Does Engagement in Corporate Social Responsibility Provide Insurance-like Effects?

Yung-Ming Shiu, Shou-Lin Yang
E-mail: slyang@mail.dyu.edu.tw

ABSTRACT

This study examines whether the stock and bond prices of firms engaging in ‘corporate social responsibility’ (CSR) can benefit from insurance-like effects during occurrences of negative events. Our results suggest that in the face of negative events, engagement in CSR on a continuous, long-term basis provides insurance-like effects on both the stock and bond prices of firms. Nevertheless, the effects are found to quickly disappear following the occurrence of a second, or subsequent, negative event. Although our results clearly indicate that firms need to allocate some of their available resources to long-term strategic CSR activities, managers must also realize that in a crisis communication, they will probably be able to use their CSR claims on one occasion only.

Keywords: insurance-like effects, corporate social responsibility

REFERENCES


