

**The Research Centre of the School of Economics and Business**  
cordially invites you to a research seminar  
on **Thursday, 22 June 2023 at 13:00 CEST** in room **P-119**  
at the **School of Economics and Business, University of Ljubljana** and via **Zoom**  
platform

Author:

**Robert Wood**  
*Macquarie University*

will present the article:

## **The CSR-Firm Value Relationship: Equity Mispricing and Life Cycle Stage of the Firm**

In this study, we disentangle competing explanations for the relationship between corporate social responsibility (CSR) and firm value and demonstrate how the relationship differs for firms at different stages of their life cycle. We go beyond existing research in two ways. First, we decompose firm value into two components: growth opportunities and equity pricing. Second, we examine the CSR to firm value relationship for firms at different stages of the firm life cycle. Resource dynamic theory (adaptive market theory) is used to explain the relationship between CSR investments and the growth opportunities and equity (mis)pricing components across different stages of the firm life cycle. The sample covers the period 1991 to 2013, drawn from Compustat and the Center for Research in Security Prices (CRSP) databases. Our firm-level CSR data source is MSCI's ESG Research database (formerly known as KLD 104). After exclusions the final sample consists of 33,281 firm-year observations. We document several strong and robust results. First, that the relationship between CSR investments and firm value is quadratic and not linear in several but not all stages of the firm life cycle. Specifically, CSR investments and firm value exhibit a positive-linear, hump-shaped, hump-shaped, and U-shaped relationship in the initial, growth, maturity, and decline stages, respectively. Second, the CSR-firm value relationship is largely driven by the relationship between CSR investments and equity mispricing, not growth opportunities. This finding represents a new perspective to understand the CSR-firm value paradox and challenges the common assumption of aggregate firm value as a measure for growth opportunities. We discuss the implications for theory and future research as well as the practical implications for firm investments in CSR.

Please register for the free seminar at <http://raziskave.ef.uni-lj.si/a/1560>

by Wednesday, 21 June 2023.

Access details will be sent prior to the event to signed up users.

**We look forward to seeing you!**

