Uncovering the Two Faces: Drivers, Contexts, and Outcomes of Corporate Social Inconsistency

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Doctor of Philosophy (Business)

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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CSI</td>
<td>corporate social inconsistency</td>
</tr>
<tr>
<td>CSR</td>
<td>corporate social responsibility</td>
</tr>
<tr>
<td>CSP</td>
<td>corporate social performance</td>
</tr>
<tr>
<td>CSiR</td>
<td>corporate social irresponsibility</td>
</tr>
<tr>
<td>ESG</td>
<td>environmental, social, corporate governance</td>
</tr>
<tr>
<td>IST</td>
<td>instrumental stakeholder theory</td>
</tr>
<tr>
<td>RBT</td>
<td>resource-based theory</td>
</tr>
<tr>
<td>RDT</td>
<td>resource dependence theory</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>research and development</td>
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Uncovering the Two Faces: The Drivers, Contexts, and Outcomes of Corporate Social Inconsistency

ABSTRACT

This thesis examines firms’ internal inconsistencies with regard to corporate social responsibility (CSR), or more specifically the within-firm variability in corporate environmental, social, and governance (ESG) practices. The data for this thesis were collected from multiple databases. The empirical results were drawn from a panel data of 863 firms for the period of 2008 to 2012. This thesis follows a PhD by publication format and comprises three interrelated papers that are contained in Chapters 2, 3, and 4, respectively.

The first paper (Chapter 2) is a theoretical exploration of why firms are consistent or inconsistent in their social practices. This study conceptualizes within-firm corporate social inconsistency (CSI) essentially as tradeoffs among stakeholders. Drawing predominantly on instrumental stakeholder theory and resource dependence theory, this paper proposes a conceptual framework to explain why firms are consistent or inconsistent in their ESG practices. The central argument of this paper is that the balance of stakeholder pressures and organizational resource endowments jointly explain CSI, as well as other closely related strategic postures, such as legal compliance, consistent CSR, and consistent corporate social irresponsibility (CSiR).

The second paper (Chapter 3) is an empirical investigation of research and development (R&D) as a specific type of resource that might affect firms’ consistency or inconsistency in ESG practices. In addition, this study examines the contextual contingency impact of market openness on the association between R&D and CSI. Drawing on evolutionary economics, this study proposes that R&D is positively related to CSI because the complementarity between R&D and CSI can create important synergies between a firm’s market and...
nonmarket strategies. This paper also hypothesizes that high market openness positively moderates the relationship between R&D and CSI because high selection pressure from open markets reinforces the strategic-instrumental necessity of bundling R&D and CSI.

The third paper (Chapter 4) examines the effects of CSI on corporate risk. Drawing on instrumental stakeholder theory and the resource-based theory (RBT) of the firm, this study hypothesizes a U-shaped relationship based on the latent benefits of CSI and its exponential costs. The results suggest that CSI is inversely related to corporate risk at low and moderate levels. Beyond that point, excessive CSI enhances risk. However, the risk-enhancing characteristics of CSI can largely be avoided by pairing CSI with innovation.

The findings of the three papers lead to the overarching conclusion that CSI is essentially a resource management strategy in firms’ strategic tradeoffs. It can enhance the effectiveness and efficiency of resources as a response to external environments. R&D and innovation merit special attention in this resource management process because of their synergy with ESG practices. CSI in moderation can be a beneficial nonmarket strategy that reduces corporate risk. However, excessive CSI is also shown to be disadvantageous. The findings of the thesis make an important theoretical contribution to the literatures on CSR and strategic management. Practical implications can also be drawn from the thesis for managers, investors, and policy makers.
THESIS DECLARATION

I certify that this work contains no material which has been accepted for the award of any other degree or diploma in my name, in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will, in the future, be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of the University of Adelaide and where applicable, any partner institution responsible for the joint-award of this degree.

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Date: 18 April 2017
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