

Stakeholder Coordination and Corporate Social Responsibility

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Abstract

This paper examines stakeholder coordination and firm investments in corporate social responsibility. The firm's natural level of social responsibility is inherently latent and unobservable to the stakeholders. Thus, firms conduct actions to help resolve this uncertainty.

In this paper, we examine the role of the uncertainty about the fundamental level of social responsibility inherent within firms, as well as the stakeholder's uncertainty about what other stakeholders believe about the same. We show that such uncertainty stems from heterogeneous higher order belief structures and suggests that firm level disclosure or actions signaling their intent and willingness to undertake CSR activities might be a double-edged sword.