

ANNEXURE – 1

- Selected Theoretical Papers on CSR

Authors	Nature of Theoretical Perspective(s)	Key Argument/Result
Friedman (1970)	Agency Theory	CSR is indicative of self-serving behavior on the part of managers, and thus, reduces shareholder wealth.
Freeman (1984)	Stakeholder Theory	Managers should tailor their policies to satisfy numerous constituents, not just shareholders. These stakeholders include workers, customers, suppliers, and community organizations.
Donaldson (1990)	Stewardship Theory	There is a moral imperative for managers to “do the right thing,” without regard to how such decisions affect firm performance.
Donaldson and Preston (1995)	Stakeholder Theory	Stressed the moral and ethical dimensions of stakeholder theory, as well as the business case for engaging in CSR.
Jones (1995)	Stakeholder Theory	Firms involved in repeated transactions with stakeholders on the basis of trust and cooperation have an incentive to be honest and ethical, since such behavior is beneficial to the firm.
Hart (1995)	Resource-Based View of the Firm	For certain companies, environmental social responsibility can constitute a resource or capability that leads to a sustained competitive advantage.
Jennings and Zandbergen (1995)	Institutional Theory	Institutions play an important role in shaping the consensus within a firm regarding the establishment of an “ecologically sustainable” organization.
Baron (2001)	Theory of the Firm	The use of CSR to attract socially responsible consumers is referred to as strategic CSR, in the sense that firms provide a public good in conjunction with their marketing/business strategy.
Feddersen and Gilligan (2001)	Theory of the Firm	Activists and NGOs can play an important role in reducing information asymmetry with respect to CSR on the part of consumers.

McWilliams and Siegel (2001)	Theory of the Firm	Presents a supply/demand perspective on CSR, which implies that the firm's ideal level of CSR can be determined by cost benefit analysis.
McWilliams, Van Fleet and Cory (2002)	Resource-Based View of the Firm	CSR strategies, when supported by political strategies, can be used to create sustainable competitive advantage.
Waldman, Siegel, and Javidan (2005)	Theory of the Firm/Strategic Leadership Theory	Certain aspects of CEO leadership can affect the propensity of firms to engage in CSR. Companies run by intellectually stimulating CEOs do more strategic CSR than comparable firms.

- Selected Theoretical Papers with Methodology on CSR

Author(s)	Methodology	Nature of CSR Event/Action	Key Results
Abowd, Milkovich and Hannon (1990)	Event Study	Human Resource Decisions	No consistent pattern of increased or decreased stock price.
Worrell, Davidson and Sharma (1991)	Event Study	Layoff Programs	Investors react negatively to layoff announcements, especially when they are due to financial distress.
Clinebell and Clinebell (1994)	Event Study	Plant Closures	Longer periods of advance notice of plant closings result in greater losses in shareholder wealth.
Posnikoff (1997) Event Study	Event Study	Divestment From South Africa	Divestment enhanced shareholder value.

Wright and Ferris, (1997)	Event Study	Divestment From South Africa	Divestment had a negative effect on shareholder value.
Teoh, Welch, and Wazzan (1999)	Event Study	Divestment From South Africa	Divestment had a neutral effect on shareholder value.
Aupperle, Carroll, and Hatfield (1985)	Regression Analysis	An Overall Firm-Level Index of CSR	There is a neutral relation between CSR and profitability.
McGuire, Sundgren, and Schneeweis (1988)	Regression Analysis	An Overall Firm Level Index of CSR	Prior profitability was more closely related to CSR than was subsequent performance.
Russo and Fouts (1997)	Regression Analysis	Environmental Performance	There is a positive relation between environmental performance and financial performance.
Waddock and Graves (1997)	Regression Analysis	Overall Firm-Level Index of CSR –KLD Data	An CSR results in an improvement in firm performance.
McWilliams and Siegel (2000)	Regression Analysis	Overall Firm-Level Index of CSR –KLD Data	There is a neutral relation between CSR and profitability.
Hillman and Keim (2001)	Regression Analysis	“Social Issues” CSR and “Stakeholder Management” CSR – KLD Data	“Stakeholder Management” CSR is positively correlated with shareholder wealth creation (market value added); “Social Issues” CSR is not.

Source: Rensselaer Working Papers in Economics, 2005