlooks how CSR activities interact with nonmarket stakeholders, including the media, advocacy groups, and environmentally sensitive communities, whose perceptions can

significantly shape reputational risk and a firm's overall risk profile. Moreover, unlike conventional profitability-oriented analyses that tend to favor initiatives generating positive externalities over those mitigating negative ones (Lankoski, 2009), risk measures may diverge, particularly for CSR efforts that prioritize nonmarket stakeholder concerns. Similarly, shareholders are frequently treated as a homogeneous group, ignoring the diversity of their investment horizons, governance preferences, and tolerance for trade-offs between financial returns and social or environmental objectives. Future research should therefore incorporate more nuanced stakeholder and shareholder taxonomies, as well as the role of alternative governance mechanisms (e.g., relational, administrative, or foreign governance) and informal governance actors, such as activist investors or securities analysts (Shi, Connelly, & Hoskisson, 2017; Yiu, Wan, & Xu, 2019), in shaping CSR's risk implications. By exploring these unchartered dimensions in the context of risk, scholars can identify conditions under which CSR efforts backfire, remain neutral, or genuinely reduce risk, thereby enabling firms to develop more effective, risk-adjusted CSR strategies and offering policymakers insights to strengthen financial stability in an rapidly evolving and interconnected business landscape.

The second critical gap lies in identifying new channels and developing innovative theoretical and methodological approaches to evaluate CSR's risk value. The existing literature predominantly emphasizes the firm value-enhancing effects of CSR, often within a performance paradigm that may not fully capture the forward-looking and value-preserving aspects of CSR related to risk management. There is a notable scarcity of conceptual work that builds new frameworks to understand the strategic posture of CSR in managing stakeholder relationships and risk. Embracing methodological pluralism—including qualitative studies, configurational perspectives such as Qualitative Comparative Analysis (QCA), and experimental and quasi-experimental methods to improve causal inference— could offer richer insights into the complex interdependencies and path dependencies that traditional regression methods or nonexperimental data tend to overlook (Fainshmidt, Witt, Aguilera, & Verbeke, 2020; Ragin, 2000, 2008).

Relatedly, integrating new research methodologies and perspectives offers an opportunity to uncover how the interactive dynamics between shareholders, stakeholders, and contextual environments shapes the trade-offs inherent in CSR's risk mitigation capacity—

marking a third area ripe for investigation. While much of the existing evidence stems from Western liberal economies, expanding inquiries to include emerging markets, quasi-socialist regimes, and other uncharted contexts could reveal unique pressures that redefine the cost-benefit equation of CSR-driven risk management. In settings with loose regulations or fluid social expectations, all-encompassing stakeholder engagement may avert policy upheavals or reputational crises but also lead to tensions when local norms clash. Examining these contextual dynamics and inter-stakeholder trade-offs through diverse methods—ranging from ethnographic case studies to configurational analyses—could demonstrate how firms adapt their CSR strategies to harness stakeholder support, contain tensions, and sustain value creation in an interconnected global marketplace.

Beyond these overarching gaps requiring incremental research efforts, there are immediate opportunities for cross-fertilization between different research streams identified in our bibliographic analysis (refer to Table 2). Specifically, bridging research across key disciplines within business and management that are important outlets of relevant CSR research—such as General Management & Ethics, Strategy & International Business, Accounting, Finance, and Marketing—can enrich our understanding of CSR's multifaceted risk value. Table 4 illustrates potential avenues for further dialogue between these fields across key research themes.

6. Conclusion

This review demonstrates that viewing CSR through a risk management lens yields a more holistic and forward-looking perspective, surpassing the limitations of backward-looking, profitability-centric frameworks. Instead of treating CSR as an optional add-on or simply an extension of shareholder interests, recognizing it as a strategic tool for risk mitigation underscores its ability to align diverse stakeholder interests, prevent costly disputes, and enhance organizational resilience both before crises and after they subside. While the field of CSR and risk is still rapidly evolving—shaped by shifting regulations, global interdependencies, and intensifying stakeholder demands—this multidimensional perspective offers a solid framework for making sense of its complexity. CSR's risk-based efficacy illuminates how ethical and sustainable practices can minimize regulatory pitfalls, temper reputational and legitimacy volatility, and stabilize cash flows, ultimately forging

stronger, trust-based relationships that help firms navigate uncertainty and sustain value over time. Ultimately, recognizing CSR's strategic importance in managing present and future risks encourages more evidence-based, forward-looking inquiry, guiding corporate decision-makers, market participants, and policymakers toward more sustainable, ethically grounded, and resilient corporate governance practices.

Table 4. Research Opportunities to Bridge Across Key Fields of CSR-related Research

Research Themes	General Management & Ethics	Strategy & International Business	Accounting	Finance	Marketing
Red: CSR & Strategic Integration	Explore how embedding CSR principles into digital transformation strategies — particularly with the emergence of artificial intelligence (AI)— enhances data privacy and cybersecurity ethics, thereby influencing stakeholder trust and market risk outcomes.	Investigate how CSR initiatives address stakeholder saliences to facilitate strategic agility and resilience in multinational corporations facing global disruptions.	Analyze the impact of sustainability accounting standards on strategic planning and risk assessment within organizations.	Explore how integrating CSR performance and disclosure quality metrics into financial risk models enhances prediction accuracy for investment decisions.	Study the effectiveness of aligning CSR initiatives with consumer values to strengthen brand loyalty and mitigate market risks in emerging economies.
Green: Financial Risk, Investment Strategies, and ESG	Assess the influence of employee activism on corporate ESG strategies and their implications for	Investigate how geopolitical ESG risks affect multinational corporations'	Examine the role of integrated reporting and real-time ESG data in enhancing transparency and	Develop innovative financial instruments that tie interest rates to CSR performance metrics, evaluating	Analyze consumer responses to ESG-related product labeling and its effect on purchasing

Research Themes	General Management & Ethics	Strategy & International Business	Accounting	Finance	Marketing
	organizational risk culture.	investment strategies in volatile regions.	reducing information asymmetry for stakeholders.	their impact on investor behavior and perceived risk.	decisions in different cultural contexts.
Blue: Corporate Governance, Leadership, & Agency Perspective	Analyze how ethical leadership and governance structures impact CSR effectiveness in mitigating agency risks and promoting organizational resilience.	Assess how cross-cultural leadership competencies influence the implementation of CSR initiatives and governance practices in international subsidiaries.	Investigate how CSR-oriented governance policies affect internal audit functions and the early detection of financial irregularities and managerial misbehaviors.	Examine the relationship between CSR-linked executive compensation and risk-taking behaviors in financial decision-making.	Study how governance structures supporting CSR initiatives influence the management of brand-related risks in global marketing campaigns.
Yellow: Reputation and Crisis Management in Stakeholder Engagement	Investigate how proactive stakeholder engagement through CSR initiatives enhances corporate reputation and serves	Examine the impact of culturally tailored CSR programs on stakeholder trust and risk reduction in international markets.	Analyze the effect of transparent CSR reporting on stakeholder relations and the mitigation of reputational risks in	Assess how stakeholder activism influences corporate financial policies and risk management	Explore the role of CSR in rebuilding brand reputation post-crisis, focusing on consumer trust restoration and loyalty.

Research Themes	General Management & Ethics	Strategy & International Business	Accounting	Finance	Marketing
	as a risk mitigation strategy during crises.		financial disclosures.	practices related to CSR.	
Purple: Corporate Transparency & Accountability	Evaluate how digital transformation in CSR reporting enhances transparency, stakeholder engagement, and reduces compliance risks.	Investigate the challenges multinational firms face in maintaining consistent CSR disclosure practices across varying regulatory environments.	Develop methodologies to integrate non-financial CSR metrics into financial statements, improving risk assessment and decision-making.	Examine the impact of voluntary CSR disclosures on credit risk assessments and the cost of capital in international finance.	Assess how transparent marketing communications about CSR initiatives impact customer relationships and brand risk.
Light Blue: Balancing Philanthropy, Stakeholder Value & Profitability	Study the long-term effects of CSR investments on organizational resilience and financial performance during economic downturns.	Investigate how multinational firms integrate CSR principles into their global tax strategies in response to international tax reforms (e.g., OECD's BEPS actions) and how this integration	Analyze whether firms with higher CSR performance experience different levels of regulatory scrutiny concerning their tax behaviors and how this affects their risk exposure	Examine the role of CSR trends on corporate capital allocation decisions and risk-taking behaviors, aiming to balance ethical considerations with shareholder value maximization.	Evaluate how ethical marketing strategies balance profitability with social responsibility to reduce risk.

Research Themes	General Management & Ethics	Strategy & International Business	Accounting	Finance	Marketing
		affects cross-border investment risks and opportunities.	and market valuation.		
Orange: M&A, and Socially Responsible Investing Strategy	Investigate how CSR considerations influence corporate restructuring decisions, including divestitures and acquisitions, to optimize risk profiles.	Examine the impact of CSR alignment on post-merger integration success and risk mitigation in cross-border mergers and acquisitions.	Analyze the challenges of valuing CSR-related intangible assets during mergers and acquisitions and their implications for financial reporting and investor relations.	Assess how the rise of socially responsible investing influences corporations to divest non-ESG-compliant assets or subsidiaries.	Study the effectiveness of CSR-focused rebranding strategies post-merger in maintaining market share and customer loyalty.

7. Appendix

Appendix A

Literature Search Method		
Database consulted	• Web of Science (WOS)	
Search strings	**Main Keywords**	**Sub-Keywords**
	Corporate Social Responsibility	Corporate Social-Responsibility Corporate Responsibility CSR
	Risk	Risk management Risk mitigation Firm risk
Search parameters	• Title [OR] • Abstract [OR] • Keywords	
Search results	**n** publications: • Web of Science = **4,907** articles	
Selection criteria	Inclusion Criteria	▣ WOS research area: Business and Economics ▣ Indexed Journals: Science Citation Index (SCI), and Social Science Citation Index (SSCI) ▣ Above journal rating level 1 as per Academic Journal Guide 2018. ▣ Articles with clear focus on CSR and Risk
	Exclusion Criteria	▣ Redundant duplicities ▣ Non-English texts ▣ Does not meet inclusion criteria
Final result	**554** articles	

Appendix B

1. VOSviewer Methodology

VOSviewer (Van Eck & Waltman, 2010, 2018) is a software tool for creating bibliometric maps from publication data. It uses co-occurrence analysis to measure how frequently certain items (e.g., keywords) appear together across a set of documents. Items that co-occur frequently are placed closer together on the map, indicating a stronger association.

1.1. Map Construction Process

1. **Similarity Calculation:** Starting from a co-occurrence matrix (the number of times items appear together), VOSviewer computes a similarity measure S_{ij} for each pair of items i and j:

$$S_{ij} = c_{ij} / w_i\, w_j$$

Here, c_{ij} is the co-occurrence count of items i and j, and w_i, w_j are their individual occurrence counts.

2. **Positioning Items (Creating a Two-Dimensional Map):** Using the similarity values, VOSviewer places items in a two-dimensional space. Items with higher similarity are placed closer together, while dissimilar items are positioned farther apart. This is achieved by minimizing a weighted sum of squared distances between items:

$$V(x_1, .., x_n) = \sum_{i<j} S_{ij}\, ||x_i - x_j||^2$$

subject to the constraint that the average weighted distance is fixed to 1. A majorization algorithm iteratively adjusts item coordinates to find an optimal configuration. Running the algorithm multiple times with different starting points increases the likelihood of a globally optimal layout.

3. **Post-Processing (Translation, Rotation, Reflection):** After determining item positions, VOSviewer standardizes the map's orientation through translation (centering the map at the origin), rotation (maximizing variance along the horizontal axis), and reflection (ensuring a balanced layout).

These final adjustments do not alter the relative relationships among items; they only standardize the map's overall orientation and positioning, resulting in a stable, interpretable visualization of item relationships. For a more detailed explanation of VOSviewer's methodology, see Van Eck & Waltman (2010).

1.2. Density View

VOSviewer provides a density view to visualize item clusters on a map. In this mode, each point on the map is assigned a color based on its item density, indicating the concentration of items in the surrounding area. Higher densities, where more items are located closer together or have greater weights, are represented by specific colors, creating a gradient effect that highlights areas of interest.

The item density calculation begins with determining the average distance between all pairs of items. This average distance, denoted as $\bar{d}$, is computed as:

$$\bar{d} = \frac{2}{n(n-1)} \sum_{i<j} ||x_i - x_j||$$

where n represents the total number of items, and x_i and x_j are the coordinates of items i and j respectively. Using this average distance, the item density at any point $x = (x_1, x_2)$ is defined as:

$$D(x) = \sum_{i=1}^{n} w_i K ||x_i - x_j|| / (\bar{d}\, h)$$

In this equation, w_i is the weight of item i, typically based on its frequency of occurrence or co-occurrence, $h > 0$ is a parameter called the kernel width that adjusts the spread of influence for each item, and K is a non-increasing kernel function. VOSviewer uses a Gaussian kernel function:

$$K(t) = \exp\left(-t^2\right)$$

The density at a given point depends on both the number of nearby items and their weights. Higher densities result when items are closer to the point or have higher weights, while lower densities occur when fewer items are nearby, or their weights are lower. Once calculated, these densities are visually represented using a color gradient. In this study, a blue-to-yellow

color scheme is used, where blue indicates the highest item density and yellow represents the lowest item density.

2. Map Visualization

The bibliometric map visualizes terms (referred to as items) extracted from the titles and abstracts of publications on corporate social responsibility (CSR) and risk, spanning 1968 to 2020. Each item is represented by a label and a circle, with their size reflecting the item's importance. This importance is determined by the item's weight, which depends on two key attributes: the number of connections (links) an item has with other items and the total strength of these connections (total link strength). Items with higher weights are displayed more prominently on the map. Links represent the co-occurrence of two items, with stronger links indicating more frequent co-occurrences. Together, items and links form a network that reveals relationships among CSR and risk themes.

Clusters group related items into distinct thematic areas and are visually differentiated by colors. Each item belongs to a single cluster, identified by VOSviewer based on co-occurrence patterns and link strengths. Clustering segments CSR and risk literature into subfields, highlighting dominant topics and enabling the analysis of relationships within and across clusters. This segmentation provides a clearer understanding of the thematic structure and evolution of CSR-Risk research.

This visualization approach provides a overarching view of CSR and risk research, illustrating the thematic connections and intellectual structure of the field. By analyzing item linkages and clusters, the map offers insights into how research has evolved over time and identifies the key topics and emerging trends shaping the discourse on CSR and risk.

CHAPTER 3

Pseudo Responsibility or Muddling through? Understanding the CSR-Fraud and CSR-Enforcement Nexus

Abstract

Utilizing a strategic framework, this study examines the role of Corporate Social Responsibility (CSR) in firm interactions with the U.S. Securities and Exchange Commission (SEC), focusing on implications for fraud and regulatory enforcement. It integrates risk-management and rent-seeking perspectives, assessing how CSR can mitigate or exacerbate corporate fraud and regulatory enforcement. Findings reveal that firms actively engaged in CSR initiatives are less prone to fraudulent conduct and enhance SEC's regulatory effectiveness. This effect strengthens when CSR initiatives are embedded in a firm's long-term strategy, countering perceptions of CSR as a tool for corporate guile. The study also explores C-level executives' involvement, providing insights into CSR's strategic utility in fraud prevention and compliance, significant under the SEC's increased focus on Environmental, Social, and Governance (ESG) criteria.

Keywords: corporate social responsibility, strategy, fraud, enforcement, ESG

1. Introduction

In the contemporary corporate landscape, Corporate Social Responsibility (CSR) and the closely allied concept of Corporate Sustainability have risen to prominence as key non-financial market mechanisms guiding strategic business decisions. These initiatives aim to foster ethical practices and ensure adherence to regulatory standards (Rodgers, Söderbom, & Guiral, 2015; Scherer & Palazzo, 2011), setting benchmarks for corporate conduct. However, the recurring instances of fraud within corporations reputed for their responsibility present a critical dilemma. The infamous Enron scandal exemplifies this disconnect, where a firm once celebrated as a paragon of corporate responsibility and ethics (Sims & Brinkmann, 2003) was later revealed to be deeply involved in fraudulent activities. More recently, Volkswagen's emissions scandal and the subsequent allegations of defrauding investors[4], despite its professed commitment to environmental stewardship and CSR (Rhodes, 2016), further underscore the persistent challenge of aligning CSR initiatives with genuine ethical behavior. This disconnect highlights a broader issue, extending beyond corporate actions to the regulators tasked with overseeing corporate behavior and deterring fraud.

Amid these challenges and the escalating urgency of climate change, the U.S. Securities and Exchange Commission (SEC) has intensified its focus on Environmental, Social, and Governance (ESG) matters. Notable actions include establishing a Climate and ESG Enforcement Task Force (SEC, 2021) and proposing mandatory performance disclosures in these thematic areas for public companies (SEC, 2022). This evolving context forms the backdrop for this study, which examines the complex interplay between CSR initiatives, corporate fraudulence, and SEC enforcement. By deconstructing the strategic dynamics that underpin Firm-SEC interactions, the study examines how CSR influences corporate behavior and regulatory responses, ultimately offering insights that may enhance both corporate governance practices and regulatory oversight.

A range of scholarly perspectives exists on whether and how CSR shapes a firm's likelihood of engaging in fraud, as well as the subsequent regulatory actions taken by

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[4] For more details, see SEC (2019a).

governmental agencies. One viewpoint contends that CSR's ethical grounding and accrued strategic capital serve as deterrents against corrupt practices and their ensuing regulatory repercussions, thus reinforcing a risk-management rationale. This argument unfolds in two parts: first, engaging in unethical actions not only contravenes CSR's ingrained moral ethos but also poses significant financial and reputational risks, which firms are generally keen to avoid (Hwang, Choi, Choi, & Lee, 2022; Karpoff, Lee, & Martin, 2008; Rodgers et al., 2015). Second, a comprehensive CSR approach fosters trust and mitigates negative biases among stakeholders, including regulatory bodies like the SEC, thereby yielding a measure of regulatory leniency (Barnett, 2014; Godfrey, 2005; Godfrey, Merrill, & Hansen, 2009; Koh, Qian, & Wang, 2014).

In contrast, another stance posits that CSR can be deviously appropriated as a self-serving tactic to legitimize fraudulent aims, creating a false sense of impunity from regulatory oversight (Boatright, 2009; Devinney, 2009; Liu, Lin, Chan, & Fung, 2018). From this rent-seeking perspective, CSR functions less as a safeguard and more as a camouflage for misconduct, ultimately heightening the firm's vulnerability to regulatory action once authorities detect the discrepancy between CSR claims and underlying malfeasance. Because such exploitative CSR is inherently fragile, it risks prompting greater exposure to regulatory scrutiny, particularly as enforcement bodies become increasingly adept at detecting and penalizing deceptive strategies (Kedia & Rajgopal, 2011; Koh et al., 2014; Williams, 2013).

Although both perspectives on CSR's role in corporate behavior are instructive, neither has been empirically tested in a manner that captures the strategic interaction between firms and the SEC, nor the two-stage process of organizational wrongdoing (Stage 1) followed by enforcement action (Stage 2). While it may be straightforward to empirically link stage-specific mechanisms—such as the SEC's decision to sanction being contingent on prior misconduct—these outcomes may not align neatly with the theoretical predictions when viewed across both stages. For instance, under the risk-management perspective, a firm with a strong CSR record is expected to curb fraudulent behavior and thereby reduce the likelihood of sanctions; yet if that firm does commit fraud, the enhanced transparency achieved through CSR may help regulators probe and sanction it, undermining the anticipated risk-management benefits. Conversely, within the rent-seeking perspective, a firm perceived as strongly committed to CSR may be seen as engaging in opportunistic posturing to obscure

wrongdoing, allowing it to evade scrutiny and paradoxically secure the very advantages the risk-management logic would not predict at this point. Such divergences indicate that theoretical explanations at one stage may not consistently apply to the other, underscoring the need to treat each stage as independent and consider both the firm's and the SEC's vantage points in understanding how CSR practices, corporate crime, and regulatory enforcement interact in complex and often counterintuitive ways.

To investigate the competing dynamics of CSR's risk management and rent-seeking mechanisms in firm–SEC interactions, I propose a quasi-experimental approach anchored in the game-theoretic principles advanced by Nieman (2015, 2018). This approach identifies actor-specific behaviors, enabling a strategic analysis of how each party's decisions interdependently shape choice utilities—particularly in contexts of corporate fraudulence and regulatory sanctions, and with special attention to short- and long-horizon CSR engagements. Unlike previous corporate fraud research (Cecchini, Aytug, Koehler, & Pathak, 2010; Shi, Connelly, & Hoskisson, 2017; Wang, 2013), and diverging notably from Tran and O'Sullivan's (2020) narrower focus on the triad of CSR, fraud, and regulatory enforcement, this methodology offers greater empirical depth in understanding the utility-maximizing strategic interactions between firms and regulators. By examining CSR's dual potential— both as a risk-management tool and a rent-seeking device—from each actor's vantage point, and by characterizing CSR engagements in a nuanced manner across short- and long-term horizons, the framework broadens our understanding of ethical corporate conduct and regulatory oversight. The analytical framework section that follows details the underpinnings of this estimation strategy.

The analysis reveals that when CSR initiatives are implemented within a strategic framework involving both the firm and the SEC, they reduce fraudulent tendencies and increase the SEC's regulatory effectiveness. This underscores CSR's multifunctional strategic significance: first, as an ethics-based compliance tool integrated into corporate risk-management frameworks, and second, as a potent strategic instrument counteracting rent-seeking entities that exploit CSR for fraudulent ends. The results emphasize the need for a sustained, long-term commitment to CSR, highlighting its importance in creating tangible value for corporations and regulators alike. Furthermore, given the SEC's focus on ESG criteria, the analysis extends to evaluating the performance of CSR's sub-pillars within these

thematic areas, revealing their varied influences in shaping a firm's propensity for fraud and the regulatory body's resulting effectiveness in oversight.

To expand the research scope beyond the interplay at the organizational level, this study incorporates an additional analysis focusing on employee involvement in fraud, particularly among managers and C-level executives incriminated in SEC enforcement actions. This shift from a firm-SEC dynamic to an employee-SEC interaction provides nuanced insights into how CSR initiatives, often orchestrated by managers, influence employee participation in fraud and the ensuing effectiveness of SEC's regulatory oversight (Flammer & Luo, 2017; Koh et al., 2014). The findings indicate that while CSR initiatives do not exert a direct deterrent effect on managerial and C-level executive tendencies towards fraudulent conduct, they significantly enhance the SEC's capability to incriminate individual transgressors[5].

By explicating the strategic dynamics between corporate entities and the SEC, this research provides a comprehensive exploration of the nexus where CSR, fraud prevention, and regulatory vigilance converge. The primary inference informs two distinct streams of literature: one investigating the determinants constraining incentives for corporate fraudulent behavior (Cecchini et al., 2010; Davis & Pesch, 2013; Shi et al., 2017; Wang, 2013; Wu, Cao, & Zhang, 2023; Zahra, Priem, & Rasheed, 2005) and the other reinforcing the SEC's capacity to uphold regulatory adherence by effectively penalizing malefactors (Alam, & Petruska, 2012; Barnett, 2014; Dyck, Morse, & Zingales, 2024; Kedia & Rajgopal, 2011). Additionally, this investigation enriches the emerging literature on risk management within the context of CSR, affirming its efficacious role in fostering ethics-driven compliance. Contrary to the prevailing assertion that CSR serves as a mechanism to circumvent regulatory oversight by tempering negative perceptions held by authorities, this study finds that CSR plays an instrumental role in exposing noncompliant or "rent-seeking" entities, thereby strengthening the SEC's regulatory capabilities.

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[5] The terms 'incriminating' and 'sanctioning' of individual managers refers to the attribution of liability to employees for the firm's material violations in SEC enforcement actions. However, such designations do not necessarily culminate in civil injunctive proceedings or criminal lawsuits (Amiram et al., 2018).

CHAPTER 3: UNDERSTANDING THE CSR-FRAUD AND CSR-ENFORCEMENT
NEXUS

2. Literature and Theory

Prior research unanimously recognizes the disastrous impact of financial fraud on both individual firms and the overall economy (Barnett, 2014; Zhong, Ren, & Song, 2021). Dyck et al. (2024) estimate the cost of fraud in U.S. public firms to be around 1.6% of their total equity market value, amounting to a staggering $830 billion annually. Given the significant costs borne by corporations and economies from these fraud occurrences, understanding its link with organizations' responsible and ethical elements holds great importance for stakeholders across the societal spectrum, particularly for regulatory authorities like the SEC, who bear the primary responsibility of curbing corporate fraud.

Central to this discourse is Becker's (1968) widely cited economic theory of criminal behavior, which posits that individuals and the firms they manage engage in opportunistic behaviors like fraud based on an assessment of perceived utility as shaped by the justice system. In the realm of corporate fraud, this theory manifests as a strategic interaction between firms and regulatory bodies such as the Securities and Exchange Commission (SEC). Firms make rational decisions in light of the SEC's deterrent measures, while the SEC employs both proactive and reactive strategies to disincentivize and uncover instances of economically consequential fraudulent behavior (Kedia & Rajgopal, 2011; Zahra et al., 2005). Extending this reasoning, this study proposes that Corporate Social Responsibility (CSR) impacts the utility functions that govern both fraudulent behavior in firms and the SEC's effectiveness in regulatory oversight. CSR influences these behaviors through two distinct mechanisms: risk management (Godfrey, 2005; Koh et al., 2014; Shiu & Yang, 2017; Vishwanathan et al., 2019) and rent-seeking (Boatright, 2009; Devinney, 2009; Liu et al., 2018), each acting as a countervailing force influencing fraudulent tendencies in firms and shaping the SEC's regulatory prowess.

The risk management literature frames CSR as a means of accumulating "strategic capital" among key stakeholders—a notion introduced by Post and Waddock (1995) under the prescript of "strategic philanthropy." Subsequent contributions by Godfrey (2005), Scherer and Palazzo (2011), and Vishwanathan et al. (2019) extend this viewpoint, arguing that strategic capital not only delivers financial advantages but also encourages a corporate ethic of responsibility and self-regulation. This realignment in corporate ethos towards ethical

standards helps deter unethical behavior (Flammer & Luo, 2017; Hwang et al., 2022; Rodgers et al., 2015). Moreover, socially engaged firms may be perceived more favorably by regulators, resulting in comparatively lenient oversight (Barnett, 2014). Godfrey (2005) and Godfrey et al. (2009) in particular emphasize that CSR accrues "moral capital," which shields firms from negative stakeholder judgments and reduces regulatory risks during periods of heightened scrutiny.

Emerging research further supports the risk management rationale by underscoring CSR's strategic role in enhancing a culture of organizational transparency and accountability (Cheng, Ioannou, & Serafeim, 2014; Cho, Lee, & Pfeiffer, 2013). Such improvement in information clarity and stakeholder trust generate reciprocal goodwill, curb fraudulent tendencies, and encourage more lenient governmental oversight. These principles mirror those of strategic philanthropy and moral capital, indicating that CSR not only signals a firm's integrity but also reinforces its internal mechanisms for regulatory compliance (Koh et al., 2014; Rodgers et al., 2015). As a result, CSR is increasingly acknowledged as an efficacious risk management tool—one that safeguards against ethical pitfalls and fosters stronger, more forgiving relationships with government regulators.

Conversely, the rent-seeking perspective contends that firms may cynically deploy CSR initiatives as a strategic facade to legitimize opportunistic behavior (Boatright, 2009; Devinney, 2009; Liu et al., 2018). Drawing on Bénabou and Tirole's (2006, 2010) "over-justification effect," firms in this view leverage ostensibly "socially friendly" engagements to augment reputational capital, all the while emboldening unethical operations—such as financial misreporting—beneath a veneer of responsibility. Although this cynical approach may fulfill short-term economic goals, it ultimately fails as a protective measure and, instead, heightens a firm's exposure to regulatory action. Consistent with research on organizational hypocrisy and facades, these manipulations are inherently fragile: any discrepancy between stated values and genuine conduct eventually surfaces (Cho, Laine, Roberts, & Rodrigue, 2015; Christensen, Morsing, & Thyssen, 2020), often with damaging repercussions. This fragility is compounded by advancements in regulatory oversight, as enforcement agencies such as the SEC—bolstered by increased resources and technological sophistication—are becoming increasingly adept at detecting superficial compliance efforts (Williams, 2013), thereby eroding CSR's perceived reputational shield.

Contemporary research has examined such rent-seeking maneuvers through multiple lenses—social moral licensing (Lasarov & Hoffmann, 2020; List & Momeni, 2021), window dressing (Du, 2015; Koehn & Ueng, 2010), organizational hypocrisy (Christensen et al., 2020; Wagner, Lutz, & Weitz, 2009), organizational facade (Blanc, Cho, Sopt, & Branco, 2019; Cho et al., 2015), and greenwashing (Chen & Chang, 2013; Lyon & Maxwell, 2011). Collectively, these perspectives underscore a paradox: while CSR can initially serve as a strategic pretense for unethical conduct, its instability—and the growing acumen of stakeholders such as the SEC—intensifies a firm's exposure to scrutiny once inconsistencies come to light. Consequently, the rent-seeking rationale highlights how firms misjudging the long-term fragility of deceptive CSR face an elevated risk of sanctions and financially consequential damage, showing that CSR's protective veneer is untenable without genuine ethical commitments.

Taken together, these two channels—risk management and rent-seeking—operate in opposing directions, leaving the overall net effect of CSR on firm–SEC interactions and the broader CSR–Fraud–Enforcement triad empirically ambiguous. To address this complexity, in the next section I introduce a quasi-experimental framework grounded in game-theoretic logic, modeling the strategic interactions between firms and regulators across sequential decision stages. This approach provides an actor-specific assessment of how firms navigate risk mitigation versus opportunistic gains, while also capturing how regulators adjust enforcement strategies in response to firm behavior. By integrating these strategic interdependencies, this design provides a realistic account of each party's utility-maximizing choices, making it particularly apt for examining how a strategic factor like CSR shapes incentives and decision-making in the context of corporate fraud and SEC enforcement.

3. Analytical Framework

Existing research adeptly delineates two processes linked to corporate fraud events: sanctioned fraud, observable through SEC enforcement, and unsanctioned fraud, which has hitherto remained undetected by the SEC (Dyck et al., 2024; Shi et al., 2017; Wang, Winton, & Yu, 2010). This dichotomy has catalyzed an extensive body of research in management and accounting, employing methodologies ranging from conventional statistical techniques to innovative machine learning algorithms (Cecchini et al., 2010; Dechow, Ge, Larson, &

Sloan, 2011; Wang, 2013; Xu, Xiong, & An, 2023). However, these investigations suffer from significant limitations in capturing the dynamics between firms and the SEC.

The first and perhaps most critical limitation is the absence of an analytical framework that addresses the strategic interplay between corporate entities and regulatory bodies like the SEC. Neither firms nor the SEC operate as isolated agents acting independently of each other (Knudsen & Moon, 2022; Reed, 2009); rather, they interact within a complex, symbiotic regulatory ecosystem. In this context, choices made by one actor inevitably influence the options and subsequent decisions of the other, thereby impacting regulatory outcomes. Furthermore, a related but distinct shortcoming is the difficulty in capturing unsanctioned fraud, described in research as the "hidden part of the iceberg" (Dyck et al., 2024). This methodological oversight can also introduce biases (Shi et al., 2017) and skew both empirical conclusions and policy recommendations.

To tackle these methodological shortcomings, I employ the Strategic Logit with Partial Observability (SLPO) model, an approach grounded in the seminal works of Signorino (1999; 2003), Signorino & Yilmaz (2003), and later refined by Nieman (2015; 2018) in the context of firm-government interactions. In contrast to standard binary choice models that primarily focus on single-layer decisions and outcomes, the SLPO approach integrates game-theoretic principles to capture the conditional choices and interdependencies among strategic actors, thereby offering a more realistic depiction of how corporations and regulators interact. Although the SLPO shares some methodological roots with bivariate probit approaches (Shi et al., 2017; Wang, Winton, & Yu, 2010), it broadens the analytic scope by incorporating expected utility calculations that clarify how corporate decisions both influence—and are influenced by—regulatory actions, lending a deeper appreciation of the strategic dynamics involved. This makes the SLPO framework particularly well-suited for examining CSR as strategic lever, illuminating how its risk mitigation and rent-seeking rationales may shape each actor's choice utilities within the CSR–Fraud–Enforcement triad.

Figure 1 conceptualizes the strategic interplay between a firm and the SEC, encapsulating four salient actions – F, F', S, and S' – and three resulting outcomes – Y_1, Y_2, and Y_3. Through the study's CSR lens, which activates its risk-mitigation and rent-seeking channels, firms are perpetually presented with two mutually exclusive courses of action:

either engage in financial fraud (F) or abstain (F'). Choosing the latter ends the game, yielding outcome Y_1. Conversely, if the firm engages in fraud (F), the SEC—guided by its enforcement capabilities and influenced by the firm's CSR profile—either successfully sanctions the act (S), resulting in outcome Y_3, or fails to do so (S'), leading to outcome Y_2.

Figure 1. Strategic Interaction between Firm and SEC
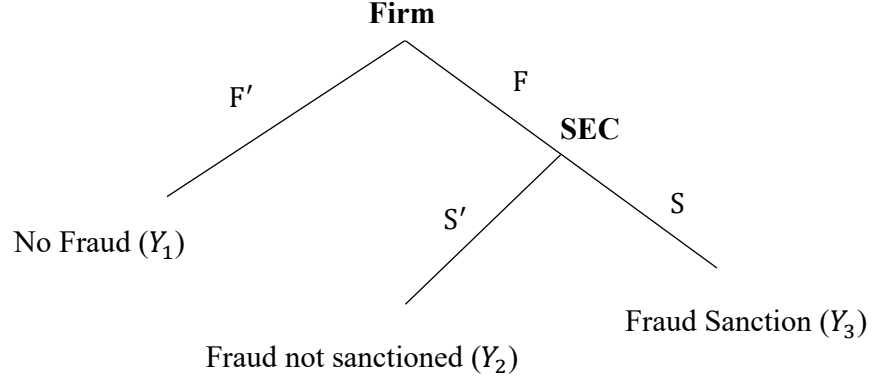
Drawing on Becker's (1968) and Nieman's (2015; 2018) utility-maximizing framework, let $U_{i,j}$ denote the observable utility derived from action j by actor i. The utility functions for the SEC and the firms can then be represented as $U_{i,j}^* = U_{i,j} + \alpha_{i,j}$,

where $\alpha_{i,j}$ denotes unobserved utility associated with the actor's private information. By applying backward induction to the decision tree (Figure 1) and assuming $\alpha_{i,j}$ follows an independent and identically distributed (iid) distribution, the SEC's logistic choice probabilities become:

$$p_s = \frac{e^{U_{SEC_S}}}{e^{U_{SEC_S}} + e^{U_{SEC_{S'}}}}, \qquad p_{s'} = \frac{e^{U_{SEC_{S'}}}}{e^{U_{SEC_S}} + e^{U_{SEC_{S'}}}}$$

where p_s and $p_{s'}$, denote probabilities of sanctioning (S) no not sanctioning (S'), respectively

Correspondingly, within a prototypical strategic interaction, if a firm opts for fraud (F), it accounts for the SEC's possible responses in its utility calculation, leading to:

$$EU_{Firm_F}^* = p_{s'} U_{Firm_{FS'}} + p_s U_{Firm_{FS}} + \alpha_{Firm_F}$$

which then gives rise to the firm's choice probabilities:

$$p_F = \frac{e^{EU_{Firm_F}}}{e^{U_{Firm_{F'}}} + e^{EU_{Firm_F}}}, \qquad p_{F'} = \frac{e^{U_{Firm_{F'}}}}{e^{U_{Firm_{F'}}} + e^{EU_{Firm_F}}}$$

where p_F captures the probability of committing fraud and $p_{F'}$ the probability of abstaining.

Because actor-specific decisions—particularly undetected fraud—are not directly observed in practice, the firm–SEC game is estimated using maximum likelihood under partial observability:

$$L = \prod_{i=1}^{n} P(Y_i = 1)^{y_i} P(Y_i = 0)^{1-y_i}$$

with

$$P(Y_i = 1) = p_F p_s, \quad P(Y_i = 0) = 1 - p_F + p_F(1 - p_s) = 1 - p_F p_s$$

In this formulation, $Y_i = 1$ indicates a scenario where a firm commits fraud and is subsequently sanctioned by the SEC, whereas $Y_i = 0$ encompasses either abstention from fraud or unsanctioned fraud (i.e., no sanctions to date). Therefore, employing the SLPO approach, I probabilistically differentiate these partially unobservable outcomes based on the observable segment of the utility, while accounting for the strategic interplay between a firm and the SEC.

4. Method

4.1. Data and Sample

The initial sample includes U.S.-domiciled publicly listed firms for the period 2002–2016, drawn from MSCI's Environmental, Social, and Governance (ESG) dataset (formerly known as KLD ESG database). To mitigate the reverse causality concerns, firms' ESG scores are lagged by one year. MSCI ESG ratings datasets are widely recognized and have been utilized in various empirical studies, affirming their credibility as a reliable source for CSR information (Godfrey et al., 2009; Hwang et al., 2022; Shiu & Yang, 2017). Financial and accounting data are sourced from Compustat.

Start of investigation year is set to 2002, aligning with the enactment of the revolutionary Sarbanes-Oxley Act (SOX), leading to relatively consistent regulatory and

reporting requirements up to 2018. Data on securities enforcement actions are sourced from

the SEC's Accounting and Auditing Enforcement Releases (AAERs), while the SEC's

Table 1. Distribution of SEC's Enforcement Actions

Panel A Distribution of SEC's Enforcements by Year[6]		
Year	Total Fraud Events	% Of Fraudulent Firms
2002	26	17.81
2003	19	13.01
2004	12	8.22
2005	6	4.11
2006	7	4.79
2007	6	4.11
2008	9	6.16
2009	7	4.79
2010	16	10.96
2011	8	5.48
2012	10	6.85
2013	4	2.74
2014	11	7.53
2015	3	2.05
2016	2	1.37
Overall	**146**	**100.00**
Panel B Distribution of SEC's Enforcements by Sector		
Two-digit GICS	Total Fraud Events	% Of Fraudulent Firms
Energy	8	5.48
Materials	9	6.16
Industrials	19	13.01
Consumer Discretionary	16	10.96
Consumer Staples	10	6.85
Health Care	22	15.07
Financials	21	14.38
Information Technology	31	21.23
Communication Services	5	3.42
Utilities	4	2.74
Real Estate	1	0.68
Overall	**146**	**100.00**

[6] SEC's enforcement actions are adjusted by the actual corporate fraud event year.

EDGAR database is utilized to extract 10-K reports for assessing firms' long-term strategic
orientation, in line with Flammer and Bansal (2017).

After removing observations with missing information, the resulting longitudinal dataset
consists of 12,480 firm-year observations, comprising 2,138 unique firms, including 146
instances of firm-specific SEC enforcement actions. Table 1 details the distribution of these
SEC enforcement actions: Panel A provides a yearly breakdown, while Panel B sorts them
by their corresponding two-digit Global Industry Classification Standard (GICS) industrial
sectors.

4.2. Dependent Variable

Two dependent variables under consideration are securities fraud and ex-post
securities enforcement. As outlined in the Estimation Strategy section above, ex-post
securities enforcement, representing the observable outcome of interactions between firms
and the SEC, serves as the primary dependent variable within the analytical framework of
this study. This captures instances of fraud that have been formally sanctioned by the SEC
following successful investigations. Consistent with prior studies, information on securities
enforcement is sourced from the SEC's Accounting and Auditing Enforcement Releases
(AAERs) between 2002 and 2019 (Alam & Petruska, 2012; Cecchini et al., 2010; Dechow et
al., 2011; Shi et al., 2017). Given the average time lag of approximately four years between
the occurrence of fraud by firm and SEC's enforcement action, the sample covers incidents
up to the year 2016. For additional data reliability, the hand-collected AAER data is cross-
verified with the catalog maintained by USC Leventhal School of Accounting, as per Dechow
et al. (2011).

It is important to note that the SEC's AAERs disclose substantiated instances of
material financial misrepresentations by firms to the public, following the achievement of
legal resolution. Utilizing data from an official governmental source like the SEC offers two
main advantages. First, it ensures a high level of data credibility by eliminating doubtful
filings lacking material significance. Second, the dataset provides a more accurate predictive
power for securities fraud, as corroborated by Karpoff, Koester, Lee, & Martin (2017). Lastly,
to ensure that the timing of the fraudulent acts aligns with their actual occurrence rather than
when they were sanctioned by the SEC, each AAER is carefully scrutinized. This includes

cross-referencing each case with company-issued press releases, which are sourced from the FACTIVA database. As a result, the study's dichotomous dependent variable is coded as 1 when a firm both (1) violates SEC's rules, and (2) is sanctioned by the SEC.

4.3. Independent Variables

To obtain a measure of firm's CSR engagement, I utilize the MSCI's ESG database (formerly known as KLD). This database evaluates a firm's activities across five key stakeholder themes: community, employees, governance, customers, and environment. A firm's performance in these thematic areas are clustered into actionable Environmental (E), Social (S) and Governance (G) factors, creating a multifactorial construct for assessing CSR performance (Hwang et al., 2022; Shiu & Yang, 2017). The cumulative CSR score, denoted as $CSR_{aggregate_{i,t}}$, serves as a quantifiable measure of CSR engagement across the E, S, and G dimensions for firm i during year t.

Further, existing CSR literature consistently highlights the importance of evaluating CSR's strategic efficacy over a long-term horizon (Cheng et al., 2014; Godfrey et al., 2009). This perspective stems from the recognition that the benefits of CSR initiatives, especially in terms of stakeholder relationships, often require time to yield observable value (Shiu & Yang, 2017). Given the dualistic nature of CSR, as seen from risk management and rent-seeking perspectives, its potential to shape corporate practices regarding fraudulence and trigger regulatory actions is likely more pronounced over the long term. Accordingly, I examine the effects of firms' CSR engagement from both short- and long-term temporal perspectives.

While the $CSR_{aggregate_{i,t}}$ captures the short-term perspective, the long-term view is addressed by incorporating Flammer and Bansal's (2017) Long-Term Orientation Index (LT-index) into a moving average of firm's past CSR scores:

$$LCSR_{aggregate_{i,t}} = \frac{1}{n} \sum_{j=i}^{n} (LT_{index_{t-n}} \times CSR_{aggregate\ i,t-n}) \; ; i = 1, 2, \dots, n \qquad (1)$$

In line with previous literature (Shiu & Yang, 2017; Tang, Hull, & Rothenberg, 2012), n = 3 years:

$$\text{LCSR}_{\text{aggregate}_{i,t}} = \frac{1}{3} \left(\text{CSR}_{\text{aggregate}_{i,t-1}} \times \text{LT}_{\text{index}_{t-1}} \right) + \frac{1}{3} \left(\text{CSR}_{\text{aggregate}_{i,t-2}} \times \text{LT}_{\text{index}_{t-2}} \right) + \frac{1}{3} \left(\text{CSR}_{\text{aggregate}_{i,t-3}} \times \text{LT}_{\text{index}_{t-3}} \right)$$

To compute the LT_{index} I refer to firms' 10-K filings from SEC's EDGAR database. Adhering to the methodology of Flammer and Bansal (2017), I quantify the frequency of "short-term" and "long-term" related keywords to compute their relative proportion. $LCSR_{aggregate_{i,t}}$, thereby represents the average long-term CSR engagement for firm i in year t. By assigning equal weight to CSR scores across years, this approach recognizes that the strategic efficacy of a firm's CSR actions on a long-term horizon is inherently stochastic (Kitzmueller & Shimshack, 2012), shaped by both situational factors and organizational inefficiencies[7].

4.4. Control Variables

In aligning with this study's estimation strategy, which focuses on identifying specific decision-making mechanisms of firms and the SEC, I draw upon the seminal works of Dechow et al. (2011), Wang et al. (2010), Wang (2013), and Shi et al. (2017) to categorize attributes essential to their utility functions. This categorization step is significant, as the research uncovers a crucial bifurcation of outcomes between the internal decision-making rationales of firms and the responses of regulatory authorities like the SEC. To ensure apt model identification, care is taken to avoid overlapping variables in these utility functions, with few exceptions, as guided by Wang (2013) and Shi et al. (2017). However, this approach is mindful of certain factors that possess a dual-strategic nature, akin to study's independent variables, affecting the utility functions of both firms and regulatory bodies. For instance, size of the firm, while larger and more established firms can invest in robust compliance systems, reducing fraud risk and fostering transparency with regulators, their complex hierarchical structures may weaken CSR's governing effects and create opportunities for sophisticated fraudulent activities, posing challenges for financially constrained regulators like the SEC (Kedia & Rajgopal, 2011; Zhong et al., 2021). Similarly, the industry's litigation

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[7] To confirm the qualitative reliability of construct, analysis is repeated with alternative CSR measure calculated with decreasing weight distribution using Barron and Barrett's (1994) rank-order centroid (ROC) decay model: $\frac{1}{n}\sum_{j=i}^{n}\frac{1}{j}$, $i = 1, 2, ..., n$; also, with total sum of weight equal to 1.

level can reflect competitive disparities among peers as well as a collective tendency to exploit regulatory loopholes (Wang, 2013).

Notwithstanding, in the subsequent robustness analysis concerning alternative model specification, I test Wang's (2013) rationality-based assumption by relaxing the model identification criteria. This procedure not only confirms the qualitative robustness of analysis but lends credibility to the proposed model specification.

In summary, the firm's utility for fraudulent activities ($U^*_{Firm_F}$) is captured by variables such as *Firm Size* and *Profitability*, recognizing larger and profitable firms' tendency towards fraud due to their ability to bear sanctions (Wang, 2013). Firm Size is operationalized as the natural logarithm of total assets, reflecting the larger firms' capacity to endure sanctions. Profitability, measured by net income scaled by total assets (ROA). *Financial Condition* is gauged using Altman's revised Z-score (Altman, 2013), defined as: $6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4$; where, X_1 is working capital over total assets, X_2 is retained earnings over total assets, X_3 is earning before interest and taxes over total assets, and X_4 is book value of equity over total liabilities. Reflecting firm's susceptibility to financial distress and its potential impact fraudulent conduct (Summers & Sweeney, 1998). *Firm Leverage*, defined as total debt scaled by total assets, alongside *External Financing Need* measured as ROA/(1-ROA), are included to assess the influence of external financial dependencies on fraud decisions (Demirgüç-Kunt & Maksimovic, 1998; Wang, 2013; Shi et al., 2017). The intensities of *Capital*, *R&D*, and *Acquisitions* expenditure, scaled by total assets, serve as proxies for a firm's strategic risk-taking capacity (Wang, 2013). *Industry Litigation Intensity*, measured by the natural logarithm of the total market value of litigated firms in a GICS-year, and *Prior Enforcement Event* (indicating previous SEC enforcement actions), are included to contextualize a firm's regulatory environment and past regulatory interactions (Wang, 2013).

Correspondingly for SEC's sanction utility function ($U^*_{SEC_S}$), in addition to the variables *Firm size* and *Industry litigation Intensity*, I include accounting accrual quality variables such as *Working Capital*, *Change in Receivables*, *Soft Assets,* as they are reflective of a firm's investment appeal and is therefore closely monitored by investors and shareholders, hence influencing managerial reporting (Dechow et al., 2011). Working Capital

Accruals is estimated by normalizing the net changes in current assets and liabilities against average total assets; Change in Receivables is determined by the change in total receivables as a proportion of average total assets; Soft Assets is measured as ratio of intangible assets to average total assets. Market-related incentives variables, including the *Book-to-market* ratio, calculated at the fiscal year-end, and *Actual Issuance*, as categorical variable for issuance for securities, are considered for their ability to flag potential financial irregularities (Dechow et al., 2011). Further, the decision to exclusively include variables actual issuance and book-to-market within the classification of "market-related incentives" is justified by their fundamental nature, as well as reinforcement from the extant evidence in the field (Bao, Ke, Li, Yu, & Zhang, 2020; Dechow et al., 2011). *Deferred Tax Expense* scaled by total assets is used as a marker of tax accounting practices (Dechow et al., 2011; Erickson, Hanlon, & Maydew, 2004); lastly, I introduce variable *SEC Budgetary Slack*, measured as the percentage of the SEC's unused annual budget (Annual Budget Authority – Actual Obligations / Annual Budget Authority), reflecting the agency's financial resources and capacity to pursue fraud investigation, are crucial for understanding regulatory capabilities[8] (Bealing, 1994; Kedia & Rajgopal, 2011).

The operational definitions for control variables pertaining to the utility functions of both the firm ($U^*_{Firm_F}$) and the SEC ($U^*_{SEC_S}$) are detailed in Table 1 of Appendix A.

5. Results

Table 2 summarizes descriptive statistics and bivariate correlations of study variables. Notably, the only problematic collinearity is found to be between profitability (ROA) and external financing need, with a correlation coefficient of 0.749. Given the potential mediating influence of profitability on a firm's financing requirements, the variable external financing need is omitted from the main analyses. To further verify the potential multicollinearity problem among the independent and control variables, Variance Inflation Factors (VIF) are calculated. The mean VIF value for all variables is 1.24, while the highest VIF observed is 1.83. Both these metrics are well below the conservative VIF threshold of 5 and the generally accepted ceiling of 10, as recommended by Cohen, Cohen, West, and Aiken (2003), thereby

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[8] For more details, see SEC (2019b).

Table 2. Sample Summary Statistics

Variables	Mean	Median	S.D.	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
1. Fraud	0.012	0	0.107	1.000										
2. Size	8.208	8.142	1.734	0.024	1.000									
3. Profitability (ROA)	0.034	0.045	0.142	-0.003	0.163	1.000								
4. Leverage	0.210	0.189	0.195	-0.001	0.122	-0.102	1.000							
5. Issuance of Securities	0.939	1	0.238	-0.020	0.006	-0.004	0.047	1.000						
6. External financing need	0.0498	0.047	0.141	-0.001	0.077	0.749	-0.065	-0.040	1.000					
7. Prior Enforcement Event	0.078	0	0.268	0.005	0.201	0.023	-0.015	-0.021	0.010	1.000				
8. Capital Intensity	0.046	0.032	0.053	-0.016	-0.054	0.022	0.112	0.033	0.034	-0.054	1.000			
9. R&D Intensity	0.0572	0.031	0.081	-0.008	-0.350	-0.355	-0.103	0.033	-0.219	-0.032	-0.079	1.000		
10. Acquisition Intensity	0.026	0.001	0.064	0.004	-0.075	0.005	0.095	0.032	-0.008	-0.023	-0.112	0.017	1.000	
11. Financial Condition	2.418	2.444	4.649	0.000	0.042	0.358	-0.207	-0.026	0.355	-0.001	-0.020	-0.297	-0.030	1.000
12. Industry Litigation Intensity	0.636	0	2.272	0.295	0.042	-0.039	-0.084	-0.009	-0.042	0.029	-0.063	0.050	0.016	-0.037
13. Short-term CSR	4.784	4.767	1.259	0.023	0.138	0.095	-0.012	0.056	0.076	-0.003	-0.071	0.008	0.006	0.065
14. Long-term CSR*	3.193	3.175	0.841	0.015	0.157	0.101	-0.006	0.055	0.081	0.026	-0.067	-0.007	0.005	0.065
15. Accrual quality– Receivables	0.011	0.007	0.060	-0.036	0.025	0.030	-0.064	-0.016	0.003	-0.038	-0.067	-0.019	0.064	0.064
16. Accrual quality– Soft assets (%)	0.355	0.396	0.406	0.043	0.142	0.108	-0.137	-0.028	0.053	0.091	-0.054	-0.076	0.176	0.109
17. Accrual quality– Working Capital	0.059	0.047	0.142	0.014	-0.137	0.134	-0.062	-0.005	0.079	-0.017	-0.041	-0.104	0.032	0.273
18. Deferred tax expenses	0.018	0.016	0.054	-0.008	-0.031	0.046	-0.019	-0.023	0.083	0.003	0.027	0.031	-0.105	0.045
19. Book-to-Market	0.288	0.384	5.552	0.004	0.001	0.118	0.007	-0.004	0.060	0.004	-0.004	-0.008	0.004	0.045
20. SEC's Budgetary Slack	0.047	0.692	4.287	0.076	0.098	0.049	-0.051	0.026	0.025	0.062	0.006	-0.030	-0.044	0.016

Variables	12.	13.	14.	15.	16.	17.	18.	19.	20.
12. Industry Litigation Intensity	1.000								
13. Short-term CSR	-0.014	1.000							
14. Long-term CSR	-0.024	0.855	1.000						
15. Accrual quality– Receivables	0.045	-0.009	-0.009	1.000					
16. Accrual quality– Soft assets (%)	0.084	0.062	0.068	0.154	1.000				
17. Accrual quality– Working Capital	-0.061	-0.001	0.010	0.042	0.110	1.000			
18. Deferred tax expenses	-0.011	0.009	0.015	-0.006	0.008	0.043	1.000		
19. Book-to-Market	0.011	0.003	-0.000	-0.001	0.046	0.012	-0.004	1.000	
20. SEC's Budgetary Slack	0.094	-0.054	-0.052	0.033	-0.016	0.015	-0.017	-0.0061	1.000

substantiating the absence of significant multicollinearity concerns in the estimation models deployed in this study.

Table 3 presents the strategic logistic partial observability (SLPO) estimates of study's independent and control variables. Columns 1 and 2 each incorporate two interdependent decisions: Firm[F], representing a firm's propensity to commit fraud (P(Fraud)), and SEC [S], indicating the regulator's propensity to sanction if fraud occurs (P(Sanction)). Although the models' coefficients theoretically account for the underlying utilities guiding fraud (for the firm) and enforcement (for the SEC), the empirical outputs measure the propensity or probability of each event. Analysis in column 1 examines Short-term CSR, revealing a negative, statistically significant effect on Firm [F] ($\beta = -0.191$, p = 0.026). Heightened CSR performance reduces the firm's net utility for committing fraud when under regulatory oversight. Substantively, a one-standard-deviation increase in short-term CSR engagement (s.d.=1.259) corresponds to an approximately 7.5% decrease in the likelihood of fraud— reflecting how CSR's moral ethos and strategic capital can deter opportunistic behavior.

Column 2 incorporates the second independent variable, Long-term CSR, similarly showing a negative and significant coefficient for Firm[F] ($\beta = -0.288$, p=0.024), reinforcing that sustained CSR efforts profoundly deter fraud. Meanwhile, the positive and significant coefficient in SEC [S] ($\beta = 0.682$, p=0.024) indicates that robust, long-horizon CSR also boosts the regulator's net utility in sanctioning detected fraud. In terms of marginal economic significance, a one-standard-deviation improvement in firms' long-term CSR (s.d. = 0.841) reduces fraud likelihood by about 11.8% and raises the SEC's enforcement propensity by approximately 6%.

Figures 2 and 3 depict the predicted probabilities for outcomes Firm [P(F)=1] and SEC [P(S)=1], across varying levels of CSR engagement. These plots visually demonstrate the contrasting effects of CSR on the utility functions of both the firm and the regulator— shaping the firm's decision to commit fraud and the SEC's propensity to sanction. Notably, the impact of long-horizon CSR is more pronounced than short-run overtures, confirming that sustained CSR efforts more strongly attenuate the firm's fraud utility while enhancing the regulator's enforcement calculus.

Table 3. Strategic Logistic with Partial Observability with Short-and Long-term CSR

	(1)		(2)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Firm Leverage	-2.214		-2.007	
	(0.001)		(0.009)	
Firm Profitability	1.809		2.038	
	(0.194)		(0.139)	
Financial Condition	-0.081		-0.077	
	(0.055)		(0.048)	
R&D Intensity	4.068		4.398	
	(0.075)		(0.054)	
Capital Intensity	1.681		2.084	
	(0.511)		(0.399)	
Acquisition Intensity	0.139		-0.321	
	(0.909)		(0.810)	
Prior Enforcement Event	0.426		0.483	
	(0.279)		(0.219)	
Firm Size	-0.106	-0.456	-0.098	-0.568
	(0.096)	(0.000)	(0.128)	(0.000)
Industry litigation Intensity	-0.006	2.377	-0.006	2.447
	(0.896)	(0.000)	(0.886)	(0.000)
Accrual quality – Working Capital		2.504		3.397
		(0.060)		(0.035)
Accrual quality – Receivables		-2.957		-2.396
		(0.025)		(0.092)
Accrual quality – Soft assets (%)		1.237		1.540
		(0.130)		(0.040)
Actual Security Issuance		-1.840		-2.531
		(0.003)		(0.002)
Book-to-Market		-0.020		-0.024
		(0.568)		(0.526)
Deferred tax expenses		-3.292		-3.778
		(0.072)		(0.045)
SEC Budgetary Slack		0.082		0.079
		(0.054)		(0.098)
Short-term CSR	-0.191	0.212		
	(0.026)	(0.209)		
Long-term CSR			-0.288	0.682
			(0.024)	(0.024)
Constant	-3.851	-5.889	-4.082	-5.899
	(0.038)	(0.000)	(0.032)	(0.000)
Observations	12,480		11,635	
Chi-squared	27.46		26.20	
Log-likelihood	-398.438		-379.180	

P-values in parentheses. Standard errors within both Firm [F] and SEC [S] models are clustered at two-digit GICS code.

Figure 2. *Panel A*: Predicted probabilities of firm fraud likelihood and short-term CSR.

Panel B: Predicted probabilities of SEC sanction likelihood concerning short-term CSR.
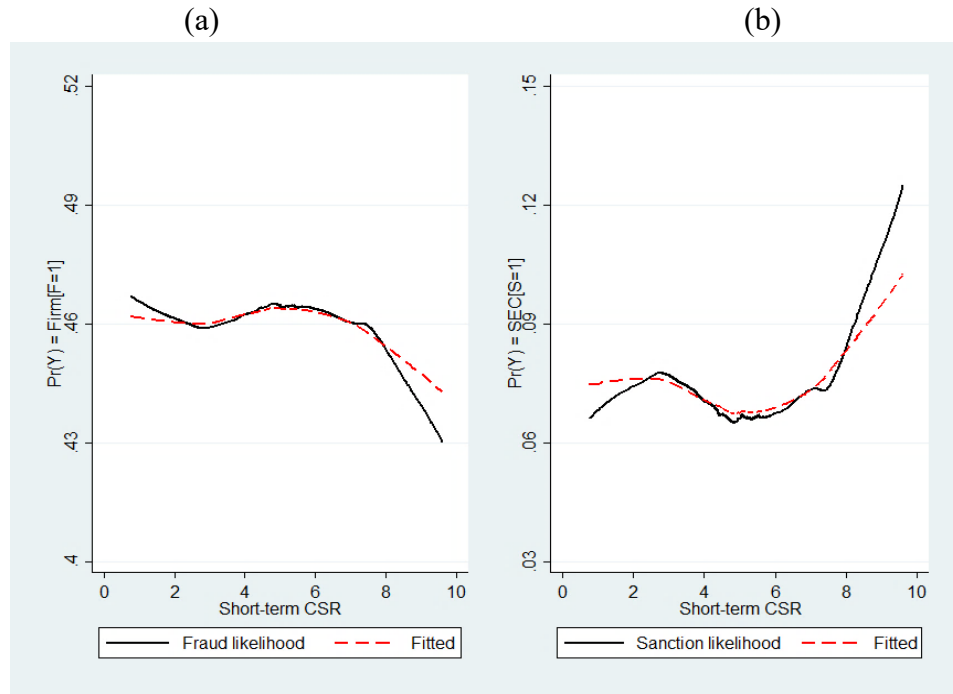
Figure 3. *Panel A*: Predicted probabilities of firm fraud likelihood and long-term CSR.

Panel B: Predicted probabilities of SEC sanction likelihood concerning long-term CSR.
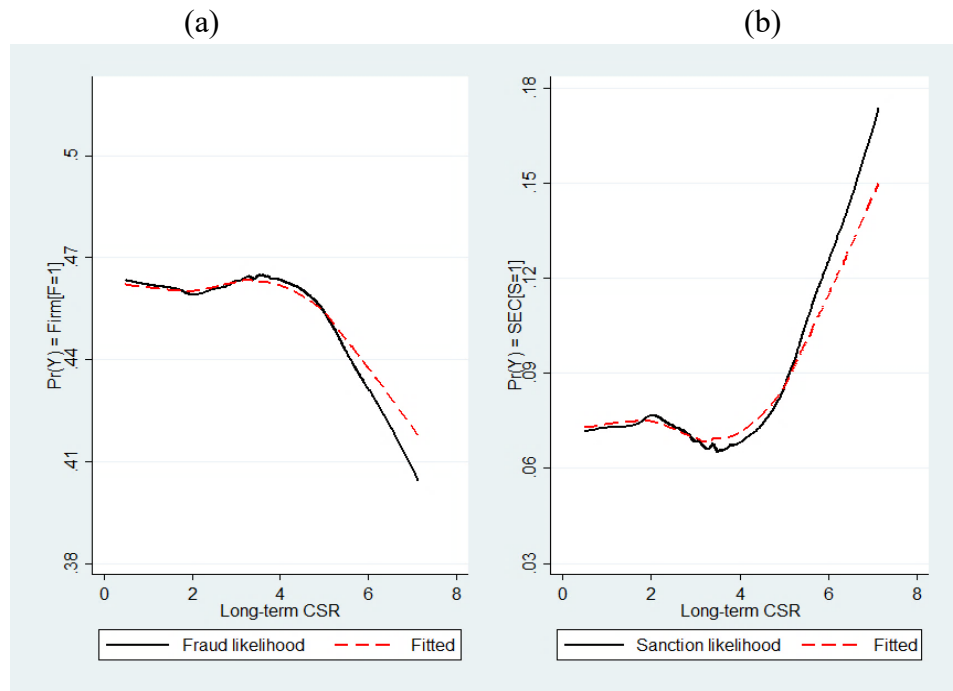
Among the control variables analyzed, several variables demonstrate statistical significance. Within the firm's fraud function (Firm [Fraud]), variables such as firm leverage, R&D intensity, financial condition, and firm size are found to be statistically significant. Notably, firm size, leverage, and financial condition appear to attenuate the firm's utility for engaging in fraudulent actions, while the firm's R&D intensity appears to elevate this propensity. In the SEC's sanction utility function (SEC [Sanction]), variables such as firm size, deferred tax expenses, actual issuance, SEC budgetary slack, industry litigation intensity, and accounting accrual quality metrics – namely working capital, soft assets, and changes in receivables – consistently manifest significance in the analyses. Within which variables like firm size, accrual quality of change in receivables, actual issuance, and deferred tax expense are observed to diminish the SEC's propensity for sanctioning fraudulent firms. Conversely, factors such as industry litigation intensity, accrual quality of working capital and soft assets, and SEC's budgetary slack are perceived to enhance the SEC's capability to sanction fraudulent entities.

Table 4 disaggregates CSR into Environmental (E), Social (S), and Governance (G) components. Governance-related CSR most closely aligns with the overarching findings, noticeably reducing a firm's fraud likelihood while enhancing the SEC's enforcement propensity. By contrast, short-term social CSR shows a brief uptick in fraud propensity—a pattern that fades when social CSR commitments extend over a longer horizon. These observations point to two key conclusions: first, sustained CSR engagement appears crucial for mitigating rent-seeking tendencies, particularly in the social domain; second, the need for further exploration of the temporal dynamics in CSR dimensions and their influence on corporate conduct and regulatory effectiveness.

Table 4. Strategic Logistic with Partial Observability with Short- and Long-term CSR sub-pillar scores

	(1)		(2)		(3)		(4)		(5)		(6)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Firm Leverage	-2.314		-2.894		2.522		1.484		-2.202		-2.158	
	(0.007)		(0.000)		(0.001)		(0.026)		(0.006)		(0.004)	
Firm Profitability	1.116		-0.013		0.114		2.117		0.403		2.105	
	(0.249)		(0.894)		(0.945)		(0.235)		(0.819)		(0.128)	
Financial Condition	-0.087		-0.083		-0.052		-0.087		-0.073		-0.085	
	(0.065)		(0.078)		(0.271)		(0.099)		(0.145)		(0.079)	
R&D Intensity	4.647		3.362		4.062		4.568		3.838		4.604	
	(0.049)		(0.170)		(0.093)		(0.067)		(0.125)		(0.046)	
Capital Intensity	2.994		0.647		0.271		4.592		1.723		2.710	
	(0.241)		(0.810)		(0.910)		(0.209)		(0.527)		(0.295)	
Acquisition Intensity	0.034		0.095		0.258		0.175		-0.438		-0.129	
	(0.980)		(0.944)		(0.856)		(0.905)		(0.749)		(0.925)	
Prior Enforcement Event	0.083		0.409		0.240		0.116		0.409		0.541	
	(0.844)		(0.308)		(0.529)		(0.798)		(0.314)		(0.170)	
Firm Size	-0.145	-0.361	-0.132	-0.377	-0.122	-0.372	-0.155	-0.439	-0.101	-0.326	-0.080	-0.599
	(0.079)	(0.003)	(0.049)	(0.003)	(0.074)	(0.004)	(0.086)	(0.003)	(0.066)	(0.014)	(0.040)	(0.001)
Industry litigation Intensity	-0.026	2.421	-0.003	2.363	0.001	2.363	-0.028	2.809	-0.014	2.354	0.001	2.659
	(0.510)	(0.000)	(0.950)	(0.000)	(0.979)	(0.000)	(0.568)	(0.000)	(0.742)	(0.000)	(0.919)	(0.000)
Accrual quality – Working Capital		2.301		3.064		2.778		2.328		3.666		4.611
		(0.063)		(0.014)		(0.096)		(0.049)		(0.012)		(0.002)
Accrual quality – Receivables		-2.956		-3.193		-3.036		-4.724		-4.615		-3.168
		(0.128)		(0.018)		(0.038)		(0.004)		(0.023)		(0.035)
Accrual quality – Soft assets		2.506		0.842		0.701		2.042		2.325		3.574
		(0.001)		(0.479)		(0.526)		(0.008)		(0.038)		(0.001)
Actual Security Issuance		-2.484		-1.813		-1.725		-2.981		-1.653		-2.980
		(0.000)		(0.005)		(0.013)		(0.000)		(0.004)		(0.000)
Book-to-Market		-0.720		-0.021		-0.021		-0.019		-0.024		-0.032
		(0.000)		(0.493)		(0.478)		(0.925)		(0.418)		(0.473)

Table 4. (continued)

	(1)		(2)		(3)		(4)		(5)		(6)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Deferred tax expenses		-4.105		-3.606		-3.287		-5.667		-3.126		-2.889
		(0.034)		(0.057)		(0.097)		(0.000)		(0.083)		(0.117)
SEC's Budgetary		0.033		0.106		0.099		0.023		0.120		0.205
Slack		(0.455)		(0.037)		(0.038)		(0.526)		(0.006)		(0.000)
Short-term CSR –	0.030	0.118										
Environmental domain	(0.668)	(0.226)										
Short-term CSR –			0.193	-0.089								
Social domain			(0.016)	(0.895)								
Short-term CSR –					-0.263	0.150						
Governance domain					(0.000)	(0.176)						
Long-term CSR –							-0.186	1.017				
Environment domain							(0.169)	(0.000)				
Long-term CSR–									0.072	-0.120		
Social domain									(0.453)	(0.391)		
Long-term CSR –											-0.281	0.791
Governance domain											(0.003)	(0.000)
Constant	-5.475	-6.518	-5.406	-5.164	-2.193	-6.162	-6.027	-7.622	-5.492	-5.729	-5.235	-7.042
	(0.015)	(0.000)	(0.004)	(0.000)	(0.048)	(0.000)	(0.018)	(0.000)	(0.008)	(0.000)	(0.020)	(0.000)
Observations	11,358		11,910		11,902		10,211		11,075		11,617	
Chi-squared	23.85		26.25		31.64		19.24		18.33		30.10	
Log-likelihood	-333.854		-352.876		-342.861		-269.623		-337.250		-374.03	

P-values in parentheses. Standard errors within both Firm [F] and SEC [S] models are clustered at two-digit GICS code.

CHAPTER 3: UNDERSTANDING THE CSR-FRAUD AND CSR-ENFORCEMENT NEXUS

5.1. Robustness Checks

To affirm the robustness of the findings, multiple checks are instigated. For brevity, the results, along with their interpretive rationales, are reported in Appendix B.

First, recognizing that financial fraud is a rare event in corporate history (Shi et al., 2017), the use of logit or probit models, including the SLPO approach, could potentially introduce bias when dealing with rare events data. To address this concern, I utilized the rare-event bias correction method developed by King and Zeng (2001) and further refined by Tomz, King, & Zeng (2003). This method corrects the bias in maximum likelihood estimates caused by the infrequency of the event. The results of the post-correction analysis, detailed in Appendix B.1 (Tables 1 and 2), showed only minor adjustments. Importantly, the marginal economic impacts of both short-term and long-term CSR variables on fraud occurrence and SEC sanctions remained stable within a margin of ±0.3%.

Second, the model's specification was evaluated using an alternative framework inspired by Wang's (2013) rationality-based assumption. This hypothesis posits that a firm's decisions regarding fraud are mirrored in the SEC's utility function. The results of this alternative specification, detailed in Appendix B.2 (Tables 3 and 4), suggest that while the potential for misspecification exists theoretically, its empirical impact is negligible, thereby reinforcing the specified model's robustness.

Third and finally, acknowledging the potential impact of the 2008 financial crisis, I conducted a sensitivity analysis excluding data from the tumultuous period of 2007 to 2009. The results of this analysis, elaborated in Appendix B.3 (Tables 5 and 6), reaffirm the robustness of the study's findings, confirming that the empirical inferences drawn are not unduly influenced by the anomalies of those years.

5.2. Additional Analysis: Fraud at Managerial and C-level

This analysis investigates the relationship between CSR, fraud, and regulatory enforcement within the corporate hierarchy, with a particular emphasis on managerial roles and C-level executives implicated in SEC actions. Extending beyond organizational dynamics, it examines employee-regulator interactions to assess how CSR shapes individual tendencies toward fraudulent behavior and the likelihood of regulatory incriminations. Based

on the study's original dataset of 146 firm-specific SEC enforcement actions, a significant subset of 99 cases is identified as involving direct employee participation in fraudulent activities. Within this subset, 51 cases entail the incrimination of the firm's Chief Executive Officer (CEO), 57 involve the Chief Financial Officer (CFO), and 12 pertain to other C-level management roles, such as the Chief Accountability Officer, Chief Operating Officer, and Chief Compliance Officer, alongside other lower-level employees. Figure 4, featuring a Venn diagram, illustrates distribution of SEC enforcement actions between different types of managerial roles.

Figure 4. Distribution of SEC Enforcement Actions Incriminating Employees
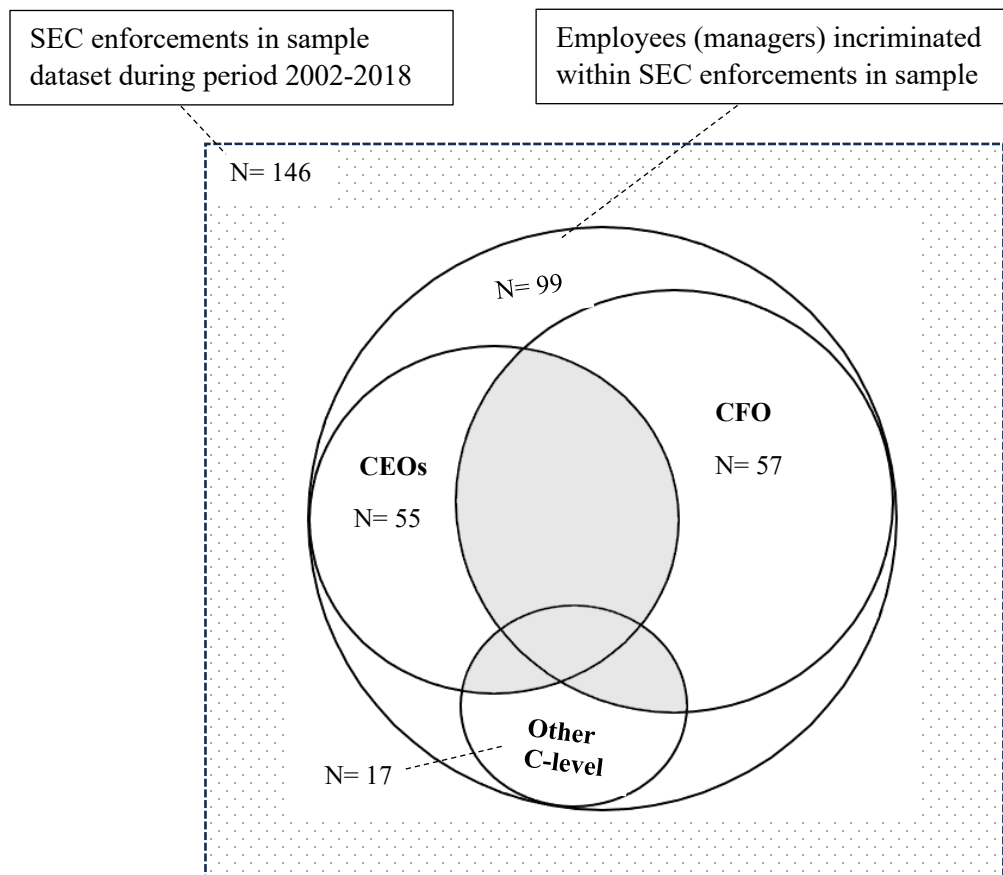
Given the variety in managerial roles incriminated in SEC's enforcement actions and the scarcity in cases specific to CEOs and CFOs, a detailed analysis of each individual category is not statistically viable[9]. To navigate this complexity, I undertake a dual

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[9] The sparsity of the data poses challenge for the application of parametric inference methods, particularly when attempting to achieve a concave likelihood function (Cameron & Trivedi, 2005).

categorization approach by distinguishing between *Managerial fraud*, encompassing misconduct by employees regardless of their rank, and *C-level fraud*, specifically focusing on transgressions by top-executives. This categorization approach not only resonates with the extensive body of literature exploring managerial fraudulence, particularly those at the C-level echelons, including how their connivance shape the SEC's regulatory sanctioning capability (Davis & Pesch, 2013; Flammer & Luo, 2017; Koh et al., 2014; Wu et al., 2023), but also aligns with the comprehensive frameworks of risk management and rent-seeking within the realm of CSR scholarship (Boatright, 2009; Godfrey, 2005; Lasarov & Hoffmann, 2020).

The findings presented in Table 5 indicate that firms' CSR initiatives significantly enhance the SEC's capacity to sanction fraudulent actors, with these effects observable across both short- and long-term horizons. This reveals a complex dynamic: while CSR may not directly deter fraudulent behavior at the individual level among managers and executives, it strengthens the SEC's ability to hold perpetrators accountable.

Examining CSR's individual pillars—Environmental (E), Social (S), and Governance (G)—distinct patterns emerge, as detailed in Table 6. Specifically, governance-focused CSR efforts significantly reduce the propensity for fraud among both managerial and C-level executives. Additionally, increased emphasis on governance and environmental CSR domains markedly boosts the SEC's ability to sanction managers and executives involved in fraud, highlighting the regulatory relevance of these pillars.

6. Discussion and Contribution

One of the cardinal tenets pervading the literature on Corporate Social Responsibility (CSR) is the role of business within the broader societal context. At its core, stakeholders hold a fundamental expectation that all corporate entities will adhere to established rules and regulations. Moreover, when infractions occur, there is an imperative for the justice system to administer appropriate enforcement measures to uphold societal trust in the business realm. The evidence presented contributes to this discourse by substantiating CSR's dual functionality. On one hand, CSR serves as a risk-mitigation tool that deters fraudulent activities, challenging prevailing notions that primarily link it to corporate duplicity and regulatory evasion. On the other hand, CSR exposes the rent-seeking tactics used by

fraudulent firms and their fiduciary agents attempting to circumvent regulatory oversight by entities like the Securities and Exchange Commission (SEC). These findings reinforce the argument for CSR's multifaceted role in curtailing corporate malfeasance and enhancing regulatory effectiveness.

Viewing these results through the actor-centric lens encompassing both firms and the SEC offers multiple interpretations. From a firm's perspective, its CSR efforts not only foster moral capital supporting robust internal deterrence against fraud but also enhances public transparency. The latter, especially over a long-term frame, increases a fraudulent firm's susceptibility to SEC's sanctions. In common rational-choice theory parlance, CSR acts as a double-edged strategic sword that balances a firm's internal utility function by deterring fraud while empowering the SEC with enhanced capabilities to penalize transgressions. Alternatively, from the SEC's standpoint, CSR emerges as a win-win strategy in both preemptive and reactive fraud scenarios. It not only fosters ethical behavior and internal compliance mechanisms within firms, but also serves as a potent strategic tool for the SEC to hold errant firms accountable through improved oversight capabilities.

In doing so, this investigation enriches and extends existing state of research converging on CSR, fraud mitigation and regulatory oversight. While prior work has identified a multitude of factors contributing to corporate fraud (see review by Amiram et al., 2018), the current research introduces CSR and its ESG components as new strategic levers in fraud deterrence. Additionally, the study also addresses a notable gap in the literature that has largely ignored the strategic interplay between firms and the SEC, particularly concerning the impact of firms' stakeholder-oriented activities on post-fraud sanctions levied by regulatory bodies like the SEC (Barnett, 2014; Koh et al., 2014). By integrating a game theory-based strategic approach, this research unveils the role of CSR in eliciting SEC sanctions against fraudulent entities. This new insight establishes a strategic policy role for CSR, and by extension, ESG factors. Regulatory bodies like the SEC can leverage these insights to both deter firms' fraudulent practices and enhance their own oversight capabilities in counteracting firms that exploit CSR for fraudulent ends. To the best of my knowledge, this research is the first empirical effort that substantively explores the strategic interactions between firms and the SEC, explicating both the CSR-fraud and CSR-sanction dynamics within an actor-centric strategic framework.

Table 5. Strategic Logistic with Partial Observability with Short-and Long-term CSR for Fraud at Managerial and C-level

	Managerial Fraud				C-level Fraud			
	(1)		(2)		(3)		(4)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Firm Leverage	-2.218		-1.654		-2.882		-2.528	
	(0.004)		(0.038)		(0.001)		(0.005)	
Firm Profitability	2.471		2.760		1.200		2.207	
	(0.063)		(0.044)		(0.173)		(0.142)	
Financial Condition	-0.053		-0.054		-0.052		-0.051	
	(0.260)		(0.273)		(0.284)		(0.309)	
R&D Intensity	3.137		3.150		4.945		5.057	
	(0.158)		(0.177)		(0.064)		(0.068)	
Capital Intensity	4.268		6.018		5.141		6.250	
	(0.087)		(0.596)		(0.142)		(0.105)	
Acquisition Intensity	0.481		-0.363		0.698		0.461	
	(0.764)		(0.815)		(0.676)		(0.799)	
Prior Enforcement Event	0.383		0.610		0.218		0.421	
	(0.401)		(0.197)		(0.369)		(0.428)	
Firm Size	-0.074	-1.553	-0.088	-1.464	0.015	-1.422	0.081	-1.451
	(0.303)	(0.000)	(0.234)	(0.000)	(0.851)	(0.000)	(0.925)	(0.000)
Industry litigation Intensity	0.050	4.870	0.025	4.911	0.049	4.375	0.021	4.760
	(0.304)	(0.000)	(0.273)	(0.000)	(0.370)	(0.000)	(0.684)	(0.000)
Accrual quality – Working Capital		0.711		-0.574		-0.354		-0.755
		(0.680)		(0.701)		(0.834)		(0.609)
Accrual quality – Receivables		5.120		3.437		5.385		4.839
		(0.008)		(0.053)		(0.004)		(0.014)
Accrual quality – Soft assets (%)		-1.496		-0.769		-1.008		-1.674
		(0.076)		(0.461)		(0.218)		(0.121)
Actual Security Issuance		-3.848		-3.671		-3.624		-3.946
		(0.000)		(0.000)		(0.000)		(0.000)
Book-to-Market		0.386		-0.054		0.301		-0.050
		(0.152)		(0.144)		(0.191)		(0.216)
Deferred tax expenses		-5.640		-7.208		-6.284		-7.490
		(0.001)		(0.000)		(0.000)		(0.000)
SEC Budgetary Slack		0.232		0.160		0.269		0.183
		(0.008)		(0.008)		(0.001)		(0.000)
Short-term CSR	-0.164	2.560			-0.093	2.407		
	(0.178)	(0.000)			(0.369)	(0.000)		
Long-term CSR			-0.185	3.901			-0.091	3.846
			(0.209)	(0.000)			(0.578)	(0.000)
Constant	-6.392	-16.631	-7.232	-15.919	-6.461	-15.571	-7.864	-16.152
	(0.039)	(0.000)	(0.022)	(0.000)	(0.007)	(0.000)	(0.011)	(0.000)
Observations	12,480		11,635		12,480		11,635	
Chi-squared	22.85		19.06		20.97		17.74	
Log-likelihood	-296.480		-283.394		-261.743		-250.302	

P-values in parentheses. Standard errors within both Firm [F] and SEC [S] models are clustered at two-digit GICS code.

Table 6. Strategic Logistic with Partial Observability with Short- and Long-term CSR sub-pillar scores for Managerial and C-level Fraud

Panel A Impact of Short-term CSR sub-pillar scores on Managerial and C-level Fraud

	Managerial Fraud						C-level Fraud					
	(1)		(2)		(3)		(4)		(5)		(6)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	M [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Short-term CSR – Environmental domain	-0.020 (0.802)	0.304 (0.070)					0.065 (0.467)	0.519 (0.036)				
Short-term CSR – Social domain			0.141 (0.116)	-0.075 (0.636)					0.152 (0.116)	-0.093 (0.558)		
Short-term CSR – Governance domain					-0.186 (0.003)	0.519 (0.000)					-0.154 (0.022)	0.495 (0.000)
Constant	-4.614 (0.048)	-6.610 (0.000)	-4.220 (0.032)	-5.761 (0.002)	-4.960 (0.027)	-7.815 (0.000)	-5.277 (0.003)	-6.397 (0.001)	-4.145 (0.019)	-5.136 (0.002)	-5.477 (0.060)	-8.354 (0.000)
Observations	11,358		11,910		11,902		11,358		11,910		11,902	
Chi-squared	16.38		16.85		24.23		18.40		18.18		22.29	
Log-likelihood	-254.604		-272.101		-262.239		-228.122		-245.375		-239.146	
Controls from Table 5	Yes		Yes		Yes		Yes		Yes		Yes	

Panel B Impact of Long-term CSR sub-pillar scores on Managerial and C-level Fraud

	(1)		(2)		(3)		(4)		(5)		(6)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Long-term CSR – Environment domain	-0.142 (0.364)	1.151 (0.000)					-0.165 (0.324)	1.140 (0.000)				
Long-term CSR– Social domain			0.171 (0.127)	0.258 (0.139)					0.231 (0.058)	0.169 (0.413)		
Long-term CSR – Governance domain					-0.190 (0.086)	1.228 (0.000)					-0.131 (0.281)	1.235 (0.001)
Constant	-5.697 (0.033)	-8.487 (0.000)	-4.705 (0.045)	-6.065 (0.000)	-5.275 (0.038)	-6.653 (0.000)	-7.592 (0.027)	-9.181 (0.000)	-4.808 (0.038)	-5.459 (0.001)	-4.738 (0.022)	-6.046 (0.000)
Observations	10,211		11,075		11,617		10,211		11,075		11,617	
Chi-squared	12.00		13.83		16.87		14.71		15.31		14.73	
Log-likelihood	-208.761		-256.087		-285.937		-189.545		-230.760		-253.575	
Controls from Table 5	Yes		Yes		Yes		Yes		Yes		Yes	

P-values in parentheses. Standard errors within both Firm [F] and SEC [S] models are clustered at two-digit GICS code.

CHAPTER 3: UNDERSTANDING THE CSR-FRAUD AND CSR-ENFORCEMENT
NEXUS

6.1. Practice & Policy Implications

For practitioners in companies and policymakers in government, the findings of this research offer several actionable insights. For corporate decision-makers, these findings elevate CSR and its ESG constituents from a reputational accessory to an operational imperative for organizational conduct. These initiatives act as a dual-function internal audit, serving both as a deterrent against potential fraud within the firm and as an external beacon that modulates regulatory scrutiny from regulatory bodies like the SEC. While CSR may not directly influence individual managers' propensity to commit fraud, it significantly reduces the overall risk of collective misconduct at the organizational level. Consequently, business leaders should reevaluate CSR initiatives as inherently tied to a firm's risk profile and regulatory accountability. CSR thus becomes a form of strategic necessity, making it increasingly difficult for firms and their agents to exploit informational asymmetries for fraudulent ends.

For regulatory bodies and policymakers, these findings are equally transformative. Authorities such as the SEC can leverage CSR as a force-multiplier in their enforcement activities, incentivizing firms to fortify their internal controls and voluntarily submit to heightened public scrutiny. In doing so, regulators can better allocate resources: shifting from labor-intensive fraud detection across a vast corporate landscape to more timely and effective enforcement actions. This redistribution of effort strengthens deterrence across the market while alleviating some of the regulatory burden posed by expansive oversight. Taken together, these insights establish a symbiotic framework that enriches corporate risk management strategies and informs regulatory enforcement practices. By doing so, this research paves the way for an evolving ecosystem of corporate governance and public oversight—one where transparency and ethics are not merely valued but strategically leveraged for mutual benefit.

6.2. Limitations and Future Research

Like all scholarly inquiries, this study is also not exempt from its limitations. Foremost among these is the inability to distinguish between the various types of enforcement meted out by the SEC. This limitation stems from the challenges in aggregating data from multiple sources, compounded by missing or omitted observations for firms that have been

subject to SEC sanctions. Notably, out of the 253 unique enforcement actions initially matched with the MSCI ESG dataset, only 146 made it into the final sample, resulting in an attrition rate of approximately 42.29%. A second limitation, which is somewhat related to the first, pertains to the feasibility of performing a subsample analysis for different periods around the 2007-2009 financial crisis. The rarity of corporate fraud event, which constitutes study's the dependent variable, yields sparse data in each temporal subsample, complicating the parametric inference due to challenges in achieving a concave likelihood function (Cameron & Trivedi, 2005). Therefore, I turn to an exploratory investigation, graphically examining predicted probabilities related to firms' CSR activities across different temporal frames (pre-2007, 2007-2009, and post-2009), as detailed in Appendix C (Figures 1 and 2). However, it is imperative to recognize that these visual representations are descriptive rather than inferential. While these do reveal observable trends and patterns, they should not be construed as formal statistical evidence confirming their validity.

As suspected, contrary to the overarching trend, the period between 2007 and 2009 shows a distinct pattern in predicted probabilities of corporate fraud and SEC enforcement actions, suggesting the need for further research into the contingent factors and boundary conditions explaining this divergence. Future studies could explore how external shocks, such as the financial crisis or industry-specific upheavals, alter the dynamics of corporate misconduct and regulatory oversight. Another promising avenue involves investigation into how CSR initiatives interact with shareholder outcomes in the aftermath of fraud and SEC enforcement. This may include examining CSR's influence on the aftermath of SEC enforcements, particularly where shareholders face financial penalties or exemptions, as outlined in the SEC's (2006) statement. Further, integrating the concept of "social cost," as discussed by Bower and Gilson (2003), could enrich this inquiry by examining the broader societal and stakeholder impacts of corporate malfeasance and regulatory measures. This may also include evaluating the micro-level effects on an individual's career post-SEC enforcement event, both in cases where indictments are substantiated and where they are dismissed. Addressing these areas could significantly deepen the academic dialogue and aid in crafting more ethically grounded corporate governance and regulatory frameworks that resonate with contemporary stakeholder and societal needs.

7. Appendix

This appendix provides comprehensive details about the control variables used in the study, results from robustness checks, and an exploratory subsample analysis – based on manuscript's main analysis detailed *Table 4 and Figures 2 and 3* – that explicates the impact of the 2007-2009 financial crisis period.

Appendix A: Variable Definitions

Table 1. Control Variable Definitions

Category	Measurement
Firm's Fraud Commitment Utility ($U^*_{Firm_F}$) Controls	
Firm Size	Natural logarithm of total assets in a given year
Profitability (ROA)	Net Income scaled by total assets in a given year
Leverage	Total debt scaled by total assets in a given year
Financial Condition	Altman Z-score = $6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4$; where,
	X_1 = Working Capital/Total Assets, in a given year
	X_2 = Retained Earnings/Total Assets, in a given year
	X_3 = Earnings Before Interest and Taxes/Total Assets, in a given year
	X_4 = Book Value of Equity/Total Liabilities, in a given year
External financing need (Asset growth rate)	$ROA/1 - ROA$, in a given year
R&D Intensity	Research and Development Expenditure scaled by total assets in a given year
Capital Intensity	Capital investment expenditure scaled by total assets in a given year
Acquisition Intensity	Acquisition expenditure scaled by total assets in a given year
Prior enforcement event	if a firm has been previously issued enforcement by the SEC in a given year
Industry litigation profile	Natural logarithm of litigation intensity in an industry (GICS-4) in a given year; where,

	Litigation intensity = total market value of all litigated firms in an industry in a given year
SEC's Sanction Utility $(U^*_{SEC_S})$ **Controls**	
Firm Size	Natural logarithm of total assets in a given year
Accrual quality – Working capital	[ΔCurrent Assets – ΔCash and Short-term Investments] – [ΔCurrent Liabilities – ΔDebt in Current Liabilities – ΔTaxes Payable]/Average total assets; in a given year
Accrual quality – Change in Receivables	ΔTotal Receivables/Average Total Assets; in a given year
Accrual quality – Soft Assets (%)	(Total Assets – PP&E – Cash and Cash Equivalent)/Average Total Assets; in a given year
Deferred tax expenses	Deferred tax expense scaled by total assets in a given year
SEC's Budgetary Slack (%)	(Annual Budget authority – Actual Obligations) / Annual Budget Authority; in a given year
Issuance of Securities	If firm has issued new securities in a given year
Book-to-Market	Ratio of book value of equity and market value of equity calculated at fiscal year-end in a given year
Industry litigation intensity	Natural logarithm of annual litigation intensity in an industry (GSIC-4) in a given year; where, Litigation intensity = total market value of all litigated firms in an industry in a given year

Appendix B: Robustness Checks

B.1. Addressing Bias in Rare Events Data

The scarcity of financial fraud cases within my dataset necessitated a sophisticated methodological recalibration to accurately capture such rare events. To this end, I employed the Rare-Event Logit (RELogit) model, designed to correct for biases in logistic regression analyses that result from imbalanced event distributions. This model, pioneered by King and Zeng (2001) and subsequently extended by Tomz, King, & Zeng (2003), recalibrates the logistic regression intercept and introduces a weighting mechanism tailored for rare events.

These adjustments counter the model's predisposition to overestimate the probability of non-events – the predominant category – and underestimate the rare events of interest.

The application of the RELogit correction resulted in fine-tuned outputs, reported in Tables 1 and 2. While the coefficients and standard errors underwent slight revisions, the substantive conclusions of my research remained unaffected. The key variables of the study, especially those related to corporate social responsibility (CSR), preserving both their direction and statistical significance. This consistency validates the original analysis's robustness, as displayed in Tables 4 and 5 of the manuscript. Furthermore, in the manuscript's main exposition of the findings, I purposefully chose the standard logit model within the SLPO framework due to its widespread acceptance and interpretive clarity, which promotes ease of understanding among a diverse academic readership. This methodological decision was not solely a concession to convention but a thoughtful balance between rigor and comprehensibility, ensuring the insights remain accessible without compromising analytical accuracy. Importantly, the robustness of the results, sustained even under the stringent corrective measures of the RELogit model, underscores the substantive reliability of the conclusions drawn in the study.

Table 1. SLPO with Short-and Long-term CSR corrected for Rare-Event bias

	(1)		(2)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Firm Leverage	-2.288		-2.007	
	(0.002)		(0.009)	
Firm Profitability	1.097		2.038	
	(0.349)		(0.139)	
Financial Condition	-0.076		-0.077	
	(0.065)		(0.049)	
R&D Intensity	3.899		4.398	
	(0.088)		(0.054)	
Capital Intensity	1.884		2.084	
	(0.459)		(0.399)	
Acquisition Intensity	0.124		-0.321	
	(0.928)		(0.810)	
Prior Enforcement Event	0.405		0.483	
	(0.303)		(0.219)	
Firm Size	0.099	-0.455	-0.098	-0.568
	(0.115)	(0.000)	(0.128)	(0.000)
Industry litigation Intensity	-0.015	2.387	-0.006	2.447
	(0.704)	(0.000)	(0.886)	(0.000)
Accrual quality – Working Capital		2.382		3.397
		(0.069)		(0.035)
Accrual quality – Receivables		-2.955		-2.396
		(0.024)		(0.092)
Accrual quality – Soft assets (%)		1.206		1.540
		(0.136)		(0.040)
Actual Security Issuance		-1.809		-2.531
		(0.003)		(0.002)
Book-to-Market		-0.062		-0.024
		(0.270)		(0.526)
Deferred tax expenses		-3.292		-3.778
		(0.072)		(0.045)
SEC Budgetary Slack		0.082		0.079
		(0.055)		(0.098)
Short-term CSR	-0.190	0.213		
	(0.027)	(0.202)		
Long-term CSR			-0.288	0.682
			(0.024)	(0.024)
Constant	-3.830	-5.930	-4.082	-5.899
	(0.039)	(0.000)	(0.042)	(0.000)
Observations	12,480		11,635	
Chi-squared	27.46		26.20	
Log-likelihood	-399.342		-379.180	

P-values in parentheses. Standard errors within both Firm [F] and SEC [S] models are clustered at two-digit GICS code.

Table 2. SLPO with Short- and Long-term CSR sub-pillar scores corrected for Rare-event bias

	(1)		(2)		(3)		(4)		(5)		(6)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Short-term CSR – Environmental domain	0.041 (0.824)	0.044 (0.468)										
Short-term CSR – Social domain			0.917 (0.088)	-0.089 (0.233)								
Short-term CSR – Governance domain					-0.356 (0.022)	0.238 (0.110)						
Long-term CSR – Environment domain							-1.630 (0.104)	0.123 (0.028)				
Long-term CSR– Social domain									0.707 (0.374)	-0.069 (0.380)		
Long-term CSR – Governance domain											-0.283 (0.003)	0.682 (0.001)
Constant	-4.522 (0.081)	-2.589 (0.001)	-5.445 (0.058)	-2.480 (0.032)	-3.473 (0.043)	-3.783 (0.000)	-6.086 (0.071)	-3.799 (0.002)	-6.621 (0.085)	-2.607 (0.028)	-5.235 (0.022)	-6.261 (0.000)
Observations	11,358		11,910		11,902		10,211		11,075		11,617	
Chi-squared	31.40		31.05		36.27		25.46		24.41		30.17	
Log-likelihood	-337.257		-347.031		-335.374		-274.530		-328.880		-378.966	
Controls from Table 1	Yes		Yes		Yes		Yes		Yes		Yes	

P-values in parentheses. Standard errors within both Firm [F] and SEC [S] models are clustered at two-digit GICS code.

B.2. Alternate Specification Test

Wang's (2013) assertion serves as the theoretical foundation for this robustness check, in which I test whether that the decision-making processes of firms considering fraudulent actions (Firm[F] = P(F)) and the SEC's foresight in regulation (SEC[S] = P(S)) are both informed by a similar rational calculus, with expected outcomes guiding their respective decisions. To reflect this in my analysis, I adapted the SEC's predictive model to incorporate variables that influence a firm's likelihood to commit fraud, thereby intertwining the dual rationalities that define the interplay between corporate entities and the regulator. The recalibrated model outcomes are presented in Tables 3 and 4, solidifies the premise that the significant variables influencing firm behavior retain their import within the SEC's regulatory schema, underscoring a robust alignment between theoretical anticipation and empirical observation.

The empirical stability observed through this alternative specification test reaffirms the original model's validity. The findings indicate that the SEC's regulatory mechanisms are aptly attuned with rational anticipations of firm behavior, suggesting a profound understanding of corporate dynamics. The agreement between the results of original and recalibrated models strengthens the argument for methodological soundness and supports the theory that strategic rationality is a critical component in the interaction between corporate actions and regulatory responses, particularly in the realm of financial oversight. Going beyond the validation of a predictive model, it enriches the discourse on strategic interplay within regulatory contexts. It posits that the SEC's regulatory strategies are proactive, shaped by a profound grasp of the strategic considerations that govern corporate decision-making. This insight has profound implications for both the theory and practice of corporate oversight, indicating the need for regulators to continuously adapt to the evolving strategies of the entities they oversee.

Table 3. SLPO with Short-and Long-term CSR with Alternate Specification

	(1)		(2)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Firm Leverage	-2.034	-0.093	-1.823	-0.535
	(0.006)	(0.934)	(0.017)	(0.648)
Firm Profitability	1.785	0.639	2.295	0.623
	(0.193)	(0.722)	(0.243)	(0.711)
Financial Condition	-0.068	-0.158	-0.062	-0.152
	(0.046)	(0.011)	(0.066)	(0.015)
R&D Intensity	4.479	-4.843	4.168	-5.319
	(0.050)	(0.144)	(0.068)	(0.122)
Capital Intensity	1.035	1.582	2.063	1.503
	(0.701)	(0.402)	(0.462)	(0.386)
Acquisition Intensity	1.458	-5.047	0.825	-4.663
	(0.407)	(0.003)	(0.634)	(0.009)
Prior Enforcement Event	0.356	1.527	0.381	1.374
	(0.359)	(0.128)	(0.325)	(0.056)
Firm Size	-0.087	-0.563	-0.076	-0.592
	(0.180)	(0.000)	(0.244)	(0.000)
Industry litigation Intensity	-0.016	2.550	-0.029	2.552
	(0.710)	(0.000)	(0.475)	(0.000)
Accrual quality – Working Capital		3.303		3.664
		(0.020)		(0.029)
Accrual quality – Receivables		-4.129		-4.639
		(0.002)		(0.002)
Accrual quality – Soft assets (%)		1.836		2.303
		(0.020)		(0.003)
Actual Security Issuance		-1.392		-1.521
		(0.069)		(0.019)
Book-to-Market		-0.098		-0.080
		(0.732)		(0.482)
Deferred tax expenses		-4.321		-4.628
		(0.032)		(0.023)
SEC Budgetary Slack		0.082		0.069
		(0.038)		(0.084)
Short-term CSR	-0.219	0.271		
	(0.012)	(0.117)		
Long-term CSR			-0.324	0.663
			(0.013)	(0.029)
Constant	-5.174	-5.859	-5.472	-6.146
	(0.027)	(0.000)	(0.026)	(0.000)
Observations	12,480		11,635	
Chi-squared	27.36		24.60	
Log-likelihood	-392.308		-374.266	

P-values in parentheses. Standard errors within both Firm [F] and SEC [S] models are clustered at two-digit
GICS code.

Table 4. SLPO with Short- and Long-term CSR sub-pillar scores with Alternate Specification

	(1)		(2)		(3)		(4)		(5)		(6)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Short-term CSR – Environmental domain	0.018 (0.797)	0.206 (0.119)										
Short-term CSR – Social domain			0.189 (0.018)	-0.103 (0.381)								
Short-term CSR – Governance domain					-0.455 (0.071)	0.237 (0.136)						
Long-term CSR – Environment domain							-1.223 (0.108)	0.797 (0.000)				
Long-term CSR– Social domain									0.168 (0.386)	-0.430 (0.262)		
Long-term CSR – Governance domain											-0.157 (0.032)	0.964 (0.011)
Constant	-6.187 (0.021)	-7.721 (0.000)	-8.488 (0.006)	-5.216 (0.000)	-2.949 (0.063)	-3.626 (0.000)	-7.566 (0.024)	-7.317 (0.000)	-5.074 (0.024)	-3.101 (0.003)	-5.604 (0.006)	-3.304 (0.001)
Observations	11,358		11,910		11,902		10,211		11,075		11,617	
Chi-squared	23.64		25.19		36.93		21.33		28.13		33.15	
Log-likelihood	-319.815		-347.991		-326.514		-264.058		-345.620		-385.997	
Controls from Table 3	Yes		Yes		Yes		Yes		Yes		Yes	

P-values in parentheses. Standard errors within both Firm [F] and SEC [S] models are clustered at two-digit GICS code.

B.3. Sensitivity Analysis Excluding the Financial Crisis Period

The third robustness check aims to methodically address the potential distortions stemming from the 2007-2009 financial crisis – a period marked by unusual economic turmoil and regulatory challenges. This era witnessed a drastic shift in the corporate landscape, with intensified financial pressures potentially relegating the strategic value of CSR initiatives to the background. Such an anomalous period could have led to skewed risk assessments and a departure from typical cost-benefit strategies, not only within corporations but also within regulatory bodies like the SEC, tasked with an upsurge in oversight responsibilities. To isolate the influence of these atypical conditions, I refined my analysis through a sensitivity check that conscientiously excludes the years 2007, 2008 and 2009 encapsulating the financial crisis. This approach is rooted in the notion that the crisis period could represent an anomalous episode that might obscure the enduring patterns and relationships under investigation in my study.

The results, noted in Tables 5 and 6, maintain consistency despite the exclusion of the tumultuous period from 2007 to 2009. The recalibrated analysis corroborates that the impact of CSR on corporate fraudulence and ensuing SEC enforcements remains significant, in line with the study's initial findings. An exception is noted in the CSR's social pillar score, where, in contrast to the main results, the post-crisis exclusion suggests that firm's CSR effort in social domain mitigate fraudulent tendencies within firms; nevertheless, this effect does not achieve statistical significance by conventional standard. Such an observation, while not warranting extensive further investigation, offers a thought-provoking glimpse into the intricate dynamics between social dimension efforts and corporate ethics in a stabilized economic environment. It prompts a circumspect but meaningful consideration of CSR's potential to subtly reshape corporate culture and ethical standards.

Hence, the persistence of these results, despite the omission of an era characterized by economic and regulatory anomalies, lends credence to the stability and reliability of the analytical framework employed in this study. By demonstrating that the significance of CSR endures beyond the exceptional conditions of the crisis, this robustness check bolsters the case for the general applicability of the study's conclusions. With the possible exception of the CSR's social pillar score, it attests to a foundational premise: that the dynamics of

corporate decision-making and regulatory oversight are informed by enduring principles that transcend temporal economic disruptions. This insight strengthens the proposition that the strategic engagement of firms with CSR and the SEC's regulatory vigilance are not transient or conditional but are reflective of deep-rooted corporate governance practices.

Table 5. SLPO exclusive of financial crisis period between 2007-2009

	(1)		(2)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Firm Leverage	-2.199		-2.633	
	(0.000)		(0.001)	
Firm Profitability	2.207		2.374	
	(0.130)		(0.104)	
Financial Condition	-0.125		-0.094	
	(0.023)		(0.081)	
R&D Intensity	2.025		2.403	
	(0.242)		(0.309)	
Capital Intensity	2.778		3.474	
	(0.513)		(0.281)	
Acquisition Intensity	-0.729		-0.970	
	(0.587)		(0.473)	
Prior Enforcement Event	0.185		0.436	
	(0.665)		(0.307)	
Firm Size	-0.178	-0.456	-0.177	-0.556
	(0.011)	(0.002)	(0.014)	(0.000)
Industry litigation Intensity	-0.013	3.069	-0.016	2.902
	(0.742)	(0.000)	(0.895)	(0.000)
Accrual quality – Working Capital		2.709		3.048
		(0.016)		(0.024)
Accrual quality – Receivables		-4.584		-4.914
		(0.004)		(0.000)
Accrual quality – Soft assets (%)		3.917		3.869
		(0.001)		(0.000)
Actual Security Issuance		-2.181		-2.035
		(0.002)		(0.001)
Book-to-Market		-0.051		-0.035
		(0.711)		(0.320)
Deferred tax expenses		-3.519		-2.313
		(0.216)		(0.630)
SEC Budgetary Slack		0.114		0.133
		(0.687)		(0.002)
Short-term CSR	-0.136	0.261		
	(0.018)	(0.286)		
Long-term CSR			-0.267	0.191
			(0.040)	(0.022)
Constant	-3.808	-6.418	-6.626	-7.027
	(0.003)	(0.000)	(0.038)	(0.000)
Observations	10,991		10,126	
Chi-squared	35.30		31.04	
Log-likelihood	-334.257		-309.649	

P-values in parentheses. Standard errors within both Firm [F] and SEC [S] models are clustered at two-digit
GICS code.

Table 6. SLPO with Short- and Long-term CSR sub-pillar scores exclusive of financial crisis period between 2007-2009

|	(1)		(2)		(3)		(4)		(5)		(6)	
	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]	Firm [F]	SEC [S]
Short-term CSR – Environmental domain	0.012 (0.864)	0.165 (0.025)										
Short-term CSR – Social domain			-0.205 (0.228)	-0.157 (0.244)								
Short-term CSR – Governance domain					-0.364 (0.000)	0.161 (0.348)						
Long-term CSR – Environment domain							-0.214 (0.080)	1.231 (0.001)				
Long-term CSR– Social domain									-0.090 (0.372)	-0.156 (0.347)		
Long-term CSR – Governance domain											-0.260 (0.007)	1.314 (0.000)
Constant	-6.576 (0.027)	-7.313 (0.000)	-9.738 (0.024)	-7.105 (0.000)	-3.439 (0.042)	-3.659 (0.000)	-6.193 (0.019)	-7.603 (0.000)	-9.445 (0.028)	-6.768 (0.000)	-8.740 (0.033)	-7.577 (0.000)
Observations	10,011		10,422		10,415		9,633		9,620		10,160	
Chi-squared	30.21		33.64		39.71		29.99		25.94		36.96	
Log-likelihood	-283.568		-278.382		-273.477		-281.414		-270.366		-305.276	
Controls from Table 5	Yes		Yes		Yes		Yes		Yes		Yes	

P-values in parentheses. Standard errors within both Firm [F] and SEC [S] models are clustered at two-digit GICS code.

Appendix C: Exploratory Subsample Analysis for Periods Pre 2007, 2007-2009, & Post 2009

The illustrative examination of predicted probabilities relative to firms' CSR activities across different temporal frames of pre-2007, 2007-2009, and post-2009 reveals discernible variations in both the likelihood function of corporate fraud and regulatory enforcement actions. Most prominently, pre-2007, the data shows a marked decline in predicted corporate fraud and an increase in SEC enforcements. Post-2009, similar trends are observed but are less amplified. Exceptionally, between 2007 and 2009, a rise in predicted corporate fraud and a decline in SEC enforcement is noted, diverging from the overarching pattern.

FIGURE 1 *Panel A*: Predicted probabilities of firm's fraud likelihood by year group and corresponding Short-term CSR. *Panel B*: Predicted probabilities of SEC's Sanction likelihood with respect to Short-term CSR
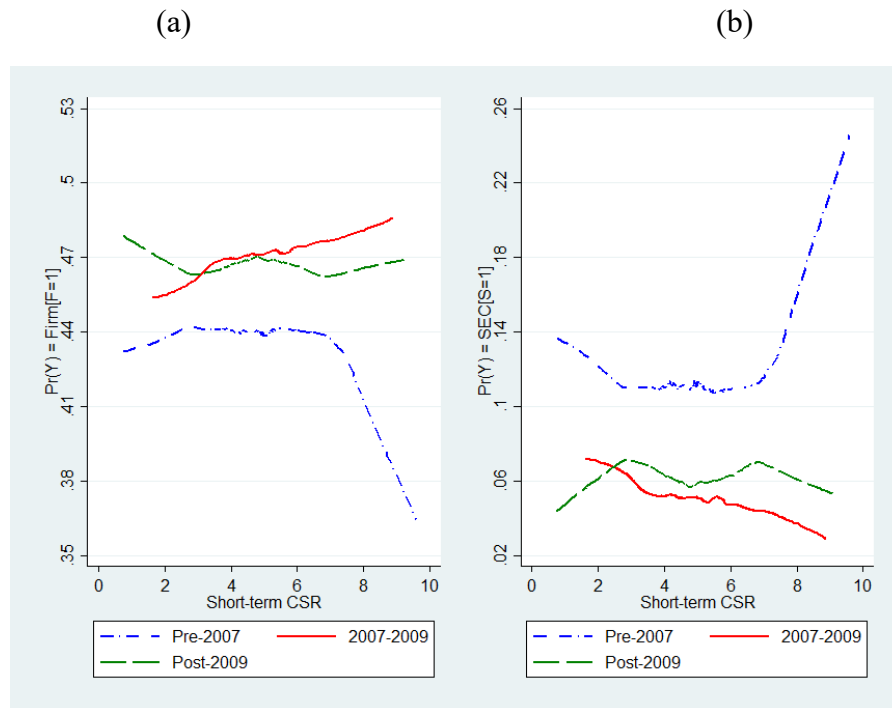
FIGURE 2 *Panel A*: Predicted probabilities of firm's fraud likelihood by year group and corresponding Long-term CSR. *Panel B*: Predicted probabilities of SEC's Sanction likelihood with respect to Long-term CSR

(a)   (b)
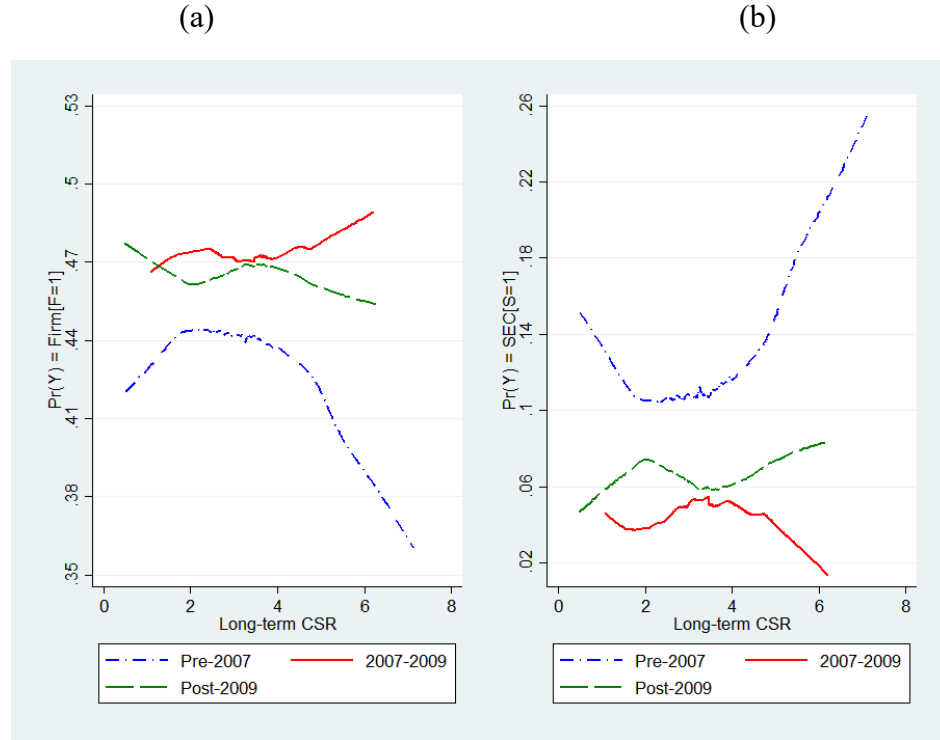
Given the observed temporal shifts in predicted corporate fraud propensity and SEC enforcement relative to firm CSR, several explanations merit consideration. The decline in predicted corporate fraud and the uptick in regulatory interventions pre-2007 can likely be attributed to regulatory reforms, notably the Sarbanes-Oxley Act of 2002 (Amiram et al., 2018; Gomulya & Boeker, 2016; Kedia & Rajgopal, 2011). This legislative tightening is corroborated by the SEC's intensified use of monetary penalties, which increased by approximately 30% year-over-year, as opposed to a mere 3% rise in case filings (Steinway, 2014). Stable economic conditions during this time may have further dampened the incentives for corporate wrongdoing. However, the 2007-2009 period deviates from this pattern, coinciding with the financial crisis and heightened economic volatility. During these tumultuous years, the predicted likelihood of corporate fraud increased, while SEC sanctions showed a downward trend. Financial exigencies and market uncertainties could have driven firms to engage in fraudulent activities. Meanwhile, the SEC may have strategically

reprioritized its focus towards the stabilization of faltering corporations, thereby granting credence to the firms' CSR-based ethical claims at face value, instead of validating the substantive basis of such ethical endeavors. Additionally, resource constraints, exacerbated by budgetary cutbacks, might have further limited the SEC's enforcement prowess. Post-2009, the trends largely revert to those of the pre-2007 era, albeit in a more subdued fashion. This could indicate a return to a new form of economic normalcy, where the SEC has adjusted its enforcement strategies and companies have internalized lessons from the financial crisis, thereby adopting stronger internal controls and governance protocols. However, given that SEC investigations on average take 3 to 5 years (Dechow et al., 2011; Wang, 2013), and our AAER dataset only extends to 2018, additional instances of corporate fraud may yet be uncovered, potentially offering new insights or warranting revision to the conclusions drawn herein.

CHAPTER 4

Strategic Fit between CSR & Firm Risk Outcomes: A Cross-National Configurational Examination

Abstract

This study examines the strategic integration of Corporate Social Responsibility (CSR) across diverse institutional frameworks and its implications for financial risk management. Using a mixed-method approach combining Qualitative Comparative Analysis (QCA) and regression analysis on data from G-7 countries, the research explores the interdependencies between CSR strategies, contexts, and financial risk profiles. It examines how firms align CSR activities related to employees, shareholders, and climate change to navigate institutional pressures and manage risks. The research introduces a typology of CSR engagement, highlighting the balance between institutional conformity and differentiation in addressing stakeholder salience. Findings reveal no single universally effective strategy, uncovering country-and-industry patterns and also scenarios where misaligned CSR efforts exacerbate risk, offering actionable insights for enhancing risk management and strategic decision-making.

Keywords: CSR, strategy, risk management, stakeholder salience, configurational perspective

1. Introduction

Despite the widespread adoption of CSR, the strategic integration of these practices and their impact on a firm's financial risk profile—particularly from a cross-country comparative perspective—remain underexplored. Traditionally, CSR research has focused on single-country analyses, exploring how firms within specific national contexts engage in socially responsible activities (Brammer, Jackson, & Matten, 2012; Odziemkowska & Henisz, 2021), or on the direct financial impacts of CSR, often failing to unpack the nuanced stakeholder-specific mechanisms driving these outcomes (see review by Vishwanathan et al., 2019). Meanwhile, risk management literature predominantly treats risk as a decision variable tied to realized financial profits, overlooking its strategic interactions with the broader institutional and stakeholder environment (Amit & Wernerfelt, 1990; Ross, 2014). As a result, existing literature lacks a context-sensitive, stakeholder-based understanding of financial risk management.

Furthermore, from an empirical standpoint, much of the research relies on conventional multivariate correlational methods, which struggle to capture the complex interdependencies between firms' stakeholder priorities, institutional contexts, and financial materiality. These methods primarily model linear cause-and-effect relationships, making them ill-equipped to account for configurational dynamics—where multiple factors interact synergistically and often non-linearly to shape firm outcomes, reflecting the complexity of real-world decision-making (Barnett, 2007; Fiss, 2011; Garcia-Castro, Aguilera, & Arino, 2013; Misangyi et al., 2017).

This study bridges these gaps by examining the strategic embeddedness of CSR across different institutional contexts and its implications for risk management. Specifically, I investigate how the interactive play between a country's institutional environment, firm-level attributes, and CSR initiatives shapes risk mitigation. The concept of embeddedness underscores that firms do not engage in CSR in isolation, nor is it purely altruistic; rather, stakeholder engagement strategies are shaped by interdependent regulatory, societal, and financial forces (Aguilera & Jackson, 2003; Blindheim, 2015; Garcia-Castro et al., 2013; Haxhi & Aguilera, 2017). To this end, I employ a set-theoretic approach—specifically, Charles Ragin's (2000, 2008) Qualitative Comparative Analysis (QCA)—to identify distinct

configurations of context-sensitive CSR strategies that contribute to firm risk reduction. Rather than isolating the average effects of individual variables, this approach uncovers causal pathways, illustrating how specific combinations of institutional and firm-level factors shape market-based risk outcomes.

Grounded in the stakeholder salience perspective (Mitchell, Agle, & Wood, 1997)—which posits that firms must balance the interests of all key stakeholders, not just shareholders, to achieve sustainable success—this study recognizes that firms are embedded in broader institutional contexts that influence their strategic decisions and market outcomes. To navigate these complex environments effectively, firms are required to attain strategic fit by aligning their CSR actions with the varying salience of stakeholders. These differential stakeholder saliences are shaped by supra-organizational forces, such as regulatory frameworks and societal norms, as well as the dynamic interplay among stakeholders themselves (Bouslah, Hmaittane, Kryzanowski, & M'Zali, 2023; Odziemkowska & Henisz, 2021). Achieving this alignment requires firms to account for the interdependencies between institutional contexts, stakeholder priorities, and their own financial risk profiles. By adopting a configurational perspective, this study examines how firms integrate these interconnected factors to develop CSR strategies that balance stakeholder demands in financially risk-averse ways.

Using a cross-national dataset of firms from G-7 countries, this study makes significant contributions to the field. First, it advances the discourse on CSR's role in mitigating financial risk by introducing a configurational approach that effectively captures the interdependencies within and between firms' stakeholders and their contexts, accounting for both conjunctural causation and equifinality (Fiss, 2011; Misangyi et al., 2017). This implies that outcomes are not the product of isolated causal conditions but rather arise from the synergistic interplay of various factors, and that there are multiple effective pathways firms can take to achieve financial risk mitigation across different national institutional contexts. Second, this study moves beyond the binary perspective commonly held in the literature, which categorizes firms' CSR and stakeholder responses as either predominantly homogenous, influenced by normative and coercive isomorphism, or distinctly heterogeneous, driven by the principle of optimal differentiation (Blindheim, 2015; Deephouse, 1999; DiMaggio & Powell, 1983; Durand & Kremp, 2016; Graafland & Smid,

2019; Siegel & Vitaliano, 2007; Zaman, Jain, Samara, & Jamali, 2022; Zhao, Fisher, Lounsbury, & Miller, 2017). This investigation adopts a purposive conceptualization of firms' strategic CSR approaches alongside countries' institutional designs, providing a tailored understanding of how firms navigate the balance between conformity and differentiation to achieve financially risk-mitigating outcomes.

Lastly, drawing inspiration from Charles D. Ellis's concept of "winning the loser's game" (Ellis, 2013), this research leverages the asymmetric causality aspect of the configurational approach to identify configurations for firms that may prioritize avoiding high-risk scenarios over aggressively pursuing risk mitigation. This perspective is essential for understanding the full spectrum of strategic choices available to firms. It underscores the complexity and context-dependence of CSR strategies, emphasizing the need for firms to tailor their approaches with their specific contexts. Failure to achieve this alignment can result in financially risky outcomes. This offers insights into a critical strategic question: what firms should avoid in their CSR deployments to ensure effective and context-appropriate risk management.

2. Theory and Conceptual Framework

Despite the recognized importance of the country's institutional frameworks in shaping organizational conduct, only a few studies have systematically sought to construe the theoretical mechanisms through which firms strategize their CSR engagement in accord with their specific national institutional context (Aguilera & Jackson, 2003; Blindheim, 2015; Brammer et al., 2012; Campbell, 2007; Zaman et al., 2022). Even fewer have empirically examined how stakeholder-based mechanisms interact across different institutional settings to shape financial risk premiums (Benlemlih & Girerd-Potin, 2017; Chollet & Sandwidi, 2018; Farah et al., 2021), with most—if not all to date—relying on correlational methods that fail to capture the configurational complexity of these relationships. Addressing this equivocality, this study integrates the stakeholder salience perspective and the concept of strategic fit within an institutional framework to understand how firms calibrate their CSR efforts to align with risk objectives.

Institutional theory contends that organizational behaviors, particularly those related to stakeholder engagement, are profoundly influenced by the surrounding formal regulations

and informal societal norms (North, 1990). While formal and informal institutions synergistically shape corporate conduct (Van Essen et al., 2012), informal institutions are deeply embedded and relatively stable over time, making them less amenable to strategic manipulation (Williamson, 2000). Consequently, this study focuses on formal institutions—those codified in a country's legal and regulatory frameworks—as they provide tangible and measurable basis for assessing their impact on CSR strategies aimed at managing financial risks.

Building upon this, the stakeholder salience perspective (Mitchell et al., 1997) offers a compelling lens to assess which stakeholders are most critical to a firm's success based on their power, legitimacy, and urgency. The institutional context influences these stakeholder attributes, affecting how firms prioritize stakeholder demands in their CSR activities (Bouslah et al., 2023; Fu, Boehe, Orlitzky, & Swanson, 2019). Crucially, it is not only individual stakeholder dynamics but also the interactions among stakeholders that shape issue salience – an aspect often overlooked in the literature (Barnett, 2007; Odziemkowska & Henisz, 2021). These interactions can lead to consensus or tension on CSR issues, triggering collective actions that drive strategic responses and have financial implications. For example, alignment between workforce demands for sustainability and shareholder advocacy for climate action can further amplify the salience of environmental CSR initiatives. In this context, the concept of strategic fit reinforces the importance of aligning organizational strategies with internal capabilities and external mandates to achieve optimal performance (Chorn, 1991; Schiehll, Ahmadjian, & Filatotchev, 2014; Venkatraman & Camillus, 1984). From a CSR and risk management perspective, firms are required to design strategies that leverage their unique resources while addressing institutionally shaped dynamics of stakeholder networks, ultimately mitigating market risks and improving risk-adjusted financial outcomes.

The study's configurational model, illustrated in *Figure 1*, refines these insights by situating a country's institutional design – specifically regarding labor, capital, and environmental frameworks– alongside firm-level contextual factors, such as stakeholder exposure and financial health, as foundational elements that collectively shape a firm's CSR strategy and ensuing risk premiums. Through this analytical framework, the study offers a theoretically informed and empirically substantiated investigation into how a country's

institutional structures and firm-level dynamics inform the firm's strategic orientation towards CSR and its implications for risk management.

Figure 1. Conceptual Configurational Model
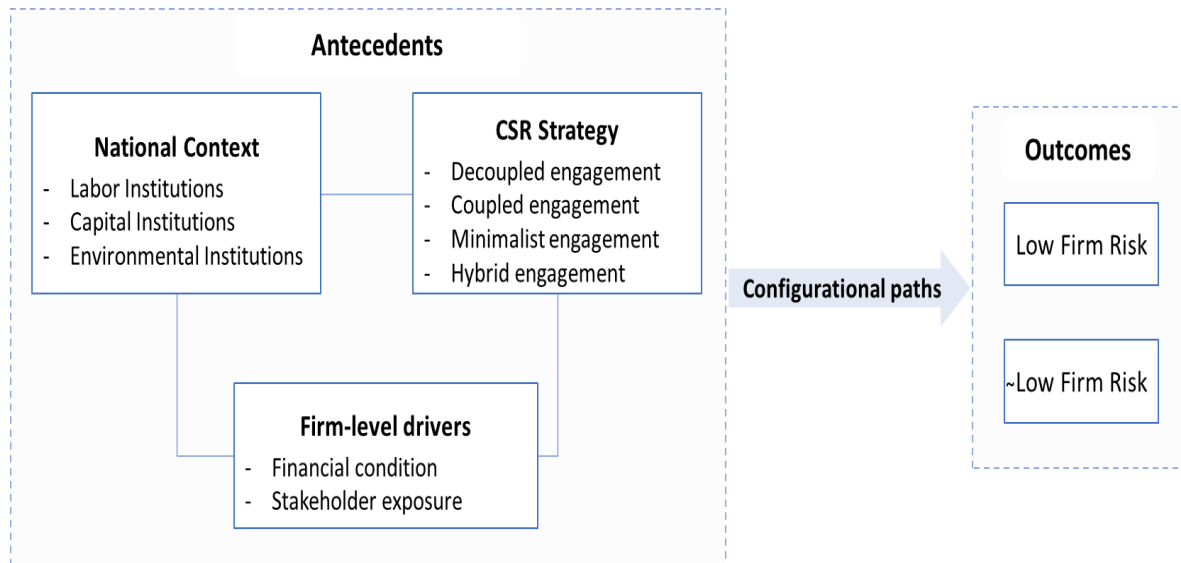
Note: Lines between antecedent conditions represent the interaction effect.

2.1. Institutional Context and CSR Engagement

The interconnectedness between CSR and the institutional context is predicated on the premise that CSR practices do not develop in isolation; rather, they are shaped by a country's regulatory frameworks, governance structures, and stakeholder expectations, which are intricately intertwined and define how firms engage in socially responsible practices (Brammer et al., 2012; Liang & Renneboog, 2017; Zaman et al., 2022). Within this framework, specific CSR themes such as workforce rights, shareholder interests, and climate-change concerns are governed by distinct institutional pillars: labor institutions addressing employee rights (Aguilera & Jackson, 2003; Ioannou & Serafeim, 2012); capital institutions focusing on shareholder protections (Haxhi & Aguilera, 2017; Jackson & Deeg, 2008); and environmental institutions promoting ecological sustainability (Brown, Clark, & Buono, 2018; Hoffman, 1999).

National institutional designs in these realms create both constraints and incentives that shape firms' strategic CSR choices and stakeholder expectations. For instance, stringent environmental regulations in Europe compel firms to allocate significant resources toward

eco-friendly initiatives, potentially limiting investments in other CSR priorities such as workforce wellbeing or shareholder fiduciary duties (Matten & Moon, 2008). Firms navigating these institutional differences often face trade-offs between conforming to prevailing norms to secure legitimacy and differentiating through distinctive CSR strategies to gain a competitive edge (Blindheim, 2015; Brammer & Millington, 2008; Deephouse, 1999; Durand & Kremp, 2016; Fu et al., 2019; Zhao et al., 2017). However, excessive distinctiveness in CSR practices can create ambiguity for stakeholders, making it difficult for them to evaluate a firm's commitments and credibility, which may weaken trust and ultimately undermine its legitimacy within the broader institutional environment. Conversely, excessive conformity to institutional norms may stifle CSR-driven innovation and limit firms' ability to develop unique stakeholder value propositions. Thus, firms are required to carefully balance stakeholder salience and institutional compliance to maintain legitimacy while optimizing organizational performance. This balancing act ultimately shapes risk perceptions and the risk premiums associated with different CSR strategies (Godfrey, 2005; Ross, 2014).

To conceptualize these complexities, a typology of CSR engagement strategies is introduced, informed by a synthesis of organizational strategy and institutional theory, with a critical focus on stakeholder salience. This framework posits two core ideas: 1) the interaction between a firm and its local institutional framework shapes its CSR responses to different stakeholder saliences; 2) while the country-specific institutional design demarcates the scope of a firm's stakeholder engagement, it also provides opportunities for firms to either conform to prevailing institutional norms or adopt divergent strategies that exceed regulatory expectations or challenge established practices. This spectrum reflects the dual pressures of institutional isomorphism—where firms align with industry norms for legitimacy (Deephouse & Carter, 2005; DiMaggio & Powell, 1983; Matten & Moon, 2008; Oliver, 1991; Pache & Santos, 2013)—and strategic differentiation—where firms seek distinctiveness as a competitive edge (Brammer & Millington, 2008; Durand & Kremp, 2016; Graafland & Smid, 2019; Zaman et al., 2022).

Building on this, the typology outlines four strategically efficacious CSR engagement approaches: a) Strategically Coupled CSR Engagement, indicative of alignment with these incumbent norms; b) Strategically Decoupled CSR Engagement, signifying a distinct departure from prevailing institutional norms; c) Minimalist CSR Engagement, characterized

by a selective or minimalist compliance; and d) Hybrid CSR Engagement, characterized by ambidextrousness, which amalgamates elements of both conformity and differentiation vis-à-vis incumbent institutional norms. These paradigms, depicted in *Figure 2*, provide a structured framework for understanding strategic CSR approaches across diverse institutional contexts.

Figure 2. Typology of CSR engagement strategies vis-à-vis institutional stakeholder salience
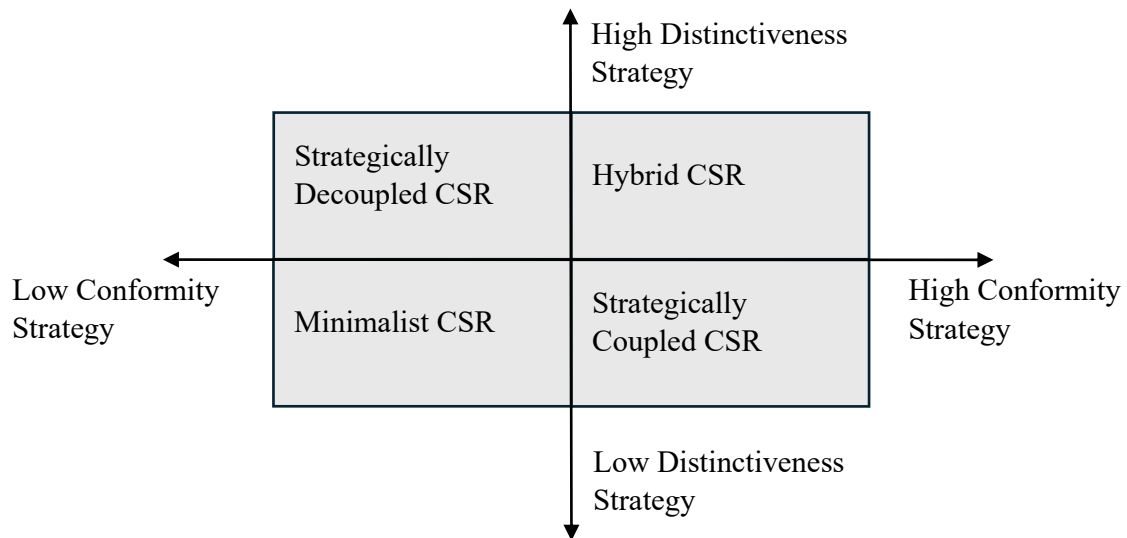
2.1.1. Strategically Decoupled CSR Engagement

Strategically Decoupled CSR Engagement is characterized by a deliberate divergence from traditional institutional norms, where firms adopt unique CSR approaches that set them apart from industry standards (Oliver, 1991; Zhao et al., 2017). This decoupling allows firms to address CSR concerns in ways that align with their distinct vision and stakeholder goals, often challenging the status quo to establish new benchmarks (Bromley & Powell, 2012). This approach is particularly advantageous in environments with ambiguity, uncertainty, conflicting expectations, and limited regulatory oversight (Fiss & Zajac, 2006; Graafland & Smid, 2019). By innovating and taking calculated risks in their CSR activities, firms can explore untested avenues and develop pioneering solutions (Brammer & Millington, 2008; Siegel & Vitaliano, 2007). However, while this strategy enhances differentiation and competitive advantage, it requires careful management of stakeholder saliences to ensure that

innovative practices align with societal values, maintaining legitimacy and managing financial risk premiums (Ross, 2014). This strategic balancing act connotes the need for a coherent and transparent CSR narrative that supports the firm's objectives and fosters trust among key stakeholders.

2.1.2. Strategically Coupled CSR Engagement

Strategically Coupled CSR Engagement represents a profound alignment with incumbent institutional norms, often seen in firms that integrate CSR into their core strategies in harmony with prevailing national standards and societal expectations (Aguilera & Jackson, 2003; Durand & Kremp, 2016; Zaman et al., 2022). This approach involves firms mirroring the practices and behaviors of successful peers, particularly in environments characterized by high uncertainty regarding legitimacy and industry benchmarks. DiMaggio and Powell (1983) describe this conformance behavior as "mimetic isomorphism", where firms look to industry peers for cues. Firms employing this approach prioritize maintaining legitimacy and organizational survival by closely aligning with contextual pressures (Deephouse & Carter, 2005). These firms focus on strategic adaptation and conflict aversion concerning institutionally protected stakeholders. Aligning with established norms solidifies their reputation as responsible corporate citizens, fosters a culture of sustainability, and enhances ethical behavior within the industry. Consequently, firms enhance their legitimacy by adopting strategies validated by the market and regulatory bodies, mitigating risks and ensuring long-term sustainability and resilience.

2.1.3. Minimalist CSR Engagement

Minimalist Strategic CSR Engagement reflects a tactical approach where firms engage in CSR activities just enough to meet baseline regulatory and societal expectations (Windsor, 2006). This strategy is driven by a pragmatic approach to managing the incompatibility between institutional logics and operational efficiency, often guided by immediate legitimacy and cost-benefit considerations (Brammer & Millington, 2008; Fu et al., 2019). Firms allocate resources cautiously, viewing CSR as necessary but not a primary strategic focus. This approach allows firms to maintain compliance and stakeholder approval without overcommitting resources that could be used elsewhere in the business. It is prevalent in regions or industries with less established CSR norms or highly variable stakeholder

expectations. While this approach may limit the breadth of CSR impact, it ensures focused and manageable initiatives that do not compromise core business objectives.

2.1.4. Hybrid CSR Engagement

Hybrid Strategic CSR Engagement represents a nuanced approach that combines selective adherence to established CSR norms with the implementation of pioneering practices. Firms adopting this strategy strive to balance conventional CSR activities that ensure compliance and legitimacy with distinctive initiatives that reflect their unique values and capabilities. This ambidextrous approach allows firms to navigate multiple institutional logics and diverse stakeholder demands effectively (Pache & Santos, 2013). By integrating both conformity and differentiation, hybrid firms can address complex challenges, mitigating the risks associated with either rigid compliance or entirely novel practices. Often termed 'hybrid' organizations, these firms balance multiple logics simultaneously (Mangen & Brivot, 2015; Vermeulen, Zietsma, Greenwood, & Langley, 2016). Employing a hybrid strategy enables firms to leverage the credibility associated with conventional CSR practices prevalent among industry peers while also gaining a competitive edge through their pioneering contributions. This dual approach is particularly relevant in rapidly evolving markets and industries with diverse stakeholder expectations, allowing firms to be responsive to changing societal demands while maintaining a strong commitment to core CSR principles. This strategic flexibility ensures firms remain adaptive and effective in their CSR efforts amidst shifting institutional logics and stakeholder priorities (Blindheim, 2015; Pache & Santos, 2013).

2.2. Firm-level Strategic Drivers for CSR

Firms' responses to institutional pressures are shaped by internal dynamics and external conditions, influencing how they couple or decouple organizational learning and stakeholder approaches (Crilly, Zollo, & Hansen, 2012). Two critical firm-level attributes driving strategic CSR decisions are financial health and stakeholder exposure (Amer, 2023; Arora & Dharwadkar, 2011; Campbell, 2007), both of which determine the scope of CSR activities (Fu et al., 2019), and impact associated firm risk (Albuquerque, Koskinen, Zhang, 2019).

A firm's Financial Health is paramount in determining its capacity for CSR engagement. The prevailing view in CSR literature suggests that corporations are more likely to engage in socially responsible behaviors when they possess surplus resources propitious to social expenditure and when such behaviors aligns with forging economically significant stakeholder relationships (Campbell, 2007; Eccles, Ioannou, & Serafeim, 2014; Husted & Salazar, 2006). Conversely, financially constrained firms prioritize profit maximization and are less likely to undertake extensive CSR activities (Chakraborty, Gao, & Sheikh, 2019). Robust firms tend to implement comprehensive CSR programs addressing broad societal challenges, while constrained firms focus on efficiency-enhancing or compliance-driven initiatives (Godfrey, Merrill, & Hansen, 2009). Thus, a firm's financial condition plays a pivotal role in shaping its CSR strategy, balancing societal expectations with financial prudence.

Stakeholder Exposure, reflecting the diversity and intensity of stakeholder demands, is another critical factor in the CSR strategy equation. Firms operating across multiple institutional contexts face heightened scrutiny from diverse stakeholders, driving broader CSR engagements (Amer, 2023; Aguilera & Jackson, 2003). Those under greater public visibility are more likely to address varied stakeholder interests, while firms with a more homogeneous stakeholder base focus on efficiency-driven or strategically aligned initiatives (Brower & Mahajan, 2012; Su & Tsang, 2015). As such, the degree of stakeholder exposure determines whether firms adopt broad-based CSR strategies or concentrate on targeted initiatives.

2.3. Firm's CSR Engagement and Firm Risk

The strategic integration of Corporate Social Responsibility (CSR) into business operations is increasingly recognized as vital for managing financial risk (Albuquerque et al., 2019; Godfrey, 2005; Shiu & Yang, 2017). Firms strategically minimize risk to operate more efficiently, reduce costs, and enhance competitiveness, ultimately leading to long-term value maximization (Amit & Wernerfelt, 1990; Brealey, Myers, & Allen, 2017; Harjoto & Laksmana, 2018). This aligns with contemporary financial theories advocating for a multi-stakeholder approach, in contrast to traditional views that prioritize shareholder value exclusively.

CSR's role in risk management is multifaceted. It generates intangible capital and goodwill, serving as an insurance mechanism for stakeholder relationships, mitigating negative perceptions, and fostering a supportive environment (Godfrey, 2005; Hillman & Keim, 2001). This strategic intangible capital translates into relational wealth, characterized by increased trust, loyalty, and commitment from stakeholders, leading to more stable cash flows and reduced stock price volatility (Jia, Gao, & Julian, 2020). Moreover, CSR engagement can temper managerial risk-taking behaviors, thus preserving financial returns (Chakraborty et al., 2019; Harjoto & Laksmana, 2018). Additionally, CSR enhances a firm's resource acquisition capabilities. Companies with strong CSR reputations build better relationships with investors and creditors, who are more inclined to provide necessary resources (Cheng, Ioannou, & Serafeim, 2014). Research indicates that firms with high CSR commitments benefit from lower costs of equity (Ng & Rezaee, 2015; Sharfman & Fernando, 2008), greater employee desirability and commitment (Glavas & Kelley, 2014), and are perceived as less risky by investors (Godfrey et al., 2009; Girerd-Potin, Jimenez-Garcès, & Louvet, 2014).

Ultimately, CSR's integration into a firm's strategic framework extends beyond ethical imperatives, positioning it as a crucial element of risk management intertwined with overall value maximization. CSR's dual role as both a stabilizer and enhancer of firm value underscores its importance in contemporary business strategy. It provides firms with the tools to manage risks proactively, adapt to evolving stakeholder demands, and maintain long-term sustainability in an increasingly complex and interconnected global economy.

3. Method and Measures

In line with the study's configurational framework (Figure 1), this research employs Qualitative Comparative Analysis (QCA) (Ragin, 2000, 2008) to examine the synergistic interplay between country-level institutions and firm-level conditions in shaping risk-averse CSR strategies. QCA integrates quasi-quantitative (variable-oriented) and quasi-qualitative (case-oriented) methodologies (Crilly, 2011; Misangyi et al., 2017) and has gained prominence in management and business strategy research (Bell, Filatotchev, & Aguilera, 2014; Fainshmidt et al., 2020; Fiss, 2011; Haxhi & Aguilera, 2017; Misangyi & Acharya, 2014; Zacharias, Nijssen, & Stock, 2016).

This method is particularly well-suited for analyzing how combinations of firm-level and national-level attributes interact to shape organizational outcomes, offering a nuanced understanding of complex causality that surpasses the analytical capabilities of traditional regression-based approaches. As a set-theoretic method, QCA allows for detailed analysis of which specific combinations of causal conditions lead to a given outcome (Ragin, 2008). By treating each case as a unique configuration of attributes, QCA highlights how these configurations represent the most efficacious pathways to achieving desired outcomes, offering valuable insights into the mechanisms driving typological CSR strategies.

### 3.1. National Institutional Context Measures

To capture the relevant institutional context within this study's stakeholder-centered CSR theorization, I evaluate the strength of labor, capital, and environmental institutions. Labor institutions are measured using Works Council Rights (WC_rights) and the Employment Protection Index (EPI) from the OECD database. WC_rights, rated from 0 (no representation) to 3 (extensive decision-making rights), assess employee participation in governance, while the EPI gauges regulatory strictness on dismissals and temporary contracts (Matten & Moon, 2008; Pagano & Volpin, 2005).

Capital institutions are evaluated using the Financial Development Index (FDI) and the Guillén–Capron Minority Shareholder Protection (GCMSP) index. The FDI, sourced from the IMF, measures financial system depth, access, and efficiency, while the GCMSP index assesses minority shareholder protections based on legal provisions, with higher scores indicating stronger protections (Haxhi & Aguilera, 2017; Jackson & Deeg, 2008). The average of calibrated FDI and GCMSP measures represents the overall strength of capital institutions.

Environmental institutions are captured by the OECD's Environmental Policy Stringency (EPS) index, which reflects a country's commitment to environmental policies across 14 market-based and non-market instruments (Botta & Koźluk, 2014).

In Figure 3, the distribution of countries' institutional strengths in labor and capital is shown, with the size of the bubbles indicating the level of their environmental strengths.

Figure 3. Distribution of countries' institutional strengths across labor and capital on standardized scales, with bubble sizes representing environmental strengths.
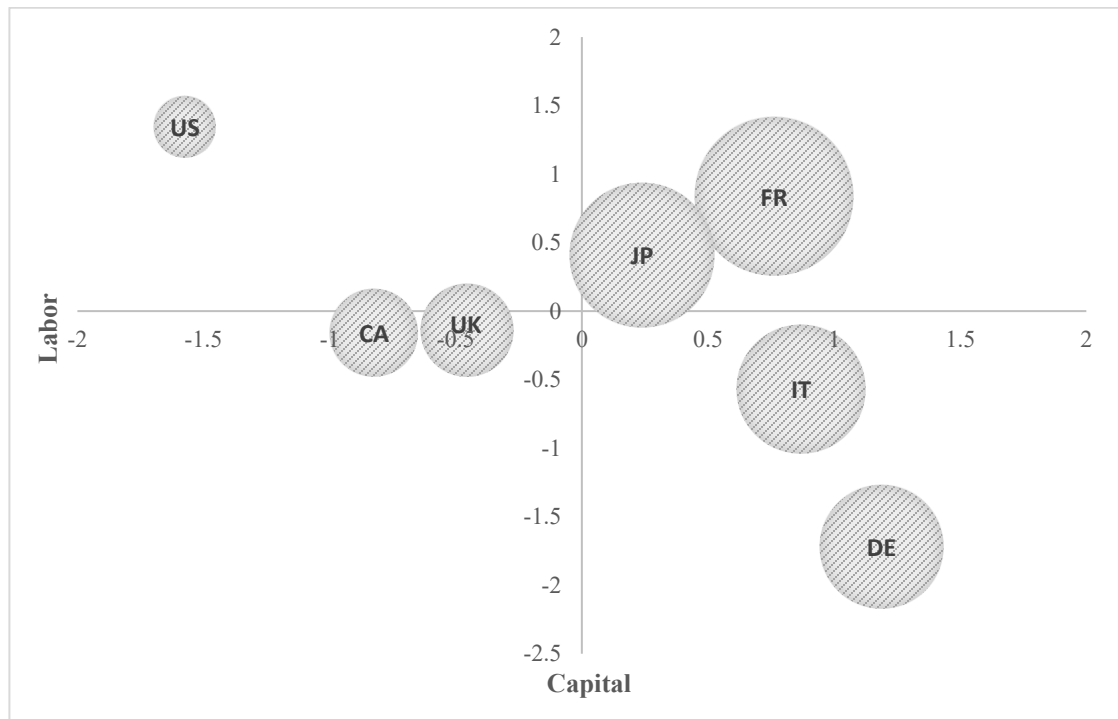
3.2. Firm Risk Measures

Firm risk is a multifaceted construct that encompasses the financial volatility arising from a company's operational activities. Stock price volatility serves as a key indicator of firm risk, providing insights into the uncertainty surrounding expected returns, as established in financial literature (Becchetti, Ciciretti, & Hasan, 2015; Brealey et al., 2017; Orlitzky, 2013; Sharpe, 1964). Higher levels of firm risk implies increased stock price volatility, increased stock price volatility, indicating heightened uncertainty in future cash flows and elevated equity financing costs, potentially diminishing firm value (Amit & Wernerfelt, 1990; Harjoto & Laksmana, 2018). Conversely, lower risk levels suggest greater financial stability and predictability.

Accounting measures of return and risk, while common, often reflect historical investment decisions and may not accurately capture current and future cash flows due to their short-term nature and variations in tax laws and accounting practices across different contexts (Amit & Wernerfelt, 1990; Fisher & McGowan, 1983; Hillman & Keim, 2001). Consequently, following established risk literature, I employ three market-based measures to

evaluate firm risk profiles: total stock volatility (sigma), systematic risk (beta), and idiosyncratic risk.

Total stock volatility, calculated as the standard deviation of monthly stock returns over the past year, measures overall uncertainty and variability in a firm's stock performance, providing insights into investor-perceived risk. Modern finance theory further dissects this total risk into systematic and idiosyncratic components. Systematic risk, represented by beta (β), quantifies the sensitivity of a firm's stock returns to market movements via the Capital Asset Pricing Model (CAPM). Derived from a market-model CAPM regression using country-representative equally-weighted indexes and treasury bill data, beta offers a forward-looking measure of market-related risk that is non-diversifiable (Brealey et al., 2017). Idiosyncratic risk or unsystematic risk, on the other hand, captures the portion of total risk unique to the firm and independent of market factors. It is measured as the standard deviation of the residuals from the market model regression. This type of risk encompasses elements that can be mitigated through effective management decisions, competitive positioning, and operational efficiency, thereby offering above-normal returns to shareholders through increased cash flows. Unlike systematic risk, idiosyncratic risk can be minimized by constructing a well-diversified portfolio.

3.3. CSR Engagement Measures

Corporate social responsibility (CSR) encompasses a broad range of activities aimed at furthering social good while also delivering economic value to firms through effective stakeholder engagement (Siegel & Vitaliano, 2007; Vishwanathan et al., 2019). This strategic perspective views CSR as a multi-pronged strategic approach to balance stakeholder interests and maximize firm value, rather than purely altruistic endeavors (Bouslah et al., 2023; Husted & Salazar, 2006).

Aligned with the institutional framework focusing on labor, capital, and environmental pillars, this study examines three primary stakeholder themes within CSR: employees, shareholders, and climate change. The measures used to assess these themes include the Workforce Category Score, which evaluates a company's performance in fostering job satisfaction, ensuring health and safety in the workplace, promoting diversity and equal opportunities, and providing employee development. Shareholder protection is gauged

through the Shareholder Category Score, which assesses a company's commitment to ensuring fair treatment of shareholders and the use of anti-takeover mechanisms. The firm's dedication to climate change and environmental sustainability is measured by the Emissions Category Score, which examines a company's efforts to reduce environmental emissions in its production and operational processes.

Data on CSR activities for these specific stakeholder categories are sourced from the Refinitiv ESG database (formerly Thomson Reuters ASSET4). This database is selected for its comprehensive measures, including weighted scores and z-scores, allowing for industry-relative comparisons and making it ideal for strategic and comparative institutional analyses (Ioannou & Serafeim, 2012).

3.4. Measure of Firm-Level Drivers: Financial Health and Stakeholder Exposure

This study focuses on two key firm-level drivers essential for developing CSR strategies in risk management: Financial Health and Stakeholder Exposure (Albuquerque et al., 2019; Campbell, 2007; Fiss & Zajac, 2006). Financial Health is proxied by the return on assets (ROA), a widely recognized indicator of a firm's financial condition (Campbell, 2007; Ioannou & Serafeim, 2012). Higher ROA signifies better financial capability for extensive CSR investment, while lower ROA indicates potential financial constraints limiting CSR engagement.

Stakeholder Exposure is evaluated through a firm's international reach and product diversification. *Internationalization* is measured by the ratio of foreign sales to total sales (Attig et al., 2016; Sullivan, 1994), reflecting the firm's global market involvement and exposure to international stakeholder expectations. *Product diversification* is quantified by the logarithm of the number of product segments based on the 4-digit Standard Industry Classification (SIC-4) code (Kang, 2013; Su & Tsang, 2015), indicating the firm's operational breadth across various industries and interaction with a wider set of stakeholders. A composite measure of Stakeholder Exposure is constructed by averaging the calibrated values of these two metrics.

Table 1 provides an overview of the operational definitions and data sources for the study's outcome variables and antecedents.

Table 1. Variable definitions and data sources

	Measures	Data Sources
Outcome: Firm Risk		
Total Stock Volatility	Annualized standard deviation of monthly stock returns	Worldscope
Systematic Risk	Beta coefficient of the standard CAPM model using monthly stock returns of the previous twelve months CAPM model: $R_{it} - R_{ft} = \alpha_i + \beta_i(R_{Mt} - R_{ft}) + \epsilon_{it}$ Where R_{it} is the return of firms i in year t, R_{ft} is the risk-free rate (based on 1-month T-bill rate), α_i is the intercept term, β_i is the systematic risk for firm i, R_{Mt} is the market return in year t, and ϵ_{it} is idiosyncratic error term.	Worldscope
Idiosyncratic Risk	Annualized standard deviation of the squared residuals from the CAPM model	Worldscope
National-level Institutions		
Capital	Shareholder Protection index (GCMSP); Financial Market Development Index	Guillén & Capron (2016), IMF
Labor	Employment Protection index (EPI); Work Council Rights	OECD
Environment	Environmental Policy Stringency index (EPS)	OECD
Firm-level Conditions		
Financial Health	Return on Assets (ROA)	Worldscope
Stakeholder Exposure	*Internationalization* – measured by firm's foreign sales as a ratio of total sales *Product Diversification* – measured by the natural logarithm of number of four-digit SIC codes the company operates	Worldscope
Attention to CSR Issues		
Workforce	Assesses a company's job satisfaction, workplace safety, diversity, and employee development.	Refinitiv ESG
Shareholders	Measures a company's commitment to shareholder rights and anti-takeover protections.	Refinitiv ESG
Climate-Change	Evaluates a company's efforts to reduce environmental emissions and promote sustainability.	Refinitiv ESG

4. Data Sample and Calibration

The final sample for this study is constructed from multiple sources, as detailed in *Table 1*. Initially, it included all publicly listed firms within the Refinitiv ESG timeseries database (formerly Thomson Reuters ASSET4) from G-7 countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) from 2003 to 2015. These countries were selected for their prominence in cross-national comparative research and their representation of leading global economies with highly developed and liquid equity markets (Hall & Soskice, 2001; Ioannou & Serafeim, 2012), providing a representative sample of global corporate trends.

Refinitiv's ESG data is used for its comprehensive coverage of CSR activities, capturing 90% of global market capitalization across 10 themes and more than 600 performance metrics in Environmental, Social, and Governance dimensions (Refinitiv, 2022). Financial data was sourced from Refinitiv's WorldScope, while national-level institutional data was obtained from sources such as the OECD Statistics (n.d.) and IMF data (n.d.). To ensure comparability and maintain sample heterogeneity, a multi-step data screening procedure was employed. Firms in the financial sector (classified under The Refinitiv Business Classification, TRBC code 55) were excluded due to distinct risk characteristics. Similarly, firms from Healthcare, Information Technology, Real Estate, and Educational sectors (TRBC codes 56, 57, 60, and 63) were excluded due to limited direct environmental impact and significant missing data. To address the overrepresentation of U.S. firms and ensure balanced cross-country representation, the sample was restricted to firms in the S&P 1500 index, which provides a representative cross-section of small, medium, and large capitalization firms.

After excluding firms with incomplete data, the final sample comprised 6,446 firm-year observations across 611 unique firms. Table 2 presents the sample distribution across countries and industrial sectors, while Table 3 summarizes descriptive statistics for the indicators used in the study. All firm variables, except for the CSR measures, were winsorized at the 1% and 99% levels and lagged by one year.

Table 2. Distribution of the sample across countries and industrial sectors

Country	Frequency
Canada	872
France	588
Germany	374
Japan	1522
Italy	172
United Kingdom	1224
United States	1694
Total	**6,446**
Industrial Sectors	**Frequency**
Energy	817
Basic Materials	919
Industrials	1717
Consumer cyclicals	1516
Consumer non-cyclicals	900
Utilities	577
Total	**6,446**

The initial and most crucial step in QCA is defining sets that represent outcomes and explanatory conditions, assigning qualitative anchors to numerically reflect their set memberships as either present (1) or absent (0). This process draws on both theoretical foundations and practical knowledge, ensuring that set memberships accurately capture meaningful differences in firm-level and institutional characteristics (Fiss, 2011; Fainshmidt et al., 2020; Ragin, 2008). Proper calibration is essential, as it determines the extent to which cases belong to a given set and influences the robustness of the analysis. To achieve this, conditions are calibrated into crisp sets, where membership is binary—either "fully in" (1) or "fully out" (0)—or into fuzzy sets, which reflect degrees of membership along a continuum from "fully in" (1) to "neither in nor out" (0.5) to "fully out" (0).

National institutional conditions are calibrated as sample-anchored threshold of 80th percentile for full membership, the 20th percentile for non-membership, and the median as

Table 3. Summary statistics and bivariate correlation matrix

Variables	Mean	Median	S.D.	Min	Max	1.	2.	3.	4.	5.	6.	7.	8.	9.
1. Total Risk	0.088	0.074	0.054	0.013	1.027	1.000								
2. Systematic Risk	0.907	0.468	1.199	-1.849	4.586	0.069	1.000							
3. Idiosyncratic Risk	0.010	0.005	0.016	0.000	0.549	0.830	0.065	1.000						
4. Employment Protection Index	1.189	1.369	0.881	0.093	3.016	0.102	-0.020	0.066	1.000					
5. Work Council Rights	1.190	1.000	0.911	0.000	3.00	0.191	-0.121	0.138	0.847	1.000				
6. Minority Shareholder rights Index	6.954	7.000	0.293	5.500	7.375	-0.144	-0.015	-0.106	-0.407	-0.460	1.000			
7. Financial Development Index	0.822	0.841	0.071	0.636	0.931	-0.176	0.208	-0.134	-0.486	-0.394	0.314	1.000		
8. Environmental Policy Stringency	2.865	3.000	0.740	1.222	4.222	0.148	-0.072	0.088	0.579	0.484	-0.337	-0.417	1.000	
9. Internationalization	0.389	0.375	0.314	0.000	0.948	0.067	0.115	0.043	0.241	0.145	-0.164	0.007	0.143	1.000
10. Product Diversification	0.934	1.196	0.583	0.000	1.118	-0.014	-0.060	-0.006	0.173	0.234	0.092	-0.243	0.093	0.055
11. ROA	6.079	5.374	5.304	-54.836	35.573	-0.160	0.070	-0.125	-0.185	-0.292	0.037	0.260	-0.217	0.078
12. Workforce Engagement Score	60.07	64.13	27.286	0.000	99.82	-0.093	0.088	-0.071	0.226	0.053	0.019	0.110	0.066	0.213
13. Shareholder Engagement Score	54.88	57.30	28.382	0.12	99.95	0.014	-0.033	0.003	-0.106	-0.070	-0.018	0.012	-0.054	0.037
14. Emissions Reduction Score	51.11	55.41	33.041	0.00	99.69	-0.029	-0.037	-0.021	0.154	0.138	0.070	-0.034	0.212	0.079

Variables	10.	11.	12.	13.	14.
10. Product Diversification	1.000				
11. 5-year Average ROA	-0.155	1.000			
12. Workforce Engagement Score	0.095	0.056	1.000		
13. Shareholder Engagement Score	0.027	-0.010	0.066	1.000	
14. Emissions Reduction Score	0.209	-0.084	0.622	0.070	1.000

N = 6,446

the crossover point for fuzzy set. Similarly, firm-level strategic drivers and CSR engagement conditions are calibrated using industry-adjusted thresholds: the 80th percentile for full membership, the median for the crossover point, and the 20th percentile for non-membership. Higher-order sets for national institutional conditions and stakeholder exposure are created by averaging the calibrated values of relevant subsets. Firm-risk variables, the outcome conditions, are calibrated using a crisp set approach. Total firm risk and idiosyncratic risk are assessed with industry-adjusted sample-anchored thresholds: the 20th percentile for full membership (indicating low risk) and the remainder for non-membership (indicating high risk). Systematic risk is defined by values between -1 and 1 (inclusive) for full membership (low risk), while values outside this range (greater than 1 or less than -1) indicate high market sensitivity as non-membership (high risk), aligning with theoretical expectations and sample characteristics.

Detailed calibration of all measures, including qualitative definitions for each condition, is provided in Table 1 of the Appendix.

5. Results

I used fuzzy-set/QCA 3.0 software to conduct the analyses. The output of a typical configurational analysis is observed by examining the necessity and sufficiency of each condition (Ragin, 2008). A necessary condition is one that must be present for an outcome to occur, while a sufficient condition implies that the condition, when present, consistently leads to the outcome. Coverage measures the proportion of membership in the outcome explained by the identified configurations, and consistency measures the degree to which the empirical evidence supports the sufficiency of the condition for the outcome.

5.1. Analysis of Necessary Conditions

Following calibrating the data, a necessity analysis was performed to determine if any conditions are independently necessary for producing low firm-risk outcomes and their inverses, as recommended by Ragin (2008). The analysis revealed that none of the conditions met the high consistency threshold of 0.90 across all risk outcomes. This suggests that no single condition is necessary for achieving low-risk outcomes and their inverses. Instead, firms likely achieve these outcomes through various combinations of strategic CSR choices, firm-level factors, and national-institutional factors, reinforcing the initial proposition of

complex causality and the need for a configurational perspective. The results of this necessity analysis are reported in Tables 2 and 3 in the Appendix. These insights lay the groundwork for further examination of the configurations that influence firm risk management.

5.2. QCA Results: Sufficiency Analysis

Sufficiency analyses was conducted to evaluate which of the $2^{k=8}$ possible combinations of calibrated causal conditions yield the outcome of low firm risk, where k represents the number of explanatory conditions. For robustness, a minimum frequency threshold of ten cases per configuration was applied, ensuring at least 80% sample retention and reducing the influence of less generic or outlier cases (Fiss, 2011; Meuer & Rupietta, 2017).

Configurations were deemed sufficient if they demonstrated a minimum raw consistency score of 0.75, as recommended by Ragin (2000, 2008), and commonly practiced for large-N analyses (Garcia-Castro & Francoeur, 2016). While smaller-sample QCA studies typically use ≥0.80 as the benchmark, thresholds as low as 0.70 are acceptable in large-N analyses (Meuer & Rupietta, 2017). Tables 4, 5, and 6 report the results of the sufficiency analysis for firms with low total risk, low systematic risk, and low idiosyncratic risk, respectively. Results follow Ragin's (2008) and Fiss's (2011) notation: where a filled circle (●) indicates the presence of an attribute, a crossed-out circle (⊗) denotes its absence, and a blank space signifies non-relevance to the outcome. Large circles depict core attributes found in both parsimonious and intermediate solutions, while smaller circles indicate peripheral attributes found primarily in intermediate solutions. This categorization aims to provide transparency and clarity.

In line with best practices (Bell et al., 2014; Crilly, 2011; Fiss, 2011; Misangyi & Acharya, 2014), intermediate solutions were used for interpretation. This approach integrates simplifying assumptions aligned with the data and theoretical frameworks, offering a conservative yet plausible representation (see Ragin, 2008). Additionally, to further advance the interpretation of results, Table 7 summarizes qualitative insights on the distribution of cases by country and industrial sector, along with exemplar firms within each sector that correspond to the identified configurational solutions. These insights are integrated into the result to provide a comprehensive understanding of the dynamics shaping firm risk.

Total Stock Volatility: Table 4 identifies three conditional pathways to achieving lower stock volatility, demonstrating an overall coverage of 24.4% and a consistency of 77%. These pathways are characterized as Stakeholder-Responsive Balancers employing a minimalist or selective CSR coupling strategy (Configuration 1), Shareholder-Centric Conservators using strategic CSR coupling (Configuration 2), and Global Employee Advocates implementing CSR decoupling (Configuration 3).

Table 4. Total Stock Volatility

	(1) Stakeholder-Responsive Balancers	(2) Shareholder-Centric Conservators	(3) Global Employee Advocates
National-level Institutions			
Labor Institutions	●	⊗	⊗
Capital Institutions	●	●	●
Environmental Institutions	●	⊗	⊗
Firm-Level Conditions			
Stakeholder Exposure	●	⊗	●
Financial Health	●	●	
Attention to CSR Issues			
Workforce	●		●
Shareholder	⊗	●	
Climate-Change	●	⊗	
Consistency	0.786	0.804	0.762
Raw Coverage	0.219	0.155	0.114
Unique Coverage	0.027	0.020	0.013
Overall Solution Consistency		0.770	
Overall Solution Coverage		0.244	

Note: Filled circle (●) indicate the presence of an attribute, crossed-out circles (⊗) indicate its absence, and blank cells denote irrelevant attributes. Large filled circles represent core conditions, while small crossed-out circles represent peripheral conditions.

Stakeholder-Responsive Balancers: Firms in this category operate within strong national frameworks of labor, capital, and environmental regulations. They prioritize workforce and climate change initiatives while sidelining shareholder interests, effectively balancing global and employee-related concerns.

Shareholder-Centric Conservators: These firms are characterized by strong capital frameworks but weaker labor and environmental regulations. They maintain financial health with limited stakeholder exposure, focusing primarily on maximizing shareholder returns.

Global Employee Advocates: These firms, like the previous category, operate under strong capital frameworks but with a higher degree of stakeholder exposure due to extensive internationalization and industry diversification. They place a strong emphasis on employee-related matters even in the absence of strong labor-centric institutional support.

Table 7 shows that the Stakeholder-Responsive Balancer configuration is predominantly adopted by French firms across various sectors, excluding sectors like Utilities and Basic Materials. In contrast, the Shareholder-Centric Conservators and Global Employee Advocates are more prevalent among US firms, especially in sectors like Utilities and Consumer Non-Cyclicals.

Systematic Risk: Table 5 outlines four strategic pathways that firms adopt to manage lower systematic risk (beta), showcasing an overall solution coverage of 19.6% and a consistency of 75.8%. These strategies are characterized as Shareholder-Centric Conservators and Institutional Stakeholder Integrators utilizing strategic CSR coupling (Configurations 1 and 2), Strategic Stakeholder Balancers employing a hybrid CSR strategy (Configuration 3), and Comprehensive Stakeholder Integrators utilizing decoupling CSR (Configuration 4), each effectively mitigating systematic risk.

Shareholder-Centric Conservators: Firms in this category operate with strong capital but weaker labor and environmental institutional frameworks. These firms, characterized by limited internationalization and cross-industry diversification, prioritize shareholder needs while typically overlooking climate-change issues despite their robust financial health.

Institutional Stakeholder Integrators: Firms in this pathway align their stakeholder engagements with institutional obligations, operating in weak capital but stronger labor and

environmental institutional frameworks. These firms, characterized by their weak financial condition and higher level of stakeholder exposure, prioritize workforce and climate-change matters.

Table 5. Systematic Risk

	(1) Shareholder-Centric Conservators	(2) Institutional stakeholder Integrators	(3) Strategic Stakeholder Balancers	(4) Comprehensive stakeholder Integrators
National-level Institutions				
Labor Institutions	⊗	●	⊗	⊗
Capital Institutions	●	⊗	⊗	⊗
Environmental Institutions	⊗	●	•	⊗
Firm-Level Conditions				
Stakeholder Exposure	⊗	●	●	●
Financial Health	●	⊗	⊗	⊗
Attention to CSR Issues				
Workforce		●	●	●
Shareholder	●		⊗	●
Climate-Change	⊗	●	●	●
Consistency	0.783	0.813	0.753	0.769
Raw Coverage	0.129	0.141	0.152	0.094
Unique Coverage	0.038	0.061	0.022	0.029
Overall Solution Consistency	0.758			
Overall Solution Coverage	0.196			

Note: Filled circle (●) indicate the presence of an attribute, crossed-out circles (⊗) indicate its absence, and blank cells denote irrelevant attributes. Large filled circles represent core conditions, while small crossed-out circles represent peripheral conditions.

Strategic Stakeholder Balancers: This pathway includes firms operating within weak capital and labor institutions but strong environmental frameworks. These firms have high stakeholder exposure and weak financial conditions, placing greater emphasis on environmental strengths and workforce matters while sidelining shareholder interests.

Comprehensive Stakeholder Integrators: Firms in this category have relatively weaker institutional support across capital, labor, and environment. Despite their broad stakeholder exposure and financial struggles, these firms address the needs of all institutionally neglected stakeholders—workforce, shareholders, and climate-change—successfully achieving low market beta.

Table 7 details that Shareholder-Centric Conservators are exclusively composed of U.S.-based firms across diverse sectors, with significant contributions from Utilities and Consumer Non-Cyclicals. The Institutional Stakeholder Integrators include firms from Japan, Germany, Italy, and Great Britain, with strong representation in Consumer Non-Cyclicals and Industrials. Stakeholder-Sensitive Balancers are primarily composed of firms from Great Britain with Canadian firms in minority, focusing on Basic Materials and Energy sectors. Finally, Comprehensive CSR Integrators are exclusively composed of Canadian firms focused on the Energy and Basic Materials sectors.

Idiosyncratic Risk: Table 6 identifies four pathways to reducing idiosyncratic risk, with a solution coverage of 21.2% and a consistency of 79.1%. These strategies are: Capital-Driven Stakeholder Engagers employing hybrid CSR (Configuration 1), Environmental Advocators and Comprehensive Stakeholder Embracers using CSR decoupling (Configurations 2 and 3), and Institutional Stakeholder Integrators demonstrating strategically coupled CSR activities (Configuration 4).

Capital-Driven Stakeholder Engagers: Firms in this category leverage a country's strong capital and weak labor and environmental regulatory standards. These firms balance CSR activities between workforce welfare and shareholder interests, effectively utilizing their solid financial standing.

Environmental Advocators: Firms in this pathway share similar institutional attributes to the first configuration but distinguish themselves through broad internationalization and industry diversification. They focus solely on climate-change initiatives, reflecting a commitment to environmental sustainability over other stakeholder concerns.

Comprehensive Stakeholder Embracers: Firms in this category operate within challenging labor and capital institutional environments but maintain robust financial standing and broad stakeholder exposure. They adopt a holistic CSR approach, addressing workforce,

shareholders, and climate-change issues, integrating CSR into their corporate strategies comprehensively.

Institutional Stakeholder Integrators: Firms in this configuration operate in contexts with stringent labor and environmental frameworks. These firms demonstrate a balanced commitment to both internal and external CSR aspects, such as workforce welfare and climate-change mitigation, supported by stable financial conditions and extensive stakeholder interactions.

Table 6. Idiosyncratic Risk

	(1) Capital-Driven Stakeholder Engagers	(2) Environmental Advocators	(3) Comprehensive Stakeholder Embracers	(4) Institutional stakeholder Integrators
National-level Institutions				
Labor Institutions	⊗	⊗	⊗	●
Capital Institutions	●	●	⊗	
Environmental Institutions	⊗	⊗		●
Firm-Level Conditions				
Stakeholder Exposure		●	●	●
Financial Health	●	●	●	●
Attention to CSR Issues				
Workforce	●		●	●
Shareholder	●		●	
Climate-Change		●	●	●
Consistency	0.815	0.788	0.761	0.825
Raw Coverage	0.101	0.096	0.097	0.119
Unique Coverage	0.013	0.020	0.016	0.027

Overall Solution Consistency	0.791
Overall Solution Coverage	0.212

Note: Filled circle (●) indicate the presence of an attribute, crossed-out circles (⊗) indicate its absence, and blank cells denote irrelevant attributes. Large filled circles represent core conditions, while small crossed-out circles represent peripheral conditions.

Table 7 reveals that Capital-Driven Stakeholder Engagers and Environmental Advocators are predominantly U.S.-based firms, with Consumer Non-Cyclicals and Utilities dominating the former, and Consumer Non-Cyclicals and Industrials prevalent in the latter. Comprehensive Stakeholder Embracers are primarily Canadian and British firms in the Energy and Basic Materials sectors. Institutional Stakeholder Integrators include multinational firms from France, Germany, Italy, and Japan, represented in Basic Materials, Utilities, and Industrials.

5.3. Asymmetric Causality

One of the key advantages of configurational theorization is its ability to accommodate asymmetric solutions for the presence and absence of a given outcome (Bell et al., 2014; Fiss, 2011; Haxhi & Aguilera, 2017). In simpler terms, causal asymmetry (Ragin, 2008) suggests that the conditions leading to a firm's high perceived market risk are different from those leading to its absence; these conditions are not merely the inverse of each other. This kind of understanding is particularly relevant in strategic management and portfolio theory, where firms may prioritize avoiding high-risk scenarios through stakeholder-centered CSR engagements rather than pursuing high-reward risk mitigation strategies. It also speaks to the skeptical view that considers CSR as a mere market noise, potentially amplifying a firm's risk exposure (Orlitzky, 2013). Therefore, to provide a holistic understanding of the strategic options available to firms, I also examine configurations of institutional attributes, firm conditions, and CSR engagement strategies that consistently lead to the absence (or inverse) of low firm risk outcomes.

~**Total Stock Volatility:** Table 8 identifies two pathways that lead to high stock volatility, demonstrating an overall solution consistency of 76.5% and coverage of 9.1%. These pathways, collectively referred to as "Only Environmental Advocacy is Not Enough", highlight that environmental prioritization alone is insufficient to manage stock volatility. The first configuration shows that firms operating within weak capital but strong labor and environmental institutional frameworks, with low stakeholder exposure (limited internationalization and diversification), prioritize climate-change matters while neglecting workforce and shareholder interests. This minimalist strategy is predominantly seen in Japanese-origin firms within the Utilities sector. The second configuration indicates that firms operating under weak capital and labor institutions but strong environmental

Table 7. Summary of identified configurations

	Configurations	Stakeholder Engagement Mechanism	Case Distribution Within Configurations		Exemplar Firms (Name and ISINs[10])
			Country	**Industrial Sector**	
Total Stock Volatility	1. Stakeholder Responsive Balancers	Minimalist CSR Strategy	FR (100%)	• Industrials (29.2%) • Consumer-Cyclicals (28.4%) • Basic Materials (17.5%) • Consumer non-cyclicals (13.9%) • Energy (11.0%)	• Schneider Electric SE (FR0000121972) • SEB S.A. (FR0000121709) • Imerys S.A. (FR0000120859) • Danone S.A. (FR0000120644) • Vallourec (FR0013506730)
	2. Shareholder-Centric Conservators	Strategically Coupled CSR	US (96.6%) GB (3.4%)	• Utilities (37.1%) • Consumer non-cyclicals (20.0%) • Consumer-Cyclicals (13.5%) • Basic Materials (10.6%) • Energy (9.5%) • Industrials (9.3%)	• Firstenergy Corp (US3379321074) • Express Scripts Holding Company (US30219G1085) • Lowe's Companies Inc. (US5486611073) • Sherwin-Williams Co (US8243481061) • EOG Resources Inc (US26875P1012) • WW Grainger Inc (US3848021040)
	3. Global Employee Advocates	Strategically Decoupled CSR	US (95.1%) GB (4.9%)	• Consumer non-cyclicals (29.4%) • Utilities (22.8%)	• Procter & Gamble Co (US7427181091) • Spectra Energy Corp (US8475601097)

				• Energy (16.6%)	• Occidental Petroleum Corporation (US6745991058)
				• Consumer-Cyclicals (12.9%)	• TJX Companies Inc (US8725401090)
				• Industrials (9.9%)	• Rockwell Automation, Inc. (US7739031091)
				• Basic Materials (8.5%)	• Mosaic Co (US61945c1036)
Systematic Risk	1. Shareholder-Centric Conservators	Strategically Coupled CSR	US (100%)	• Utilities (49.7%)	• Southern Co (US8425871071)
				• Consumer non-cyclicals (18.0%)	• Walmart Inc (US9311421039)
				• Consumer-Cyclicals (14.5%)	• Target Corporation (US87612E1064)
				• Industrials (9.5%)	• Union Pacific Corporation (US9078181081)
				• Basic Materials (8.3%)	• Freeport-Mcmoran Inc (US35671D8570)
	2. Institutional Stakeholder Integrators	Strategically Coupled CSR	JP (53.6%) DE (24.7%) IT (19.0%) GB (2.7%)	• Consumer non-cyclicals (31.2%)	• Toshiba Corporation (JP3592200004)
				• Industrials (22.7%)	• Kubota Corporation (JP3266400005)
				• Consumer-Cyclicals (20.3%)	• Toyota Motor Corporation (JP3633400001)
				• Basic Materials (11.6%)	• Thyssenkrupp AG (DE0007500001)
				• Utilities (7.7%)	• E.ON SE (DE000ENAG999)
				• Energy (6.5%)	• Snam S.p.A (IT0003153415)
	3. Strategic Stakeholder Balancers	Hybrid CSR Strategy	GB (78.2%) CA (21.8%)	• Basic Materials (41.5%)	• Sherritt International Corp (CA8239011031)

			• Energy (38.2%)	• Bp Plc (GB0007980591)
			• Industrials (8.1%)	• Rexam Plc (GB00BMHTPY25)
			• Consumer non-cyclicals (7.7%)	• Associated British Foods Plc (GB0006731235)
			• Consumer-Cyclicals (4.6%)	• Carnival Plc (GB0031215220)
	4. Comprehensive Stakeholder Integrators	Strategically Decoupled CSR Strategy	CA (100%)	• Energy (64.6%)	• Enbridge Inc (CA29250N1050)
			• Basic Materials (35.4%)	• Potash Corporation of Saskatchewan Inc. (CA73755l1076)
Idiosyncratic Risk	1. Capital-Driven Engagers	Hybrid CSR Strategy	US (100%)	• Consumer non-cyclicals (27.4%)	• Coca-Cola Co (US1912161007)
			• Utilities (26.3%)	• Exelon Corporation (US30161N1019)
			• Energy (19.5%)	• Chevron Corporation (US1667641005)
			• Consumer-Cyclicals (10.7%)	• Yum! Brands, Inc. (US9884981013)
			• Basic Materials (8.7%)	• Freeport-Mcmoran Inc (US35671D8570)
			• Industrials (7.3%)	• Northrop Grumman Corporation (US6668071029)
	2. Environmental Advocators	Strategically Decoupled CSR Strategy	US (100%)	• Consumer non-cyclicals (31.5%)	• Altria Group, Inc. (US02209S1033)
			• Industrials (19.7%)	• Raytheon Technologies Corp (US75513e1010)
			• Energy (18.1%)	• Baker Hughes Co (US05722G1004)

			• Consumer-Cyclicals (15.8%)	• Starbucks Corporation (US8552441094)
			• Utilities (7.6%)	• PG&E Corporation (US69331C1080)
			• Basic Materials (7.4%)	• Monsanto Company (US61166W1018)
3. Comprehensive Stakeholder Embracers	Strategically Decoupled CSR Strategy	CA (57.6%) GB (42.4%)	• Energy (37.0%)	• Suncor Energy Incorporated (CA8672241079)
			• Basic Materials (31.1%)	• Potash Corporation of Saskatchewan Inc. (CA73755l1076)
			• Consumer non-cyclicals (16.8%)	• Smiths Group Plc (GB00B1WY2338)
			• Industrials (11.7%)	• CAE Inc. (CA1247651088)
			• Consumer Cyclicals (3.3%)	• Burberry Group (GB0031743007)
4. Institutional Stakeholder Integrators	Strategically Coupled CSR Strategy	FR (30.4%) DE (26.6%) IT (24.3%) JP (18.7%)	• Basic Materials (28.4%)	• BASF SE (DE000BASF111)
			• Utilities (16.3%)	• Enel Spa (IT0003128367)
			• Industrials (16.0%)	• Societe BIC S.A. (FR0000120966)
			• Consumer-Cyclicals (15.4%)	• LVMH Moët Hennessy Louis Vuitton SE (FR0000121014)
			• Energy (13.7%)	• Vallourec (FR0013506730)
			• Consumer non-cyclicals (10.2%)	• Danone S.A. (FR0000120644)

institutions, with relatively low stakeholder exposure and financial conditions, also ignore shareholder issues while focusing on climate-change concerns. This coupling strategy is mainly observed among Canadian firms in the Energy sector.

~ **Systematic Risk:** Table 8 identifies two pathways leading to high market beta, indicative of high systematic firm risk, with an overall solution consistency of 77.2% and coverage of 8.9%. These pathways are characterized by decoupling CSR strategies, named "Backfired Climate-Change Neglect" and "Only Shareholder Prioritization is Not Enough". The first configuration, "Backfired Climate-Change Neglect", involves firms with strong financial health and high stakeholder exposure, operating within strong capital but weak labor and environmental institutions, which tend to neglect climate-change matters. This pathway is predominantly observed in British firms within the Industrial sector. The second configuration, "Only Shareholder Prioritization is Not Enough", includes firms with relatively strong financial conditions but low stakeholder exposure, operating within similar institutional settings, focusing primarily on shareholder matters while ignoring climate-change issues. This configuration is primarily seen in Canadian firms within the Basic Materials sector.

~**Idiosyncratic Risk**: Table 8 identifies five pathways (Configurations 5 to 9) leading to high idiosyncratic risk, indicative of firm-specific volatility, with an overall solution consistency of 80.3% and coverage of 18.1%. Configuration 5, "Backfired Climate-Change Neglect", involves firms with weak capital but strong labor and environmental institutions, having relatively weak financial conditions and neglecting climate-change issues. This pathway is prevalent among Japanese firms in the Consumer Cyclicals sector, employing a decoupled CSR strategy. Configuration 6, "Only Workforce Prioritization is Not Enough", includes firms with strong capital and environmental institutions, weak financial conditions, and high stakeholder exposure, focusing solely on workforce matters. This minimalist CSR strategy is predominantly seen in French firms outside the Consumer Cyclicals sector. Configuration 7, "Backfired Stakeholder Integration", features firms with strong capital but weak labor and environmental institutions, operating with high stakeholder exposure and weak financial conditions, addressing both workforce and climate-change matters. This configuration is common among US firms in the Energy sector, employing a decoupled CSR strategy. Configuration 8, "Backfired Stakeholder Defect", involves firms with weak capital and

Table 8. Configurations for achieving inverse of firm risk outcomes

	~Total Stock Volatility		~Systematic Risk			~Idiosyncratic Risk			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Only Environmental advocacy is not enough		Backfired Climate-Change Neglect	Only Shareholder Prioritization is not enough	Backfired Climate-Change Neglect	Only Workforce Prioritization is not enough	Backfired Stakeholder Integration	Backfired Stakeholder Defect	Backfired Total Stakeholder Neglect
National-level Institutions									
Labor	●	⊗	⊗	⊗	●	●	⊗	⊗	⊗
Capital	⊗	⊗	⊗	⊗	⊗		●		⊗
Environmental	•	●	•	●	•	●	⊗	⊗	⊗
Firm-Level Conditions									
Stakeholder Exposure		⊗	●	⊗		●	●	⊗	
Financial Health	⊗	⊗	●	•	⊗	⊗	⊗	⊗	●
Attention to CSR Issues									
Workforce	⊗					●	●	⊗	⊗
Shareholder	⊗	⊗		●					⊗
Climate-Change	●	●	⊗	⊗	⊗		●	⊗	⊗
Consistency	0.785	0.757	0.809	0.760	0.814	0.836	0.782	0.762	0.754
Raw Coverage	0.129	0.101	0.159	0.124	0.131	0.117	0.119	0.124	0.092
Unique Coverage	0.038	0.011	0.041	0.022	0.016	0.033	0.026	0.022	0.019
Overall Solution Consistency	0.765		0.772				0.803		
Overall Solution Coverage	0.091		0.089				0.181		

Note: Filled circle (●) indicate the presence of an attribute, crossed-out circles (⊗) indicate its absence, and blank cells denote irrelevant attributes. Large filled circles represent core conditions, while small crossed-out circles represent peripheral conditions.

environmental institutions, weak financial conditions, and low stakeholder exposure, neglecting workforce and climate-change issues while focusing on shareholder matters. This pathway is prevalent among US and Canadian firms, primarily in the Consumer Non-Cyclicals sector, employing a coupled CSR strategy. Finally, Configuration 9, "Backfired Total Stakeholder Neglect", combines weak labor, capital, and environmental institutions with strong financial standing, neglecting all key stakeholders: workforce, shareholders, and climate-change. This configuration is seen among Canadian firms in the Energy sector, employing a coupled CSR strategy.

5.4. Post-hoc Analysis: Integrating QCA and Regression Approaches

While QCA methodology embodies many distinct qualities that are particularly relevant to this study —such as handling conjunctural causation, equifinality, and causal asymmetry—it also has limitations. These include the inability to disentangle effect sizes and the constraints on including additional variables and fixed effects, which are key features of traditional econometric analysis. To address these limitations and enhance robustness, recent research suggests integrating QCA with regression-based methods (Fainshmidt et al., 2020; Misangyi et al., 2017; Schneider & Rohlfing, 2016). This integrated approach leverages QCA for identifying causal patterns and regression analyses for quantifying their statistical impact while controlling for other factors.

Following the foundational works of Meuer & Rupietta (2017) and more recently Slager, Chuah, Gond, Furnari, & Homanen (2023), QCA solutions were integrated into regression analysis by creating dummy variables that represent membership in identified configurations. Cases were assigned to the configuration with the highest membership score exceeding the 0.5 threshold. These dummies were then included in panel logistic regression models to assess the predictive power of configurations for low-risk outcomes and their inverses (~low risk), ensuring that both positive and negative risk pathways were analyzed independently rather than assumed to be statistical mirror images. This distinction is crucial, as the asymmetric nature of QCA-derived configurations implies that the causal pathways leading to low-risk outcomes are not necessarily the inverse of those leading to high-risk outcomes. To account for this, two separate models were estimated: one for firms classified as low risk and another for firms exhibiting high-risk profiles.

Fixed-effects logit models were chosen based on Hausman's test (Greene, 2008), controlling for unobserved heterogeneity at the country, industry, and year levels. The models were specified as follows:

$$\text{Logit } (P(\text{LowRisk}_{ijt} = 1 \mid X_{ijt}) = \beta X_{ijt} + \delta_c + \theta_j + \gamma_t + \epsilon_{ijct}$$

$$\text{Logit } (P(\sim \text{LowRisk}_{ijt} = 1 \mid X_{ijt}) = \beta X_{ijt} + \delta_c + \theta_j + \gamma_t + \epsilon_{ijct}$$

where, LowRisk_{ijt} and $\sim\text{LowRisk}_{ijt}$ are the binary outcome variables indicating whether firm i in industry j and year t exhibits a low-risk or high-risk profile, respectively. The explanatory variable, represented by X_{ijt}, denotes dummy membership in identified QCA-derived configurations, with β as its coefficient capturing the effect of these configurations on firm risk. The fixed effects δ_c, θ_j, γ_t control for unobserved heterogeneity at the country, industry, and year levels, respectively, while the error term is denoted by ϵ_{jct}.

Tables 9 and 10 present the regression results for three risk outcomes—total volatility, systematic risk, and idiosyncratic risk—and their inverses. Each model includes baseline variables and configuration dummies separately. Configurations largely showed significant associations with risk outcomes, consistent with QCA findings, though some exceptions emerged. Figures 4 and 5 illustrate the marginal effects of each configuration, highlighting how distinct CSR-risk strategies exert varying but notable impacts on risk outcomes.

Among the most statistically significant configurations, "Stakeholder-Responsive Balancers," composed mainly of French firms in the Industrials sector, exhibit a 23.2% jump (from 0.196 to 0.428) in achieving low stock volatility. "Strategic Stakeholder Balancers," predominantly British firms in Basic Materials, show a 22.7% increase (from 0.358 to 0.585) in attaining low systematic risk. "Comprehensive Stakeholder Embracers," largely Canadian firms in Energy, experience a 16.5% rise (from 0.195 to 0.360) in securing low idiosyncratic risk. Conversely, for inverse outcomes, "Environmental Advocacy Is Not Enough," dominated by Japanese firms in Utilities, faces a 6.1% (0.79 to 0.86) heightened probability of stock volatility. "Backfired Climate-Change Neglectors," mainly British firms in Industrials, register an 8.6% (0.78 to 0.87) increase in systematic risk, while "Backfired Stakeholder Integration," driven by U.S. firms in Energy, sees an 11.6% (0.79 to 0.91) uptick in idiosyncratic risk.

Table 9. Fixed-effects Logit Panel Regression for low firm-risk outcomes

	Total Stock Volatility				Systematic Risk					Idiosyncratic Risk				
	Baseline	(1)	(2)	(3)	Baseline	(1)	(2)	(3)	(4)	Baseline	(1)	(2)	(3)	(4)
National-level Institutions														
Labor	0.485	0.482	0.491	0.536	-0.648	-0.645	-0.660	-0.643	-0.645	0.133	0.123	0.135	0.125	0.126
	(0.472)	(0.473)	(0.466)	(0.426)	(0.180)	(0.183)	(0.173)	(0.184)	(0.183)	(0.847)	(0.858)	(0.844)	(0.857)	(0.855)
Capital	-0.018	-0.055	-0.023	-0.049	-0.008	-0.008	-0.016	-0.001	-0.003	-0.097	-0.109	-0.098	-0.070	-0.113
	(0.295)	(0.296)	(0.290)	(0.295)	(0.674)	(0.673)	(0.750)	(0.818)	(0.897)	(0.740)	(0.708)	(0.737)	(0.811)	(0.698)
Environment	0.0172	0.054	0.083	0.083	0.464	0.463	0.455	0.471	0.473	0.021	-0.004	0.018	0.028	0.021
	(0.836)	(0.877)	(0.810)	(0.811)	(0.108)	(0.108)	(0.115)	(0.103)	(0.101)	(0.951)	(0.872)	(0.958)	(0.935)	(0.953)
Firm-level Conditions														
Stakeholder Exposure	0.363	0.341	0.451	0.354	-0.157	-0.135	-0.205	-0.189	-0.167	0.314	0.303	0.309	0.240	0.263
	(0.002)	(0.003)	(0.002)	(0.003)	(0.093)	(0.110)	(0.035)	(0.051)	(0.083)	(0.007)	(0.010)	(0.008)	(0.045)	(0.029)
Financial Health	0.808	0.738	0.784	0.773	0.337	0.332	0.370	0.348	0.341	0.791	0.742	0.783	0.760	0.753
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Attention to CSR Issues														
Workforce	0.058	0.044	0.066	0.008	0.194	0.188	0.180	0.188	0.184	0.103	0.025	0.098	0.078	0.084
	(0.603)	(0.695)	(0.558)	(0.846)	(0.032)	(0.038)	(0.047)	(0.037)	(0.041)	(0.359)	(0.826)	(0.388)	(0.489)	(0.458)
Shareholder	-0.188	-0.174	-0.213	-0.192	0.070	0.062	0.046	0.073	0.062	-0.136	-0.191	-0.135	-0.162	-0.139
	(0.024)	(0.037)	(0.011)	(0.021)	(0.288)	(0.352)	(0.495)	(0.266)	(0.349)	(0.102)	(0.025)	(0.104)	(0.053)	(0.096)
Climate-Change	0.327	0.323	0.342	0.309	0.107	0.099	0.060	0.097	0.099	0.246	0.236	0.232	0.194	0.219
	(0.003)	(0.003)	(0.002)	(0.006)	(0.221)	(0.259)	(0.500)	(0.267)	(0.260)	(0.028)	(0.035)	(0.041)	(0.086)	(0.052)
Stock Volatility Configurations														
Config 1: Strategic Stakeholder Balancers		0.835 (0.000)												
Config 2: Shareholder-Centric Conservators			0.284 (0.001)											
Config 3: Global Employee Advocates				0.245 (0.032)										
Systematic Risk Configurations														
Config 1: Shareholder-Centric Conservators						0.136 (0.304)								

Table 9. *Continued*

	Toal Stock Volatility				Systematic Risk					Idiosyncratic Risk				
	Baseline	(1)	(2)	(3)	Baseline	(1)	(2)	(3)	(4)	Baseline	(1)	(2)	(3)	(4)
Config 2: Stakeholder-Responsive Balancers							0.271							
							(0.003)							
Config 3: Stakeholder-Responsive Balancers								0.405						
								(0.028)						
Config 4: Comprehensive stakeholder Integrators									0.277					
									(0.236)					
Idiosyncratic Risk Configurations														
Config 1: Capital-Driven Engagers											0.422			
											(0.000)			
Config 2: Environmental Prioritizers												0.085		
												(0.525)		
Config 3: Comprehensive Stakeholder Embracers													0.541	
													(0.000)	
Config 4: Institutional stakeholder Integrators														0.205
														(0.062)
Constant	-3.182	-3.122	-3.191	-3.165	-0.172	-0.167	-0.155	-0.195	-0.208	-3.175	-3.091	-3.167	-3.228	-3.123
	(0.000)	(0.000)	(0.000)	(0.000)	(0.047)	(0.048)	(0.051)	(0.040)	(0.038)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6446	6446	6446	6446	6446	6446	6446	6446	6446	6446	6446	6446	6446	6446
Log likelihood	-2766.7	-2760.1	-2763.9	-2764.5	-4039.1	-4038.5	-4034.9	-4036.7	-4038.4	-2762.8	-2756.9	-2762.6	-2756.6	-2761.1
Pseudo R^2	0.143	0.145	0.144	0.144	0.161	0.162	0.163	0.162	0.163	0.144	0.146	0.145	0.146	0.145

P-values in parentheses. Standard errors clustered at the firm-level.

Table 10. Fixed-effects Logit Panel Regression for inverse low firm-risk outcomes

	~Total Stock Volatility			~ Systematic Risk			~ Idiosyncratic Risk					
	Baseline	(1)	(2)	Baseline	(1)	(2)	Baseline	(1)	(2)	(3)	(4)	(5)
National-level Institutions												
Labor	-0.485	-0.457	-0.469	0.649	0.650	0.645	-0.133	-0.083	-0.137	-0.116	-0.129	-0.132
	(0.472)	(0.498)	(0.486)	(0.180)	(0.180)	(0.183)	(0.847)	(0.904)	(0.842)	(0.865)	(0.851)	(0.849)
Capital	0.018	0.020	0.017	0.008	0.009	0.012	0.097	0.093	0.104	0.093	0.097	0.099
	(0.951)	(0.946)	(0.953)	(0.975)	(0.971)	(0.963)	(0.740)	(0.751)	(0.723)	(0.749)	(0.739)	(0.733)
Environment	-0.072	-0.066	-0.070	-0.464	-0.464	-0.475	-0.021	-0.009	-0.016	-0.050	-0.034	-0.021
	(0.836)	(0.849)	(0.841)	(0.108)	(0.108)	(0.099)	(0.951)	(0.979)	(0.962)	(0.885)	(0.922)	(0.951)
Firm-level Conditions												
Stakeholder Exposure	-0.363	-0.338	-0.347	0.157	0.124	0.162	-0.314	-0.288	-0.340	-0.399	-0.264	-0.318
	(0.002)	(0.004)	(0.004)	(0.100)	(0.202)	(0.091)	(0.007)	(0.014)	(0.004)	(0.000)	(0.028)	(0.007)
Financial Health	-0.808	-0.789	-0.793	-0.337	-0.354	-0.357	-0.791	-0.713	-0.760	-0.724	-0.744	-0.792
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Attention to CSR Issues												
Workforce	-0.058	-0.054	-0.047	-0.193	-0.190	-0.194	-0.103	-0.116	-0.120	-0.126	-0.071	-0.096
	(0.603)	(0.631)	(0.679)	(0.032)	(0.035)	(0.032)	(0.360)	(0.304)	(0.360)	(0.266)	(0.531)	(0.398)
Shareholder	0.188	0.194	0.202	-0.070	-0.074	-0.085	0.136	0.147	0.138	0.139	0.138	0.141
	(0.024)	(0.019)	(0.017)	(0.288)	(0.260)	(0.201)	(0.102)	(0.077)	(0.097)	(0.097)	(0.098)	(0.091)
Climate-Change	-0.327	-0.340	-0.348	-0.107	-0.081	-0.091	-0.246	-0.314	-0.250	-0.272	-0.237	-0.239
	(0.003)	(0.002)	(0.002)	(0.221)	(0.358)	(0.300)	(0.028)	(0.006)	(0.026)	(0.015)	(0.034)	(0.033)
~Total Risk Configurations												
Config 1: Environmental Advocacy is Not Enough		0.442 (0.118)										
Config 2: Environmental Advocacy is Not Enough			0.185 (0.263)									
~ Systematic Risk Configurations												
Config 1: Backfired Climate-change Neglect					0.250 (0.040)							
Config 2: Shareholder Prioritization is Not Enough						0.225 (0.053)						

Table 10. *Continued*

|	~Total Stock Volatility			~ Systematic Risk			~ Idiosyncratic Risk					
	Baseline	(1)	(2)	Baseline	(1)	(2)	Baseline	(1)	(2)	(3)	(4)	(5)
~ Idiosyncratic Risk Configurations												
Config 1: Backfired Climate-change Neglect								0.368 (0.005)				
Config 2: Workforce Prioritization is Not Enough									0.137 (0.255)			
Config 3: Backfired Stakeholder Integration										0.655 (0.000)		
Config 4: Backfired Stakeholder Defect											0.267 (0.042)	
Config 5: Backfired Total Stakeholder Neglects												0.168 (0.438)
Constant	3.182 (0.000)	3.132 (0.000)	3.154 (0.000)	0.172 (0.047)	0.149 (0.052)	0.133 (0.057)	3.175 (0.000)	3.103 (0.000)	3.165 (0.000)	3.129 (0.000)	3.048 (0.000)	3.046 (0.000)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6446	6446	6446	6446	6446	6446	6446	6446	6446	6446	6446	6446
Log likelihood	-2766.8	-2765.5	-2766.1	-4039.1	-4036.9	-4037.2	-2762.8	-2758.9	-2762.2	-2753.3	-2760.7	-2762.5
Pseudo R^2	0.143	0.144	0.144	0.161	0.163	0.163	0.144	0.146	0.145	0.147	0.145	0.145

P-values in parentheses. Standard errors clustered at the firm-level.

Figure 4. Marginal effects of configuration membership with 95% confidence intervals for inverse outcome variables: Total Stock Volatility, Systematic Risk, and Idiosyncratic Risk.
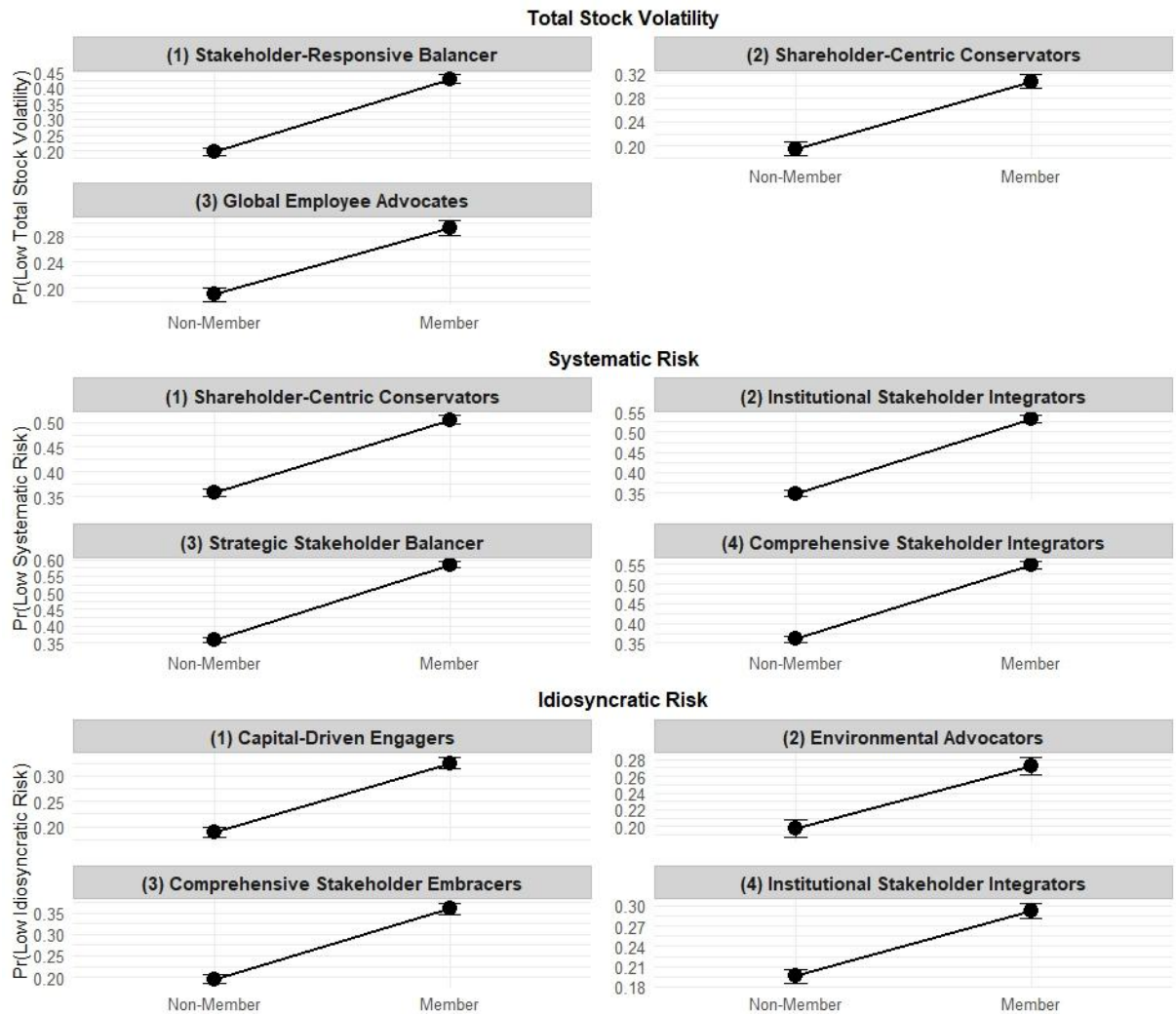
Figure 5. Marginal effects of configuration membership with 95% confidence intervals for inverse outcome variables: ~Total Stock Volatility, ~Systematic Risk, and ~Idiosyncratic Risk.
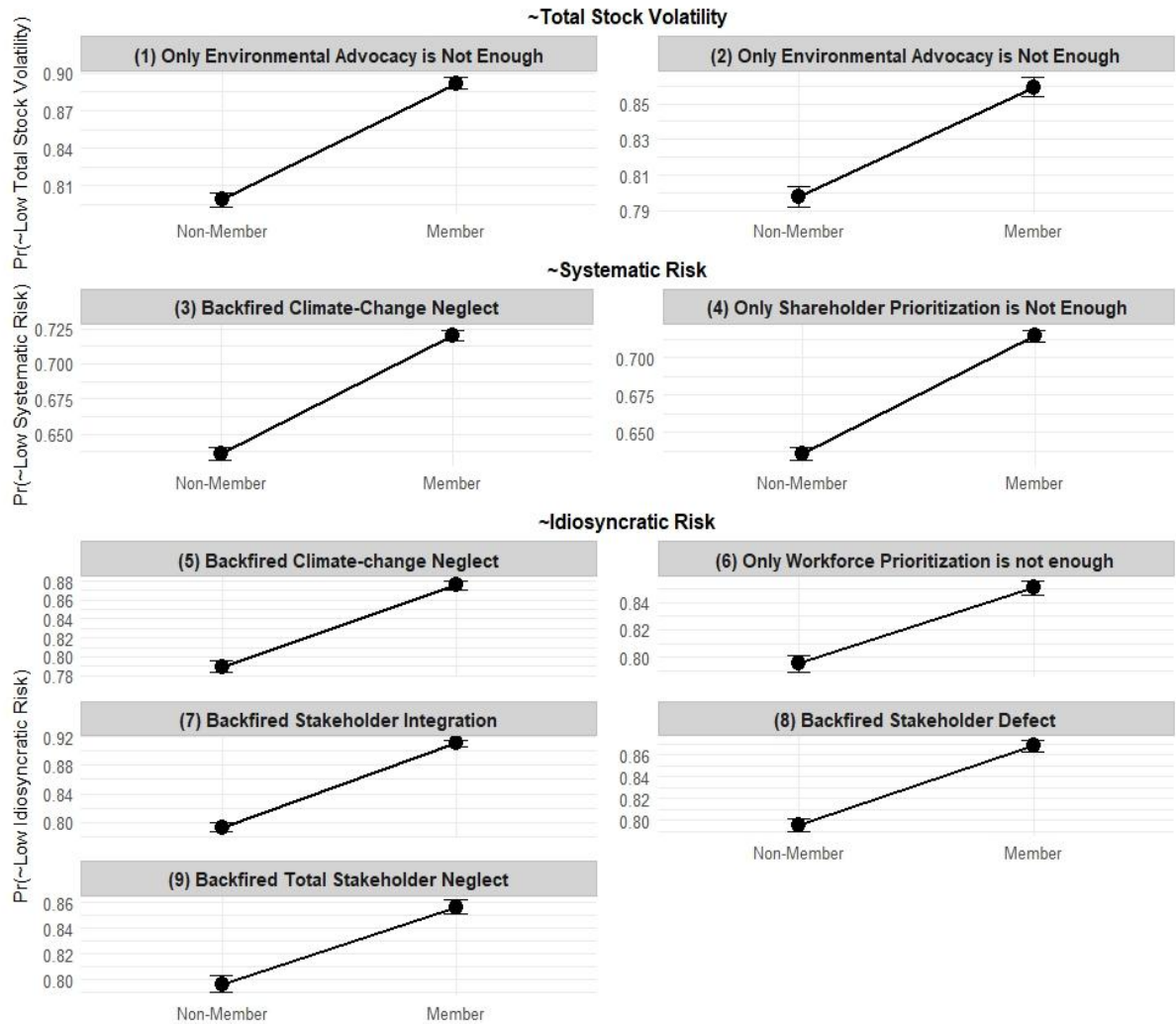
Overall, the configurations associated with inverse risk outcomes exhibit relatively weaker marginal effects, indicating that the asymmetric nature of risk-increasing CSR strategies operates more subtly. Nonetheless, by integrating QCA with regression-based insights, this study not only reinforces the instructional validity of findings but also clarifies the extent to which different CSR strategies—together with firm-level and institutional characteristics—collectively shape a firm's risk profile. This dual-method approach thus enhances both the interpretive depth and comparative predictive effectiveness of the results,

offering a more comprehensive understanding of the strategic trade-offs firms face when managing risk through CSR engagement.

6. Discussion and Contribution

This study addresses a significant gap in the literature by examining how firms strategically align their CSR engagements with stakeholder salience and institutional contexts across countries to manage financial risk effectively. While prior research has acknowledged the role of stakeholder salience in shaping CSR practices (Mitchell et al., 1997; Campbell, 2007; Odziemkowska & Henisz, 2021), there has been a lack of integration of these perspectives with the concept of strategic fit in comparative analyses of CSR engagement and financial risk management. By adopting a configurational perspective and analyzing firms' CSR engagements across three key stakeholder groups—workforce, shareholders, and climate-change issues—I identified specific configurations consistently associated with financial risk mitigation and its inverse. These configurations reflect strategic combinations of stakeholder prioritization, national institutional setups, and firm-specific characteristics that drive either successful or backfiring risk outcomes. This approach advances a risk-based configurational theory of effective actor-centric CSR engagement, positing that effective financial risk mitigation requires leveraging multiple levers in tandem rather than overemphasizing a single factor. In doing so, the findings challenge Jensen's (2002, p. 238) assertion that the stakeholder approach, due to its inherent multidimensionality, would fundamentally "handicap the firm in its competition for survival." Instead, it demonstrates that risk management and stakeholder engagement can indeed be strategically aligned in contemporary multi-fiduciary firms, showing that attending to multiple stakeholders not only avoids handicapping the firm but effectively contributes to risk management for ensuring organizational longevity.

One significant insight from this study is the identification of country- and industry-specific patterns, underscoring the heterogeneous and context-dependent interdependencies driving stakeholder-derived risk premiums. For example, shareholder-focused strategies are prominent among U.S. firms, particularly in the Consumer Non-Cyclicals and Utilities sectors, reflecting the entrenched shareholder primacy doctrine in mitigating financial risks. In contrast, Japanese and Eurozone firms often employ institutionally aligned stakeholder

integrative strategies, prioritizing employee rights and environmental regulations to achieve risk mitigation. British and Canadian firms in the Energy and Basic Materials sectors tend to adopt comprehensive stakeholder engagement strategies, addressing all key stakeholders to maintain legitimacy and extract financial risk premiums.

Our traditional understandings of firm–stakeholder relationships often suggest that all-stakeholder engagements are either risk-reductive or at best risk-neutral (Ross, 2014). This study offers an alternative perspective with asymmetric causality, where under certain conditions, stakeholder engagements can backfire, amplifying rather than mitigating risk. This occurs when there is a misalignment between the firm's CSR strategies and its institutional and resource contexts. For instance, firms that overemphasize environmental initiatives at the expense of neglecting other stakeholders may face backlash if these initiatives are perceived as misaligned with core business practices. This is evident in the case of Japanese and Canadian-origin firms in the Utilities and Energy sectors, where environmental prioritization over other stakeholders backfired, leading to high-risk exposure. It is worth noting that the backfiring of misaligned CSR efforts—manifested through inverse market-risk premiums—tends to have relatively smaller effect sizes. This suggests that the adverse impact of strategic misfits or asymmetric CSR solutions is less pronounced compared to the pronounced risk mitigation benefits derived from well-aligned and strategically fit CSR initiatives.

This asymmetric causal understanding complements the instrumental pillar of stakeholder theory, which has traditionally corroborated the conditions under which stakeholder engagement maximizes corporate value through financial risk premiums (Garcia-Castro & Francoeur, 2016; Vishwanathan et al., 2019). By highlighting how misaligned stakeholder mechanisms can amplify risk exposure and undermine future corporate value, it adds depth to our understanding of stakeholder relationships and their potential to backfire. This perspective underscores the importance of strategic fit and the interdependencies between context, firm capabilities, and stakeholder dynamics in effectively extracting financial risk premiums. These insights offer a nuanced view of CSR's role in risk management, demonstrating that even well-intentioned corporate actions can backfire in specific situations, lending credence to the adage: "the road to hell is paved with good intentions"– attributed to Saint Bernard of Clairvaux (Busch, Bauer, & Orlitzky, 2016).

Further, integrating QCA with regression analysis enhances the robustness and interpretative framework for analyzing the efficacy of firm's CSR engagement. Regression results indicate that configurational conditions do not exert fixed-scale effects across contexts, emphasizing the conjunctive and equifinal nature of causal factors, where different configurations can lead to the desired outcome, but their statistical efficacy varies across contexts.

7. Limitations and Future Research

While this study represents a pioneering effort to integrate context-dependent interdependencies in driving stakeholder-derived risk premiums using a configurational approach, several limitations offer avenues for future research. The exclusive focus on G-7 countries, while providing a comprehensive comparative framework, limits the generalizability of findings to other regions. Including emerging markets and developing countries —which have unique institutional frameworks and stakeholder dynamics—could validate and extend the applicability of the configurational risk-management perspective. Achieving this requires availability of country-level datasets that encompass the Global South and, importantly, updated to recent years—a limitation of the current research, which only includes analyses up to 2015.

Reliance on the Refinitiv ESG data, despite its extensive coverage, presents challenges such as missing data and potential reporting biases. The focus on large, publicly listed firms also restricts applicability to private or mid-sized firms, which may exhibit different stakeholder prioritizations and risk profiles. Future studies could enhance robustness and dataset richness by incorporating primary data collection methods, such as surveys and interviews, to supplement secondary data. Relatedly, this study primarily examines the impact of positive CSR engagements on firm risk, leaving the effects of negative or controversial CSR activities underexplored. Understanding how adverse CSR actions affect financial stability and stakeholder perceptions, especially under different institutional frameworks, will provide a more comprehensive view of CSR's strategic role. Investigating whether certain institutional settings mitigate the impact of negative CSR strategies or consistently lead to increased risk could yield valuable insights for firms aiming to optimize their CSR initiatives.

Addressing the limitations noted here will enable future studies to refine the theoretical framework and provide more robust, actionable insights for scholars and practitioners in the fields of corporate social responsibility and financial risk management. These efforts will contribute to the development of more nuanced and context- appropriate CSR strategies that not only optimize risk management but also enhance stakeholder trust in a globally interconnected environment.

8. Appendix

Table 1. Calibration of the Attributes

	Measures	Fully-out	Crossover Point	Fully-in
Outcome Conditions				
	Total Stock Volatility	> Industry 20th percentile		≤ Industry 20th percentile
	Systematic Risk	$\beta > 1$ or $\beta < -1$		$-1 \leq \beta \leq 1$
	Idiosyncratic Risk	> Industry 20th percentile		≤ Industry 20th percentile
National Institutional Conditions				
Labor	Employment Protection index	≤ 20th percentile	Midpoint between 20th and 80th percentile	≥ 80th percentile
	Work Council Rights	≤ 20th percentile	Midpoint between 20th and 80th percentile	≥ 80th percentile
Capital	Financial Development index	≤ 20th percentile	Midpoint between 20th and 80th percentile	≥ 80th percentile
	Minority Shareholder index	≤ 20th percentile	Midpoint between 20th and 80th percentile	≥ 80th percentile
Environment	Environmental Policy Stringency	≤ 20th percentile	Midpoint between 20th and 80th percentile	≥ 80th percentile
Firm-level Conditions				
Stakeholder Exposure	Internationalization	≤ Industry 20th percentile	Industry midpoint between 20th and 80th percentile	≥ Industry 80th percentile
	Product Diversification	≤ Industry 20th percentile	Industry midpoint between 20th and 80th percentile	≥ Industry 80th percentile
Financial Health	ROA	≤ Industry 20th percentile	Industry midpoint between 20th and 80th percentile	≥ Industry 80th percentile
Attention to CSR Issues				
	Shareholder	≤ Industry 20th percentile	Industry midpoint between 20th and 80th percentile	≥ 80th percentile

Workforce	≤ Industry 20th percentile	Industry midpoint between 20th and 80th percentile	≥ 80th percentile
Emissions Reduction	≤ Industry 20th percentile	Industry midpoint between 20th and 80th percentile	≥ 80th percentile

Table 2. Necessity Analysis for low firm risk outcomes: Total Stock Volatility, Systematic Risk, Idiosyncratic risk

Conditions	Total Stock Volatility		Systematic Risk		Idiosyncratic risk	
	Consistency	Coverage	Consistency	Converge	Consistency	Coverage
National-level Institutions						
Labor Institutions	0.399	0.159	0.510	0.364	0.392	0.156
~Labor Institutions	0.601	0.243	0.490	0.356	0.608	0.245
Capital Institutions	0.593	0.243	0.492	0.363	0.599	0.246
~Capital Institutions	0.406	0.159	0.508	0.357	0.401	0.157
Environment Institutions	0.394	0.162	0.477	0.353	0.395	0.162
~Environment Institutions	0.606	0.237	0.523	0.367	0.605	0.237
Firm-Level Conditions						
Stakeholder Exposure	0.523	0.205	0.509	0.359	0.520	0.204
~Stakeholder Exposure	0.477	0.195	0.491	0.361	0.479	0.196
Financial Health	0.629	0.247	0.520	0.368	0.633	0.249
~Financial Health	0.371	0.152	0.479	0.352	0.367	0.150
Attention to CSR Issues						
Workforce	0.534	0.217	0.506	0.369	0.538	0.219
~Workforce	0.466	0.184	0.494	0.351	0.462	0.183
Shareholder	0.475	0.192	0.505	0.366	0.481	0.194
~Shareholder	0.524	0.209	0.495	0.355	0.518	0.207
Climate-Change	0.498	0.202	0.515	0.376	0.495	0.201
~ Climate-Change	0.502	0.198	0.484	0.344	0.505	0.199

Table 3. Necessity Analysis for inverse of low firm risk outcomes: ~Total Stock Volatility, ~Systematic Risk, ~Idiosyncratic risk

Conditions	~Total Stock Volatility		~Systematic Risk		~Idiosyncratic risk	
	Consistency	Coverage	Consistency	Converge	Consistency	Coverage
National-level Institutions						
Labor Institutions	0.585	0.351	0.501	0.635	0.532	0.844
~Labor Institutions	0.415	0.253	0.499	0.644	0.468	0.754
Capital Institutions	0.379	0.235	0.486	0.637	0.461	0.754
~Capital Institutions	0.620	0.366	0.514	0.642	0.539	0.843
Environment Institutions	0.548	0.339	0.493	0.647	0.511	0.838
~Environment Institutions	0.452	0.266	0.506	0.633	0.489	0.763
Firm-Level Conditions						
Stakeholder Exposure	0.512	0.303	0.511	0.641	0.508	0.796
~Stakeholder Exposure	0.488	0.301	0.489	0.639	0.492	0.804
Financial Health	0.406	0.240	0.504	0.632	0.479	0.751
~Financial Health	0.594	0.366	0.496	0.647	0.521	0.850
Attention to CSR Issues						
Workforce	0.429	0.263	0.485	0.630	0.481	0.781
~Workforce	0.571	0.340	0.515	0.649	0.519	0.817
Shareholder	0.496	0.301	0.493	0.634	0.502	0.806
~Shareholder	0.503	0.303	0.507	0.645	0.498	0.793
Climate-Change	0.482	0.295	0.482	0.624	0.494	0.799
~ Climate-Change	0.518	0.309	0.518	0.655	0.506	0.800

CHAPTER 5

General Discussion

In this dissertation, I examined the strategic role of corporate social responsibility (CSR) in risk management. More specifically, I aimed to advance current knowledge by investigating how, when, and why CSR can act as a competitive advantage through its influence on firms' risk exposures across various empirical settings.

The dissertation comprises three main chapters, each designed to address relevant research questions. Chapter 2, a literature review aided by advanced bibliometric software, establishes a foundational overview of the progression and current state of scholarship on CSR and risk. This review highlights the expansive nature of CSR–risk scholarship and notes in particular that the vast majority of existing studies overlook critical firm–government interactions within CSR-based risk management frameworks. Building on this insight, Chapter 3 constitutes the first empirical investigation, focusing on unraveling the triad of CSR, fraud, and enforcement. It examines CSR's efficacy in mitigating malfeasance risk in firms, as well as its potential to enhance regulatory agencies' prowess to effectively sanction miscreants. The second empirical investigation, discussed in Chapter 4, addresses the paucity of research on context-sensitive CSR strategies and their capacity to generate market risk premiums. Specifically, it explores how a country's regulatory institutional context, unique firm-level attributes, and CSR strategies collectively interact to shape a firm's risk profile, thereby providing a configurational understanding of the complex causal processes involved in aligning contextual mandates with stakeholder expectations—particularly in instances where misalignment heightens risk exposure.

While the major contributions of each study are duly discussed in their respective standalone chapters, this concluding section integrates and expounds upon their broader, key implications. I reflect on and discuss key theoretical aspects, practical implications, and ethical considerations with two primary aims: first, to offer readers an instructive perspective on the overarching significance of this research to both business and society; and second, to propose actionable insights along with a roadmap for future inquiry.

1. Theoretical Contributions

1.1. Contribution 1: Expanding the Theoretical Foundations of CSR's Multifaceted Risk Perspective

The first major theoretical contribution of this dissertation has been to synthesize expansive CSR research on its connection to risk management—facilitated, in part, through a bibliometric analysis unconstrained by specific timeframes or journal selections (Chapter 2). This effort sought, first, to explain *why* a nexus between CSR and risk might exist, supported by burgeoning scholarly evidence uncovered through the bibliometric analysis, and, second, to determine *how* CSR influences risk outcomes by mapping out multiple "propagation channels." Overall, the findings indicate an emergent body of literature linking CSR with risk-related outcomes, accompanied by a general scholarly consensus that CSR can serve as a risk mitigator—although the diverse theoretical lenses and investigative scopes employed in past studies highlight the absence of a unified, stakeholder-based risk framework.

While much of the existing research proposes singular or complementary explanations for CSR's risk efficacy, it often stops short of exploring potentially competing perspectives. By contrast, this dissertation underscores the multifaceted nature of "aligned" and "misaligned" CSR efforts, showing how they can either decrease risk or, under certain conditions, backfire. Although Jo and Na (2012) notably examined competing hypotheses in controversial industries, the dissertation extends these insights in Chapter 3 by exploring a dialectic between CSR's moral ethos (aligned, risk-mitigative behavior) and CSR's opportunistic misuse (rent-seeking, misaligned behavior). The analysis indicates that while CSR's moral ethos does reduce fraud propensity, it does not guarantee immunity from regulatory sanctions, thus revealing an asymmetry in conventional assumptions that CSR-generated goodwill invariably shields a firm from punitive actions (Godfrey, 2005).

It is important to note that the quasi-experimental analyses here were not expressly designed to declare which theoretical lens holds the greatest explanatory power; rather, they offer inferential evidence from a particular empirical setting in which firm–regulator dynamics inform CSR's impact on fraud and enforcement. Further research could build upon these findings by examining these mechanisms in relation to other regulatory bodies, different institutional contexts, or macro-crisis periods where both the firm's and regulator's motivations with respect to CSR may diverge.

Additionally, adopting this exploratory orientation, Chapter 4 addresses the need—previously underspecified in both theory and empirical work—to explore CSR's context sensitivity from a risk perspective. By conceptualizing institutional stakeholder salience through *coupled*, *decoupled*, *minimalist*, and *hybrid* strategies for managing market-based risk premiums, the dissertation moves beyond the binary lens frequently seen in the literature, which often reduces CSR to uniform compliance driven by normative or coercive forces or else treats it as a product of competitive differentiation. In doing so, it demonstrates how organizations can balance conformity and differentiation to mitigate risk, while also recognizing that misalignment in certain cases can produce risk-amplifying outcomes.

Taken collectively, the review chapter and the two empirical studies offer incremental yet meaningful progress in clarifying how, why, and when CSR can mitigate a firm's risk exposure, while also illuminating scenarios in which CSR efforts fail or even prove counterproductive. The subsequent subsections detail additional theoretical contributions that emerge from each chapter, underscoring the dissertation's broader impact on the CSR–risk discourse.

1.2. Contribution 2: Testing the firm-Government interactions from CSR lens

A second significant contribution of this dissertation arises from examining firm–government interactions from the standpoint of CSR-based risk management. Starting from Chapter 3, this investigation draws on Nieman's (2015, 2018) proposition that both firms and regulators (e.g., the SEC) do not make decisions in isolation, and that CSR affects each actor's utility function in different strategic choices. While critiques regarding the lack of attention to the strategic dimension in firm–government relations—and its incorporation into CSR research—are longstanding (Brammer, Jackson, & Matten, 2012; Knudsen & Moon, 2022; Reed, 2009), an empirical exploration of the CSR–Fraud–Regulatory Enforcement triad had not been thoroughly pursued prior to this study. Chapter 3's framework thus represents an initial step in demonstrating how CSR influences a firm's fraud propensity and the regulator's likelihood of enforcement actions. Although this constitutes a step toward uncovering CSR's multifaceted risk value in an interactive context, the study should be viewed as a springboard for further research. As conceptual studies have argued in support of CSR's strategic value through exploratory approaches, it is crucial that this empirical framework of firm–regulator interactions be extended to other key resource holders, such as lenders, different shareholder types, and different key internal and external stakeholders.

This strategic perspective is further developed in Chapter 4, which examines how contextual stakeholder salience—shaped by a country's labor, capital, and environmental frameworks—affects market-based risk premiums in G-7 economies. Prior research indicates that CSR scholarship has largely overlooked how the salience of different stakeholder groups in specific institutional contexts influences financial premiums (Campbell, 2007; Mitchell et al., 1997; Odziemkowska & Henisz, 2021), thus limiting the explainability of existing theoretical frameworks. By adopting an exploratory lens in a cross-national setting, this dissertation illustrates how firms strategically tailor CSR engagements to local stakeholder priorities and institutional conditions in order to manage market-based risk more effectively. While the typology of CSR engagement strategies—alongside institutional designs—and the strategic firm–government interaction frameworks presented here are broadly generalizable, further research is needed to test their applicability in diverse contexts. Consequently, this evidence should be regarded as a basis for deeper investigations into how CSR's multifaceted risk value unfolds in different institutional environments.

1.3. Contribution 3: Boundary conditions of CSR's risk value

The third key significant theoretical contribution of this dissertation lies in identifying the boundary conditions under which CSR's risk-mitigating potential does not materialize as expected. Although most empirical findings suggest a negative relationship between CSR and firm risk (see Chapter 2), the evidence here uncovers notable exceptions in specific situations, where a firm's CSR initiatives fail to deliver their intended protective benefits. First, a company's commitment to CSR and its associated reputational signals does not necessarily earn it "chits" or leniency from regulators following misconduct; instead, entities with a robust CSR profile may actually be more likely to face sanctions. Second, a company's well-intentioned CSR engagements, if poorly aligned with institutionally shaped stakeholder salience or the firm's own characteristics, may backfire and lead to amplified market-based risk exposure.

It is crucial to stress that neither of the studies in question discounts the overall positive effects of CSR documented elsewhere in this dissertation. Rather, each empirical investigation reveals novel nuances that introduce boundary conditions for existing risk-based frameworks. To elaborate on these nuances, a regulator's enhanced ability to sanction firms—based on strong CSR profiles—extends to individual managers and C-level executives, lending credibility to these seemingly anomalous findings in which CSR's risk

value backfires in regulatory interactions. Furthermore, misaligned CSR efforts—which deny firms market-based premiums and thereby result in heightened risk exposure—exhibit relatively smaller effect sizes, suggesting that the impact of asymmetric solutions (risk-increasing CSR strategies) on a firm's risk exposure is somewhat subtler. Consequently, this dissertation highlights a set of boundary conditions that warrant exploration in future studies, which in turn could substantially expand and enrich the literature's understanding of CSR's risk value.

2. Implications for Ethical Practice and Policy Considerations

This section reflects on the ethical, practical, and policy-related implications of my research, addressing the challenges corporations face in managing risk, particularly in the realm of firm-government interactions. The goal is to reduce the "relevance gap" outlined in the introduction (Chapter 1), by providing actionable considerations for practitioners, policymakers, and ethical discourses.

2.1. Implication 1: Reflections on Ethics–Practical Syllogism as a Framework for Normative and Positive Premises

A central theme in CSR scholarship—and one that resonates throughout this dissertation—is the tension between positive (empirical and evidence-based) and normative (ethical and value-driven) dimensions of corporate behavior (Donaldson, 2023; Rost & Ehrmann, 2017; Schreck, Van Aaken, & Donaldson, 2013). While positive research often uses empirical methods and quantitative measures to explain causal mechanisms, it may not fully capture the moral or ethical rationale behind these behaviors. Here, the Aristotelian concept of practical syllogism offers a way to merge *what is* (positive premises) with *what ought to be* (normative premises) when analyzing and guiding corporate actions.

In the context of this dissertation, the practical syllogism surfaces in how firms reconcile their normative commitments—e.g., "We ought to uphold ethical standards," or "We ought to serve stakeholder interests"—with the positive reality of competitive and regulatory pressures. For instance, the "premise 1" may be a moral or value-laden stance (e.g., Corporate misconduct is unethical and undermines legitimacy), and "premise 2" is an empirical or factual observation (e.g., Regulatory bodies effectively sanction high-profile so-called "responsible" violators). Together, these premises yield strategic conclusion (e.g., Invest in a proactive, ethical CSR framework that preempts misconduct).

To expound the essence of practical syllogism, each empirical chapter of this dissertation demonstrates how positive and normative elements intersect:

- **Chapter 3 (Firm–Regulator Interaction):** The normative premise holds that regulatory compliance, ethical conduct, and robust government enforcement are non-negotiable. CSR's moral ethos reinforces this stance by discouraging fraud. Meanwhile, the positive premise shows that even when CSR's ethos discourages misconduct, it can also empower bodies like the SEC to sanction violations. Hence, the conclusion is that true risk mitigation demands integrating CSR (with moral ethos and descriptive legitimacy) to avoid misconduct and ensure accountability.

- **Chapter 4 (Configuring CSR for Stakeholder Salience):** The normative premise suggests that firms "ought to" adapt their CSR activities to local institutional rationalities, ensuring stakeholder salience is adequately addressed to minimize risk. The positive premise, however, indicates that in practice, firms adopt multi-objective approaches that may or may not align with regulatory or local stakeholder expectations. When CSR strategies are misaligned, risk can actually exacerbate. Thus, conclusion is that "doing good" is neither universally beneficial nor universally detrimental; it depends on strategic fit and contextual alignment.

By placing these insights within the structure of practical syllogism, it becomes clearer how managers, policymakers, and business ethicists can reason more effectively about CSR-driven risk management. Merging *what is* (empirical findings) with *what ought to be* (ethical imperatives) reveals a dual perspective in this dissertation: descriptive insights into how firms actually behave, and prescriptive guidance on how they *ought to* integrate CSR to mitigate risk responsibly. This synergy between normative rationality and positive realities contributes to a deeper understanding of corporate decision-making processes within complex, multi-stakeholder environments, offering a more instructive approach to ethically grounded and operationally pragmatic risk management.

2.2. Implication 2: Managing the CSR Paradox within Firm-Regulator Relationships

Building on insights from Chapter 3, this section examines the paradox in which a firm's investment in CSR, intended to lower its fraud risk, simultaneously strengthens a regulator's (e.g., the SEC's) capacity to sanction misbehavior. At first glance, one might

assume that if CSR reduces the propensity for fraud, it would lead to more lenient oversight and regulatory scrutiny—under the parlance of literature's traditional risk management view (e.g. Godfrey, 2005; Koh et al., 2014). However, the reality is more nuanced: CSR can also heighten public and regulatory scrutiny, enabling regulators to more ably identify or penalize firms that violate their professed ethical standards.

To clarify this paradox, consider a game-theoretic reconstruction wherein the firm chooses either CSR (C) or No CSR (¬C), and the regulator opts to issue Enforcement (E) or No Enforcement[11] (¬E). Unlike standard models, CSR here not only reduces the inherent fraud likelihood but also strengthens the regulator's enforcement capability if the firm engages in misbehavior. If the firm invests in CSR (C), it decreases the probability of unethical behavior yet enhances the regulator's sanction capacity; if the firm foregoes CSR (¬C), it avoids upfront costs but potentially increases both its likelihood of fraud and potential penalty severity when caught. *Figure 1* provides a notional payoff matrix depicting how each combination affects both the firm's utility (U_{Firm}) and the regulator's utility (U_{SEC}).

Figure 1. The paradox of CSR in Firm-Regulator Interactions

	Regulator (SEC)	
Firm	Enforcement (E)	No Enforcement (¬E)
CSR (C)	$(U_{Firm}(C,E), U_{SEC}(C,E))$; e.g., (3, 4)	$(U_{Firm}(C,\neg E), U_{SEC}(C,\neg E))$; e.g., (4, 2)
No CSR (¬C)	$(U_{Firm}(\neg C,E), U_{SEC}(\neg C,E))$; e.g., (0, 3)	$(U_{Firm}(\neg C,\neg E), U_{SEC}(\neg C,\neg E))$; e.g. (2, 1)

In this conceptual matrix, (C, E) yields a moderate utility for the firm (3) because CSR reduces the likelihood of fraud, while granting a higher payoff for the regulator (4)

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[11] Refers to the post-fraud event, represented as P_{SEC}(Sanction|Fraud)

through improved oversight and enforcement capability when misconduct does occur. Conversely, $(C, \neg E)$ allows the firm a high payoff (4) by capitalizing on reputational benefits without incurring penalties, but the regulator's payoff (2) is lower, potentially due to resource constraints limiting its enforcement advantage. When the firm avoids CSR $(\neg C)$ but enforcement (E) is present, the firm's payoff (0) falls substantially, while the regulator achieves a moderate payoff (3). Finally, the scenario $(\neg C, \neg E)$ leaves both the firm (2) and the regulator (1) in a less advantageous position relative to the CSR scenarios.

Examining each combination for unilateral deviations reveals that (C, E) is the sole Nash equilibrium: if the regulator enforces, the firm prefers CSR (3) to no CSR (0); if the firm adopts CSR, the regulator prefers to enforce (4) over not enforcing (2). This equilibrium captures a paradox—where CSR reduces fraud risk yet raises the regulator's sanction capability— and poses both strategic and ethical considerations. From the firm's perspective, short-term cost concerns of CSR can obscure long-term risk mitigation benefits, especially if fraud triggers intensified sanctions. It is to be noted that the analysis revealed that regulatory enforcements are not limited to firm but also transcends to the incrimination of connivers such as the C-level executives. For regulators like the SEC, CSR fosters an environment in which corporate misbehavior is less frequent but, when triggered, more enforceable due to greater transparency and robust stakeholder relationships. This synergy underscores the policy logic for encouraging meaningful CSR and, by extension, ESG performance expectations, as the regulator's enhanced prowess may signify fewer oversight hurdles and more efficient use of typically limited enforcement resources. In a broader picture of practice and policy discourse, encouraging robust CSR is beneficial not just to shareholders but to a broader spectrum of stakeholders, including regulators. Policymakers may thus refine CSR expectations to facilitate more transparent business practices and easier discovery of fraud— while still respecting corporate autonomy.

In doing so, this dissertation clarifies that CSR's paradoxical effect—reducing fraud risk while boosting enforcement likelihood—can yield net benefits for both firm and regulator in the long run. Firms preserve reputation and financial stability, and regulators uphold market integrity. Navigating this paradox thus becomes a strategic imperative: firms should invest in CSR not with the expectation of evading enforcement but to genuinely

minimize unethical behavior and uphold stakeholder trust, accepting that such socially responsible efforts also empowers regulators to act decisively when breaches does occur.

2.3. Implication 3: Balancing Stakeholder and Contextual Expectations with Risk Prudence

Building on Chapter 4's cross-national configurational examination of how CSR aligns—or misaligns—with firms' market-based risk outcomes, this section underscores that managing risk premiums requires more than a universal or strictly tailored stakeholder-engagement strategy. By analyzing CSR initiatives across institutionally pertinent stakeholder themes in G-7 countries, the study reveals how effectiveness hinges on aligning stakeholder priorities with localized mandates. On one hand, certain configurations lower financial risk by prioritizing shareholder interests (where shareholder primacy is entrenched) or adopting workforce- and environment-centered approaches (in contexts that favor these values). On the other hand, misaligned CSR—such as overemphasizing a particular stakeholder concern or neglecting other key stakeholders—can backfire, particularly if perceived as incongruent with a firm's core operational constraints and competitive realities.

A central implication is that neither a "one-size-fits-all" nor a "one-size-fits-only" narrative adequately captures the complexities of CSR-driven risk management. Rather than a single uniform blueprint, firms operate along multiple efficacious pathways to leverage CSR for risk mitigation—yet they may also stumble into misaligned strategies that elevate risk. Managers are therefore required to clarify their primary strategic intent: is their goal to leverage CSR for a competitive edge ("in it to win") or to avert high-risk scenarios ("in it not to lose")? Answering this strategic choice question informs how they balance stakeholder expectations, regulatory constraints, and firm-level strategic objectives. For instance, in practical terms, a U.S. firm seeking to leverage CSR for institutional conformity might focus on shareholder-centric initiatives or differentiate itself through "green" initiatives to capture market risk premiums. In contrast, firms in British or Canadian contexts—particularly in environmentally sensitive industries (e.g., Basic Materials and Energy)—face heightened market risk exposure if they neglect broader stakeholder concerns like climate change or prioritize solely environmental initiatives at the expense of workforce or shareholder commitments. How these risks materialize also depends on a firm's financial resource

availability and the extent of its stakeholder exposure across different industries and international markets.

Such diversity of approaches underscores that CSR done "well" hinges on context-aware strategic pluralism—understanding which stakeholder interests are most salient in a given environment, realistically assessing market exposures, and determining how far the firm's resources can stretch without overextension. Equally important is recognizing that CSR, if misaligned, can backfire—well-intentioned initiatives may paradoxically amplify risk through unmet institutional mandates, stakeholder dissatisfaction, or a disconnect with core operational competencies. This dark side of CSR reinforces the need for a "balancing act," challenging the assumption that any incremental CSR engagement inherently reduces or, at best, remains neutral on risk (Godfrey, 2005; Ross, 2014). Instead, it highlights the role of strategic fit between a firm's stakeholder expectations and its competitive positioning, where even well-intentioned "good" actions can lead to unanticipated, financially consequential vulnerabilities when implemented without regard to contextual realities.

From an academic perspective, these insights encourage further inquiry into how varying national and sectoral contexts shape both the upside and downside potential of CSR decisions. This emphasis on bridging theory and practice illustrates how managers can better align stakeholder engagement with both ethical ideals and pragmatic constraints. The result is a richer theoretical discourse that captures the dual nature of CSR—both its efficacy and its pitfalls—underscoring that pragmatic, context-sensitive alignment of ethical ambitions with institutional realities is crucial for securing robust risk-management benefits.

3. Limitations and Directions for Future Research

Like any scientific endeavor, this dissertation also inevitably faces certain limitations. While each standalone investigation addresses its own methodological and conceptual constraints, a broader reflection—now possible with the benefit of hindsight—reveals several important areas where additional research could extend and enrich the insights presented here. One overarching issue stem from how much of the theoretical basis for CSR's stakeholder-based explanation of risk mitigation (or, in some cases, risk amplification) remains grounded in a shareholder-centric, retrospective CSR–Corporate Financial Performance (CFP) literature. Risk management, by contrast, is inherently forward-looking (Orlitzky & Benjamin, 2001). Although this dissertation takes steps toward a stakeholder-based risk perspective—most notably through a bibliometric analysis identifying risk-

efficacious channels and their economic significance—future studies might explore the boundary conditions of each channel, and move beyond a purely retrospective profitability lens, by articulating risk-based frameworks that place diverse stakeholder interests at their core.

Within Chapter 3, for instance, a nuance emerges: where prior research often suggests that CSR investments lead to fraud prevention and post hoc regulatory protection, the findings indicate that CSR does mitigate fraud risk but also strengthens regulators' capacity to sanction offenders. Thus, a second limitation involves the need for a more granular understanding of how a firm's perceived CSR risk value varies across distinct stakeholder interactions and what these differences imply for stakeholder responses. Although empirical insights into firm–regulator interactions show that CSR does not invariably garner the leniency some might anticipate, the same may not hold for customers, employees, or investors—stakeholders often characterized as forgiving (Bhattacharya & Sen, 2004; Godfrey et al., 2009; Koh et al., 2014)—whose judgments may hinge on the severity of the lapse and their own vested interests. Although this dissertation's exploration of the CSR–Fraud–Enforcement triad illuminates one-to-one firm–regulator dynamics, future research could adopt a similar strategic methodological framework (e.g., the SLPO approach) to investigate how CSR shapes outcomes in various operational missteps or crises involving specific stakeholder actors, shedding light on the ways in which stakeholder perceptions can either safeguard or undermine a firm's strategic risk value.

A final limitation arises from the configurational approach employed in Chapter 4, where Qualitative Comparative Analysis (QCA) concentrates on select institutional pillars and stakeholder themes due to the inherent combinatorial complexity of the method. This restricts the number of conditions that can be analyzed simultaneously, potentially omitting other influential pillars or stakeholder groups, such as consumer safety or community relations. Moreover, although the study clarifies how firms might either avoid high-risk scenarios or experience backfires from misaligned CSR, it remains unclear how corporate social irresponsibility (CSI) or controversial CSR performance with respect to particular stakeholders could distinctly shape market risk exposures. Such an investigation could be critical in revealing how, alongside understanding ways to "do good" for market risk premiums or inadvertently cause backfire, certain "bad" actions or irresponsibility might

still—perhaps cynically—grant some risk advantages or, conversely, result in heightened exposures that jeopardize the firm's long-term stability.

Addressing these issues would not only enrich the academic discourse but also help shape more ethically coherent corporate governance and regulatory frameworks that account for diverse stakeholder needs and evolving societal expectations. Exploring the research avenues noted here could refine stakeholder-based explanations of risk management in CSR, offering scholars and practitioners more robust, actionable strategies at the crossroads of business, society, and economically consequential risk management.

4. Conclusion

Risk has always been a core ingredient in determining corporate success (Amit & Wernerfelt, 1990; Ross, 2014; Shrivastava, 1995). Drawing on this premise, the central focus of my dissertation has been to show how a stakeholder-centered approach, embodied in CSR strategies, can meaningfully shape a firm's financially consequential risk exposures. My work supports the broader assertion that a stakeholder-based explanation of firm-level risk management is both theoretically compelling and empirically viable, speaking directly to business and society scholars who aspire to make good-faith stakeholder-oriented actions meaningful for the long term.

Across three original investigations, supported by two empirical studies, I examined the mechanisms by which CSR can generate risk-related benefits (or, in some cases, amplify risk). The first component of the research—a bibliometric analysis based integrative review—made a case for incorporating a risk-based view into the CSR discourse but pointed to gaps surrounding the interactive firm–government dynamic. Building on that, one study conceptualized the CSR–Fraud–Enforcement triad, highlighting that although CSR's moral ethos can reduce the likelihood of misconduct, it does not guarantee a softer regulatory stance if wrongdoing does occur. Another study explored how national regulatory frameworks, competitive conditions, and a firm's stakeholder priorities shape market risk premiums, showing that efficacy lies in an interactive-style strategic fit, and that even well-intentioned CSR efforts can backfire if they fail to align with local stakeholder expectations.

In undertaking this dissertation, I dug deeply into the emerging literature and uncharted territories integrating CSR with risk management, introducing new methodological avenues—such as mixed-method analysis based on QCA and regression, and strategic partial observability—to corroborate these relationships. My aspiration was to make a meaningful

contribution to this thriving domain: on one hand, potentially altering how businesses may view and implement CSR; on the other, offering policy and governance insights for shaping a more responsible, less uncertain corporate landscape. In doing so, I build on—and attribute credit to—a rich tradition of business and society scholarship (e.g., Flammer, 2013; Godfrey, 2005; Matten & Moon, 2008; Orlitzky & Benjamin, 2001; Ross, 2014), which has paved the way for exploring the synergy of ethical commitments, stakeholder management, and risk-based outcomes. Ultimately, I trust that these studies will open the door to further research on how firms can more effectively embed risk-sensitive CSR in their core strategies—leading to more resilient value creation and preservation—while informing policymakers on how to foster regulatory landscapes that encourage robust and ethical corporate citizenship.

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