

DEMAND-DRIVEN CORPORATE SOCIAL RESPONSIBILITY: SYMBOLIC VERSUS SUBSTANTIVE CHANGE AFTER ENVIRONMENTAL DISASTERS

BACKGROUND AND RESEARCH AIM



Environmental disasters caused by one firm often generate public pressure to improve corporate social responsibility (CSR) across the entire industry. But does this pressure lead firms to change how they operate, or simply improve how they are perceived? This study explores whether such disasters lead to industry-wide response, and what form these responses take.

To examine this, the authors distinguish between substantive and symbolic CSR. Substantive CSR refers to actions that reduce actual environmental harm, such as improving production processes and reducing emissions. Symbolic CSR are actions that, although beneficial, do not address the underlying problem. This could for instance be offering compensation to affected communities or carbon offsetting.

RESEARCH METHODS



The study is based on a set of large technological disasters between 2000 and 2013, taken from the International Disaster Database (EM-DAT). It focuses on firms in the same industries as the firm that caused the disaster, as these companies are likely to face similar public scrutiny and reputational spillovers. To estimate the impact of these disasters, firms in affected industries are compared with those in unaffected industries.

CSR is measured using MSCI (formerly KLD) data, which records both strengths and concerns across different sustainability dimensions. Improvements in environmental performance as a whole and reductions in environmental concerns are treated as substantive CSR. Increases in other CSR dimensions, or exclusively in environment-related strengths, are treated as symbolic CSR.



CSR responses are mostly symbolic

After a disaster, firms in affected industries improve their overall CSR scores. However, these gains mainly come from non-environmental areas such as diversity and human rights. In contrast, there is little evidence of improved environmental performance.

This suggests that firms respond to external pressure to increase CSR over a short period of time by strengthening legitimacy (symbolic practices) rather than implementing real changes in their ethical or safety standards (substantive practices).

Substantive action is more costly

Firms that implement substantive CSR increase capital expenditures and operating expenses, which leads to lower margins. Symbolic CSR, on the other hand, is not associated with costly actions.

Symbolic CSR still delivers some benefits

Despite being less costly, symbolic CSR helps firms maintain investor support. ESG-oriented investors do not reduce holdings in firms that respond symbolically, and both symbolic and substantive actions achieve better long-term credit ratings than firms that do nothing.

In practice, symbolic CSR can deliver some of the same benefits as substantive CSR at a lower cost.

Substantive CSR leads to long-term positive economic effects

Although more costly initially, firms pursuing substantive CSR benefit from stronger long-term credit ratings compared with firms engaging in symbolic CSR. While both substantive and symbolic approaches can improve external perceptions, only substantive action leads to meaningful economic effects over time.

Who chooses substantive change?

Firms are more likely to take substantive action when they have better corporate governance, face closer monitoring from investors or governmental institutions, or experience more severe and visible disasters.



Broad pressure for more CSR is not enough. When firms face public scrutiny after disasters, they often choose the cheaper, visible response over actions that reduce the risk for future disasters.



For policymakers, CSR regulation should focus on concrete targets, rather than just reporting or general commitments. Clear targets and measurable standards are more likely to produce substantive change than vague demands for better CSR performance.



For investors, the findings are a warning against relying too heavily on headline ESG scores. A firm can improve its CSR profile without increasing actions that reduce negative externalities. Investors who want to assess long-term resilience should look at operational changes, capital spending, and risk management, not only public statements or social initiatives.



For boards and managers, the findings suggest that reputation management is not a substitute for reform. Symbolic actions may help after a disaster, but substantive change is what addresses the underlying risk and improves long-term credibility.

Overall, the paper shows that external pressure can move firms toward CSR, but not always toward the kind that matters most. The challenge for policy is to make sure that attention leads to safer operations and lower environmental harm, not just better branding.

ACADEMIC REFERENCE

García Lara, J. M., García Osmá, B., Gazizova, I., & Khalilov, A. (2025). Demand-driven corporate social responsibility: Symbolic versus substantive change after environmental disasters. *Journal of Corporate Finance*, 94, 102816.