

Corporate Social Responsibility and Dynamic Operational Inefficiency

Encarna Guillamon-Saorin¹, Magdalena Kapelko^{2*} and Spiro E. Stefanou³

¹ Department of Business Administration, Universidad Carlos III de Madrid, Calle Madrid 126, 28903 Getafe, Madrid, Spain, e-mail: eguillam@emp.uc3m.es

² Institute of Applied Mathematics, Department of Logistics, Wrocław University of Economics, ul. Komandorska 118/120, 53-345 Wrocław, Poland, e-mail: magdalena.kapelko@ue.wroc.pl

³ Food and Resource Economics Department, University of Florida, United States of America, and Business Economics Group, Wageningen University, The Netherlands, e-mail: sstefanou@ufl.edu

*Corresponding author. Tel.: +48713680479; Fax: +48713680334

Abstract

It is yet to be determined whether the firms' operational inefficiency is reflected on the Corporate Social Responsibility (CSR) engagement approach. This paper aims to examine this association and specifically analyzes to which of the dimensions of CSR operational inefficiency is more closely related. Operational inefficiency is assessed using Data Envelopment Analysis (DEA) via dynamic inefficiency approach that accounts for the confounding role of adjustment costs related with firms' investments. Using a sample of U.S. firms in a variety of sectors from 2004 to 2015, we find that lower dynamic inefficiency occurs in firms with a higher commitment to CSR activities. We also find that dynamic inefficiency is negatively related to firms' engagement in social and corporate governance dimensions of CSR, whereas it is positively associated with the environmental dimension of CSR. In addition, dynamically inefficient companies have higher level of CSR concerns and lower of CSR strengths. The results are robust to endogeneity issues.

Keywords: Corporate Social Responsibility; Operational Inefficiency; Dynamic Technical Inefficiency; Data Envelopment Analysis.

Acknowledgements: Financial support for this article from the National Science Centre in Poland (decision number DEC-2016/23/B/HS4/03398) is gratefully acknowledged.