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Peer Review

Review of: "Analyst Perceptions of Corporate Social Responsibility: A Replication and Extension of Ioannou and Serafeim (2015)"

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This article highlights the critical role of replication in social science and cautions against placing too much weight on widely cited but unverified findings. By replicating and extending the work of Ioannou and Serafeim, the authors reassess the relationship between corporate social responsibility (CSR) and analyst investment recommendations. Their analysis reveals that the previously suggested positive link is less robust than claimed, indicating that adopting CSR strategies without strong empirical support may mislead investors and compromise sustainability objectives. This study makes a valuable contribution to CSR research by offering a rigorous, original examination that challenges earlier conclusions and supports the need for continued empirical validation in the field.

In addition to the reservations expressed in this article with regard to the earlier conclusions of Ioannou and Serafeim, two other points can be made. One is that the sample of companies (US publicly listed companies) provides quite a limited perspective on CSR since it excludes the EU (where the CSR/ESG agenda is more prominent) and Asia, where cultural differences in the meaning and practice of CSR have been noted. Another is that this article seems to follow the approach of Ioannou and Serafeim in positing that CSR policies remain stable over time (this is stated explicitly at p29 of Ioannou and Serafeim). That premise is certainly contestable in the light of developments such as corporate net zero plans (linked to the Paris Agreement of 2015) and the identification of demonstrated links between non-financial reporting and corporate behaviour (e.g., reduction in GHG emissions over time).

From a broader perspective, and while recognising the contribution of this line of research, it may well be that studies such as these attribute rather too much significance to the role of analyst recommendations

 doi.org/10.32388/NUT6PF

in capital markets. Ultimately, analyst recommendations are tested and corrected by corporate performance and evolving trends in investor preferences, including their risk preferences with respect to CSR and ESG factors. The more significant trend is the link between CSR/ESG and operational performance, and we note that neither this article nor Ioannou and Serafeim dispute earlier research (e.g., Margolis 2007 and Eccles 2013) showing a clear link between CSR/ESG and corporate performance. That approach has influenced our own research, where we have stressed that policymakers would do better to focus more on the operational side of CSR/ESG rather than relying on financial intermediaries as the primary conduit.

Finally, we should add that our review does not encompass drilling down into the details of the statistical models. We lack the expertise to do that and suggest that another reviewer should comment on those aspects prior to publication.

By Prof Iain MacNeil and Prof Irene-marie Esser (University of Glasgow)

Declarations

Potential competing interests: No potential competing interests to declare.