

Recently, customers, employees, suppliers, community groups, governments and shareholders inspire companies to make additional investments in the activities related with corporate social responsibility (CSR). In general, CSR relates to the broad role of business in the society and can be defined as voluntary actions where firm engages in actions that further some social good, beyond the interests of the firm and that which is required by law. This signifies that firms not only focus on their intended, marketed, good outputs such as revenues, but also on undesirable outputs (bad outputs) such as pollutions, and on their secondary outputs such as CSR.

A fundamental question that has arisen in the CSR research is: do socially responsible firms outperform or underperform comparable firms that do not obey the same socially responsible practices? Related question that is being addressed is: how can we properly account for the full range of output (intended, bad and the CSR activities) when measuring firm performance?

The main objective of this project is a further investigation into CSR and firm performance. The project will focus on following 3 novel research areas within this line of research related with: 1) The extension of the measurement of firm performance in the CSR research towards dynamic models of production (dynamic efficiency and productivity change); 2) The development of a new composite metric of CSR activities of firms; 3) The development of models for the assessment of performance of CSR activities of firms (efficiency and productivity change).

An in-depth literature review shows that previous research into CSR and corporate performance suffers from several important theoretical and empirical limitations, hence has a number of gaps that motivate the present project. First, previous CSR research as measures of firm performance uses static measures of efficiency and productivity. In this project, we will extend the measurement of performance in the CSR research towards dynamic models of production, which account for the fact that current firms' production decisions constrain or enhance future production possibilities. Second, this project will develop a new and alternative composite indicator of CSR that will account for multidimensionality of CSR construct, and will be based on the methods from the efficiency and productivity research. Third, the previous literature is limited with regard to the development of models of performance that properly account for CSR activities and with regard to the assessment of performance of CSR activities. This project will extend the CSR literature by developing the measures for the assessment of efficiency and productivity change of CSR activities.

The empirical application of the project will concern firm-level, regional-level and country-level data, encompassing the period from 2004 till 2014. Firm-level data will consist of companies in the variety of business sectors in Europe and in the USA, while regional-level and country-level data will consist of aggregated data on the activities of companies in the variety of world regions and/or countries.