Tainted Deals: Impact of Corporate Social Irresponsibility on the Acquisition Costs

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ABSTRACT

This study examines the corporate social irresponsibility (CSI) impact on merger and acquisition (M&A) outcomes. Its specifically focuses on the cost of acquisition and time to complete the deals. Prior studies have extensively explored the positive impact of corporate social responsibility (CSR) on stakeholder relations and value of the firms. This gap has been filled by this study by employing Chinese firms' M&As data from 2008-2024. By drawing the resource-based view, the study has examined that how M&As outcomes are affected by the heightend CSI and in conjunction with CSR. Moreover, the study also investigated the M&As outcomes by applying three moderators i.e. (i)concurrent CSR, (ii) same domain CSR, and (iii) market dynamics. Refinitiv WorldScope, and DataStream are used for drawing the data and results of the study indicate that CSI has negative impact on the cumulative abnormal returns of the acquirer. Furthermore, CSR activities of the acquirer lower the adverse effects of CSI. This study offers valuable insights for policymakers and corporate executives.

Keywords: *Merger and Acquisition, Corporate Social Irresponsibility, Corporate Social Responsibility, Acquisition Cost, Time to Completion of Deal.*

INTRODUCTION

To determine corporate behavior in the eyes of consumers, investors, and regulators, corporate social responsibility (CSR) and corporate social irresponsibility (CSI) have emerged as pivotal concepts (Ho et al., 2024; Latapí Agudelo et al., 2019). CSR long been viewed as a mean to align corporate goals with societal expectations, that results to enhance reputation and sustainable financial performance of firms (Lin, 2024; Krüger, 2015; Liang & Renneboog, 2017; Wang et al., 2016). To achieve sustainable development, it encompasses the organization's actions to balance economic, environmental, and social goals (Naseer & Bagh, 2024).

Corporate social irresponsibility (CSI) refers to those activities that diverge from ethical norms, and cause harm to the stakeholders or environment. It can also be defined as "a set of corporate actions that negatively affect an identifiable social stakeholder's legitimate claims" (Lange & Washburn, 2012, p. 300). It poses substantial risks to the value of firm, which usually involves negligence and deliberate actions by prioritize profit over ethical standards, resulting in adverse social or environmental consequences (Gemeda et al., 2025; Capelle-Blancard & Petit, 2019; Flammer, 2013; Lange & Washburn, 2012; Li & Wu, 2020; Mishra & Modi, 2013). British Petroleum deepwater horizon oil spill, Enron's accounting fraud, and Volkswagen's emissions cheating are those corporate scandals exemplify CSI and indicate that how irresponsible practices of businesses might lead to enduring effects to the reputation and trust of corporations. Unethical marketing frauds, labor exploitation, and environmental degradation are various ways to manifest CSI (Martin et al., 2024; Qi et al., 2023; Rezaee et al., 2024). Contrary to CSR, which is rooted in sustainable practices, CSI usually occurs when short-term financial gains of businesses are prioritized at the peril of ethical behavior. It leads to adverse consumers responses, and they may engage in altruistic activities to offset CSI perceived harm (Kim et al., 2024).

However, CSR initiatives' voluntary disclosure might yield reputational gain (Wang & Wu, 2024), but simultaneously CSI presence may produce distorted signal to the market and invalidate these benefits (Lin, 2024; Luo et al., 2018; Maung et al., 2020). Adverse effect of CSI does not consistently alleviated by the CSR, specifically while these activities are perceived as a window-dressing strategy (Gemeda et al., 2025; Kang et al., 2016). Firms that are engaged in CSR, in majority of them CSI occurs regularly and CSR effectiveness to enhance value of the firms is substantially diminished by CSI, especially while both are in the same domain (Lenz et al., 2017). Social media can intensify this issue, since aggressive CSR activities may be adversely misconstrued leading to consumer backlash and these initiatives are interpreted insincere by stakeholder (Vollero et al., 2021; Yoon et al., 2006). The potential for a negative interplay between CSR and CSI remains a subject of considerable debate among practitioners. This tension could give rise to 'social responsibility dilemma,' wherein the occurrence of CSI renders both the continuation and the suspension of CSR. Prior studies indicate that stakeholders consider the thematic domains of CSR and CSI activities, rather than evaluating each of them separately based on the domains they address (Jayachandran et al., 2013; Mishra & Modi, 2016; Xie & Jain, 2024).

There are scattered studies to examine different dimensions of CSR on corporate outcomes such as cross-border merger & acquisition (Qiao & Wu, 2019), reputational risk (Hussain et al.; Maung et al., 2020) , and sustainable development (Naseer & Bagh, 2024), main focus of these studies is confined to firm performance and value (Qonita et al., 2022; Wang & Wu, 2024). Recent decades have witnessed a significant rise in cross-border mergers and acquisitions, particularly involving firms from emerging economies in the pursuit of international expansion strategy (Li & Wang, 2023). Amongst several other motives driving cross-border M&As by firms form emerging economies, i.e. gaining access to international markets and achieving synergies, the pursuit of advanced knowledge and managerial expertise has attracted growing attention in recent years. For instance, prior studies highlight cross-border M&As can benefit firms in different strategic ways, accessing advanced technologies (Conn et al., 2005), transfer of innovation capabilities (Rabbiosi et al., 2012), acquiring human capital (Ahammad et al., 2016), enhancing managerial practices and learning best global practices (Riera & Iborra, 2025; Luo & Tung, 2007; Sun et al., 2012; Vermeulen & Barkema, 2001).

Moral capital of the firms can be increased by enhanced corporate ethical behavior (Ben Hassine & Francoeur, 2024; Connelly et al., 2011), its source of reputation and synergy, and valued by investors in merger and acquisitions (Lin & Wei, 2006; Sensenbrenner & Portes, 2018, pp. 93-115). The ethical conduct of a firm and its reputation are very crucial, characterized by heightened complexity, which involve greater risks (Erel, Liao & Weisbach, 2012), and significant information asymmetry (Martynova & Renneboog, 2008; Rani, Yadav & Jain, 2014). After the completion of an acquisition process, an acquirer inherits both tangible and intangible assets. Moreover, an acquirer reputation could be tarnished if the acquired firm has grave reputational concern (Fong et al., 2013), thus, the acquiring firm is likely to apply a higher discount rate to the expected merger synergies to account for the potential risk to its moral capital.

China is selected as a context to test our propositions because of several reasons. As Wind database shows that takeover market of the China is active, and it has substantial number of M&As transactions. For example, during the given period of our study, there were 2,574 M&As deal recorded, of which 2,355 involved domestic acquisitions. As the given M&As activities prevalence in China, to examine those factors that influence the choice of target firms is very crucial. Moreover, both in the domestic and international markets, M&As activities of the Chinese firms played an instrumental role in transforming the organizational culture. Capital market of the China has expanded exceptionally over the last two decades. In particular, the total market capitalization of the Chinese stock market rose sharply from RMB 5,320.55 billion in 2000 to RMB 43,492.40 billion in 2021, with M&A transactions accounting for a substantial share of this growth. At the same time, China is undergoing a broad economic and social transition, giving rise to institutional and cultural conditions that differ markedly from those observed in more developed economies. These contextual factors can meaningfully shape firms' behavior in M&A decisions, especially in target selection. For example, consumer attitudes in China are highly sensitive to public opinion, such that reputational concerns related to a target firm may weaken the acquiring firm's legitimacy and erode its brand value. Therefore, it is imperative for an acquiring firm to meticulously evaluate the ethical conduct and associated reputation of a target, particularly in domestic acquisitions where information asymmetry and post-acquisition integration challenges are typically less pronounced. Taken together, these facets of Chinese market provide a rich fertile ground to test and understanding how CSI shapes acquisition costs.

This study contributes the existing research in two important ways. First, it highlights the unexplored impact of interaction between corporate social responsibility (CSR) and corporate social irresponsibility (CSI) and add to the growing body of literature that focuses on M&A outcomes. However, market reaction after CSI incidents results in reputational cost and legal penalties which is hard to measure and tends to linger for longer period (Riera & Iborra, 2025; Asante-Appiah, 2020; Basdeo et al., 2006; Blagoeva et al., 2020; Karpoff et al., 2005). Most of the recent research that measured reputational cost of CSI and corporate data breaches on corporate decisions have considered long-term approach (Akey et al., 2023; Gantchev et al., 2022; Ho et al., 2024; Kamiya et al., 2021). Second, it provides the contingency factor under which impact of CSI on acquirers' return is altered. Specifically, the findings highlight that CSR activities of the firm reduces the adverse effect of CSI on acquirers' returns.

LITERATURE REVIEW

Institutional theory

The theoretical foundation of this study is based on institutional theory. Intuitional theory presented by Scott (1995), states that "organizations are driven to incorporate the practices and procedures defined by prevailing rationalized concepts of organizational work and institutionalized in society. Organizations that do so increase their legitimacy and their survival prospects, independent of the immediate efficacy of the acquired practices and procedures". To put it simply, institutional dynamics within a country's institutional frameworks, including regulatory and socio-cultural elements, impact corporate legitimacy and survival (Badulescu et al., 2021;

Meyer & Rowan, 1977; Saeed et al., 2016). There are three institutional forces posits by this theory (i.e., regulative, normative, and cognitive) to compel the corporation for organizational practices which are legitimized and sustainable (Amoako et al., 2021; Fatima et al., 2023; Pasamar et al., 2023).

Review of literature studies

The existing research focusses on two key factors which centers acquisition outcomes: (i) acquisition cost (ii) time to completion of deals. In recent years, significant attention has been directed towards understanding the motivations behind corporate engagement in environmentally conscious and socially responsible practices, with a notable emphasis on signaling capabilities of the Corporate Social Responsibility (CSR). Firms acquiring targets that have high CSR performance realize better announcement gains and later enhance their own CSR performance after M&As (Aktas et al., 2011; Nguyen et al., 2024).Similarly, to acquire a target with superior CSR performance, firms are prepared to offer greater premium (Malik & Al Mamun, 2024; Ozdemir et al., 2022) and some acquirers may affect target's post M&As CSR performance (Choi & Kim, 2022). Acquirers' reputation can be augmented by strategically leveraging CSR with target firms and it enhances their legitimacy, while simultaneously mitigating competitive vulnerabilities (Li & Wang, 2023). Furthermore, a firm's reputation often encapsulates intangible assets such as robust capacity for innovation, a workforce characterized by ethical conduct, and superior quality management (Lamotte et al., 2021; Lee & Abdullah, 2024). During the M&As process target firms with established reputations help alleviate the uncertainties and smooth post-acquisition process (Lee & Abdullah, 2024; Saxton & Dollinger, 2004).

A growing body of academic literature demonstrates that firm value could also be diminished by social irresponsibility behavior of firms (Gregory et al., 2014; Lenz et al., 2017). Response of stakeholders to socially irresponsible actions result in moral outrage sentiments. Such negative emotions create negative firm reputation, incite consumer boycotts (Braunsberger & Buckler, 2011; Kim et al., 2024), and lose legitimacy (Price & Sun, 2017). Leveraging the tenets of the resource-based view (Barney, 1991), this investigation illuminates the pivotal role of reputational risk as a critical firm resource in both the selection of acquisition targets and the subsequent performance of the acquiring entity. In M&As context, based on complementarity and similarity, acquirers assess the target firm's resources. Both of these refers how acquirer's existing capabilities can be enhanced with target resources, and overlap between the two firms resources (Yu et al., 2016; Zhao & Cai, 2024). To understand takeover outcomes, a framework provided by Resource-Based View (RBV) shows how firms influence resource similarity. Mergers and acquisitions have raised technological innovation levels, which shows that operational capabilities can be significantly enhanced by complementarity of resources (Zhong et al., 2023). Such as, acquirer's innovation capabilities can be improved by acquiring firms with unique knowledge, as observed in technology oriented acquisitions, local embeddedness tends to drive up price of acquisition (Grimpe et al., 2023). Integration challenges can be reduced with the similarity of resources, as overlapping resources of firms may find it easier to align the operations (Zhao & Cai, 2024).

Heightened E&S stemming from negative E&S incidents of the acquirer may impede M&As negotiations, thereby extending the deal time to complete (D'Souza et al., 2024; Hawn, 2021). These negative E&S incidents ultimately lead to M&As deals failing to complete. Even in instance, where the deal is successfully completed, the market is likely to perceive that the heightened E&S risks will diminish potential synergies due to anticipated difficulties in the integrating process (Bereskin et al., 2018). Acquisition cost is mainly affected by perceived potential synergies during M&As (Baldi & Salvi, 2022; Sirower et al., 2023). During acquisition decision, the reputation of the target firm plays an important role on M&As outcomes, particularly through resource-based view (RBV) lens. While evaluating acquirer's resource significance, reputation serves as an intangible resource which influences value and risk perceptions associated with mergers and acquisitions outcomes (Haleblian et al., 2006; Lamotte et al., 2021). It influences the likelihood of the deal time to complete while evaluating prospects of the firms. A large corpus of research shows that reputation of firm serves as an indicator for future outcomes and strategies (Blagoeva et al., 2020; Lee & Abdullah, 2024).

Stakeholders perceive CSR endeavors in the presence of CSI as disingenuous (Yoon et al., 2006), which can negatively impact the value of firm (QONITA et al., 2022). Indeed, an adverse interplay potential between CSR and CSI is an intense subject of discussion among scholars, as it could lead toward corporate social responsibility dilemma: in the occurrence of CSI, both the cessation of CSR activities and their continued pursuit may prove disadvantageous in terms of their impact on firm value. Target choice may also be contingent upon the market dynamics, whether an acquirer is entering into a new market or existing market (Hussain et al., 2024). Although extensive literature exists on M&As and CSR (Chen et al., 2023; Gomes, 2019; Malik & Al Mamun, 2024), a substantial gap persists to comprehend that how corporate social irresponsibility (CSI) impacts the acquisition cost and time to completion, primarily when firm is entering new market. Main focus of existing studies has remained on positive impacts of CSR and M&As outcomes on firm value and paid little attention the detrimental impact of CSI (Cho et al., 2021; QONITA et al., 2022; Wang & Wu, 2024). Moreover, the interplay between CSR and CSI within the same year, mainly in the M&As context, has been examined inadequately.

RESEARCH METHODOLOGY

This study used several databases to make the group of Chinese firms participated in M&As. Initially, the data has be taken from Securities Data Corporation (SDC) of those firms that involved in local M&A deals in China between 2008 and 2024. Most of the studies used data for 8 to 10 years (Chen et al., 2023; D'Souza et al., 2024; Gomes, 2019; Hussain et al., 2024; Maung et al., 2020). To grasp the most recent aspects of the study, we selected 2008 as our starting point and 2024 as the end date. The sample period begins in 2008 because this is the first year in which RKS provides CSR ratings for Chinese firms. In line with prior M&As studies we will follow that criteria and consider the transaction (Deng et al., 2013). Publicly traded firm's bidders will be considered that have available accounting and stock data on Refinitiv (Thomson Reuters) WorldScope and DataStream databases, respectively. Then, we will eliminate M&As deals where the bidder firm is from financial (SIC codes 6000 to 6999) and utilities (SIC codes 4900 to 4949) industries. After using these filters, we will merge SDC datasets with other datasets and will further drop deals with missing values on all variables used in the analyses. If both acquire and target firms share the similar Fama–French 48 industrial category, this transaction will be identified as existing market, otherwise it will be considered in the new market. We further removed firms with missing key variables, excluding financial firms where regulatory environments differ substantially, and eliminating duplicate or incomplete observations. It leads us to the final sample of non-financial 1130 firms.

It is important to note that we have excluded financial firms from the sample due to their different financial and accounting treatments. These firms operate under regulatory frameworks that are not the same as non-financial firms, especially in reporting rules, corporate governance and risk management. All these rigorous regulations can influence acquisition cost of the firms. Inclusion of these financial firms can distort the estimations and findings of our model.

Study also account for the impact of variables previously discussed in the literature (Chen et al., 2023; D'Souza et al., 2024; Gomes & Marsat, 2018; Hussain et al., 2024; Li et al., 2022). Different sets of control variables used that may affect acquisition outcomes: bidder characteristics, deal characteristics, and country characteristics. To examine the relationship between heightened CSI and acquisition cost, we conduct a multivariate ordinary least squares (OLS) regression using the following framework:

$$\begin{aligned}\boldsymbol{Cost\ of\ Acquisition} &= \boldsymbol{\alpha_1} + \boldsymbol{\beta_1}\ \boldsymbol{Heightend\ CSI} + \sum \boldsymbol{\beta_x}\ \boldsymbol{Bidder\ Controls_{b,t-1}} \\ &+ \sum \boldsymbol{\beta_y}\ \boldsymbol{Deal\ Controls_{b,t}} + \sum \boldsymbol{\beta_y}\ \boldsymbol{Country\ Controls_{c,t-1}} + \boldsymbol{\lambda_t} + \boldsymbol{\eta_i} \\ &+ \boldsymbol{\varepsilon_{i,t}}\end{aligned}$$

To measure the impact of heightened CSI on deal time to complete. By re-estimating equation to investigate deal time to complete and replaced dependent variable-cost of acquisition with Deal time to Complete and independent variables as in the above analysis will remain same.

$$\begin{aligned}\boldsymbol{Deal\ time\ to\ Complete} &= \boldsymbol{\alpha_1} + \boldsymbol{\beta_1}\ \boldsymbol{Heightend\ CSI} + \sum \boldsymbol{\beta_x}\ \boldsymbol{Bidder\ Controls_{b,t-1}} \\ &+ \sum \boldsymbol{\beta_y}\ \boldsymbol{Deal\ Controls_{b,t}} + \sum \boldsymbol{\beta_y}\ \boldsymbol{Country\ Controls_{c,t-1}} + \boldsymbol{\lambda_t} + \boldsymbol{\eta_i} + \boldsymbol{\varepsilon_{i,t}}\end{aligned}$$

$$\begin{aligned}\boldsymbol{Cost\ of\ Acquisition} &= \boldsymbol{\alpha_1} + \boldsymbol{\beta_1}\ \boldsymbol{Heightend\ CSI} + \boldsymbol{\beta_2 New\ Market} \\ &+ \sum \boldsymbol{\beta_x}\ \boldsymbol{Bidder\ Controls_{b,t-1}} + \sum \boldsymbol{\beta_y}\ \boldsymbol{Deal\ Controls_{b,t}} \\ &+ \sum \boldsymbol{\beta_y}\ \boldsymbol{Country\ Controls_{c,t-1}} + \boldsymbol{\lambda_t} + \boldsymbol{\eta_i} + \boldsymbol{\varepsilon_{i,t}}\end{aligned}$$

$$\begin{aligned}\boldsymbol{Deal\ time\ to\ Complete} &= \boldsymbol{\alpha_1} + \boldsymbol{\beta_1}\ \boldsymbol{Heightend\ CSI} + \boldsymbol{\beta_2 New\ Market} \\ &+ \sum \boldsymbol{\beta_x}\ \boldsymbol{Bidder\ Controls_{b,t-1}} + \sum \boldsymbol{\beta_y}\ \boldsymbol{Deal\ Controls_{b,t}} \\ &+ \sum \boldsymbol{\beta_y}\ \boldsymbol{Country\ Controls_{c,t-1}} + \boldsymbol{\lambda_t} + \boldsymbol{\eta_i} + \boldsymbol{\varepsilon_{i,t}}\end{aligned}$$

To examine the robust impact of CSI on cost of acquisition, and time to completion of deals. We used reputational risk's tercile and quintile distributions. We followed the approaches established by Boubaker et al. (2016) and Chang et al. (2013) to address sample selection bias and constructed two matched samples: treatment group and control group employing the Propensity Score Matching (PSM) methodology to mitigate endogeneity concerns by isolating the specific impact of reputational risk factors (Chang et al., 2013). while considering potential endogeneity issues, that may contain omitted variables i.e. organizational culture. All these factors can lead to biased estimations (Li, 2013; Zhang et al., 2022). Zhang et al. (2022) stats that, propensity score matching (PSM) application is well-suited for tackling endogeneity, particularly when it stems from omitted variable bias.

EMPIRICAL RESULTS

Descriptive statistics in the table 1 below showing 1,130 observations. Average deal time to complete is approximately 224 days, which shows that in the deal transactions there is significant variation. Mean values of acquiring and target firm's corporate social irresponsibility is 29.04 and 26.04, respectively. There has been observed a substantial dispersion in the sales growth patterns and cash flows as average leverage ratio and profitability are 11.7% and 6..8% respectively. The average acquisition cost in the sample is relatively low, at 4.6%, and tangible assets account for about 21.7% of firms' total asset bases. At the macro level, the countries represented in the sample exhibit notable variation, with mean GDP growth of 7.6% and GDP per capita around USD 7,464. With respect to deal characteristics, one-third of the transactions involve parent-affiliated firms, 18.5% are conducted within the same industry, and nearly one-quarter correspond to cross-border acquisitions. Taken together, these figures point to substantial variation across firm attributes, transaction features, and national economic environments.

Table 1: Descriptive statistics

	N	Mean	Median	Std. Dev.	p5	p95
Acquisition cost	1130	.046	0.024	.093	-.06	.283
Deal time	1130	223.539	149.000	278.14	0	594
Bidder csi	1130	29.036	27.000	12.582	12	52
Target csi	1130	26.039	25.000	11.837	10	48
CSR	100	16.653	0.000	27.784	0	71.57
Sale growth	1130	.433	0.170	3.304	-.395	1.474
Profitability	1127	.068	0.046	.072	.001	.21
Leverage	1130	.117	0.064	.135	0	.439
Cash flow	1130	-10100.094	26052.000	1599886.1	-620801	1213086
Tangibles	1130	.217	0.161	.202	.006	.623
GDP growth	1130	7.698	7.426	1.114	6.75	10.636
GDP per capita	1130	7464.335	7636.117	1431.258	4550.453	9905.342
Paymethod	1130	.333	0.000	.471	0	1
Same-industry	1130	.185	0.000	.388	0	1
Cross-border-dummy	1130	0	0.000	0	0	0
Target status	1130	.05	0.000	.219	0	1

Table 2 reports the pairwise correlations among the variables used in the analysis. Acquisition cost is inversely related to both bidder CSI (r = –0.287) and target CSI (r = –0.265), indicating that higher levels of social irresponsibility are associated with lower acquisition spending. A similar negative relationship is observed between CSR and acquisition cost (r = –0.274). In contrast, bidder CSI is strongly and positively correlated with target CSI (r = 0.592), implying that firms exhibiting greater irresponsibility are more likely to pursue targets with comparable profiles. Importantly, all correlation values fall well below the conventional threshold of 0.70, suggesting that multicollinearity is unlikely to pose a concern in the subsequent analyses.

Table 2: Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) Acquisition cost	1.000													
(2) bidder_CSI	-0.287	1.000												
(3) target_csi	-0.265	0.592	1.000											
(4) CSR	-0.274	0.232	0.458	1.000										
(5) sale_growth	-0.043	-0.145	-0.327	-0.265	1.000									
(6) profitability	-0.049	0.049	-0.020	0.446	0.433	1.000								
(7) leverage	0.058	0.214	0.101	0.191	0.125	0.089	1.000							
(8) cashflow	-0.223	0.026	0.039	0.283	0.272	0.604	0.158	1.000						
(9) tangibles	0.038	0.223	0.363	0.685	-0.213	0.176	0.564	0.326	1.000					
(10) GDP_growth	0.532	-0.204	-0.191	-0.354	-0.191	-0.307	-0.199	-0.460	-0.154	1.000				
(11) GDP_percapita	-0.366	0.233	0.098	0.301	0.345	0.488	0.304	0.438	0.231	-0.864	1.000			
(12) paymethod	-0.101	0.089	0.106	0.468	-0.065	0.098	0.338	0.187	0.598	-0.200	0.263	1.000		
(13) Same-industry	0.033	0.022	0.030	0.457	0.002	0.248	0.334	0.169	0.580	-0.007	0.184	0.684	1.000	
(14) cross-border	.	.	.	.	.	.	.	.	.	.	.	.	.	.
(15) target_status	-0.031	-0.225	-0.266	-0.039	0.587	0.509	0.021	0.702	0.020	-0.203	0.167	0.132	0.178	.

Table 3 presents the regression estimates for acquisition cost. The findings show that higher levels of corporate social irresponsibility (CSI) are associated with a statistically significant rise in acquisition costs ($\beta = 0.028$, $p < 0.01$). Sales growth also exhibits a positive and significant effect ($\beta = 0.009$, $p < 0.05$), whereas firm profitability is negatively related to acquisition cost, indicating that more profitable firms tend to incur lower costs in acquisitions ($\beta = –0.139$, $p < 0.01$). Overall, the model accounts for 17.6% of the variation in acquisition cost ($R^2 = 0.176$) and is jointly significant ($F = 6.563$, $p < 0.001$), supporting the relevance of these explanatory factors.

Table 3: Regression results

Acquisition cost	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Hightened csi	.028	.006	5.00	0	.017	.039	***
sale_growth	.001	0	2.45	.015	0	.001	**
profitability	-.139	.04	-3.49	.001	-.217	-.061	***
leverage	-.018	.033	-0.57	.57	-.082	.045	
cashflow	0	0	0.93	.354	0	0	
tangibles	-.027	.025	-1.06	.287	-.076	.022	
target_status	.016	.013	1.27	.204	-.009	.041	
paymethod	.008	.006	1.19	.234	-.005	.02	
GDP_growth	-.006	.014	-0.39	.696	-.034	.023	
GDP_percapita	0	0	-0.66	.507	0	0	
2010b	0	.	.	.	.	.	
2011	0	.012	-0.01	.99	-.023	.022	
2012	.03	.021	1.43	.154	-.011	.072	
2013	.044	.017	2.51	.012	.01	.078	**
2014	.042	.016	2.67	.008	.011	.074	***
2015	.012	.016	0.74	.457	-.019	.043	
2016	-.01	.017	-0.60	.548	-.045	.024	
2017o	0	.	.	.	.	.	
2018o	0	.	.	.	.	.	
bidderSIC : base 1	0	.	.	.	.	.	
Constant	.122	.194	0.63	.53	-.259	.503	

Mean dependent var	0.046	SD dependent var	0.092
R-squared	0.176	Number of obs	1127
F-test	6.563	Prob > F	0.000
Akaike crit. (AIC)	-2287.205	Bayesian crit. (BIC)	-2035.840

*** *p<.01, *** *p<.05, * *p<.1*

Table 4 presents robustness test results, affirming the overall stability of primary findings. While the coefficient for Heightened_csi is negative, its statistical insignificance suggests a lack of robustness in its effect on reporting deadlines across model specifications. Profitability ($\beta < 0$, $p < 0.01$) and leverage ($\beta > 0$, $p < 0.01$) remain significant determinants of delays. Macroeconomic factors, GDP growth and GDP per capita, also show significant positive impacts, potentially reflecting increased complexity in advanced economies. The model accounts for 24.4% of the variance ($R^2 = 0.244$) and is statistically significant ($F = 18.525$, $p < 0.01$), with fixed effects addressing unobserved heterogeneity.

Table 4: Robustness test

log_dealtime	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Hightened_csi	-.079	.066	-1.20	.232	-.21	.051	
sale_growth	0	.005	-0.05	.957	-.01	.01	
profitability	-3.144	.698	-4.50	0	-4.513	-1.774	***
Leverage	1.567	.395	3.96	0	.791	2.343	***
Cashflow	0	0	-1.05	.293	0	0	
tangibles	-.162	.271	-0.60	.551	-.694	.371	
target_status	-.186	.204	-0.91	.361	-.586	.214	
paymethod	.225	.079	2.86	.004	.071	.379	***
GDP_growth	.948	.274	3.46	.001	.411	1.485	***
GDP_percapita	.001	0	2.88	.004	0	.001	***
Industry fixed effects	Yes						
Country fixed effects	Yes						
Constant	-7.126	3.799	-1.88	.061	-14.582	.329	*

Mean dependent var	4.933	SD dependent var	1.141
R-squared	0.244	Number of obs	1062
F-test	18.525	Prob > F	0.000
Akaike crit. (AIC)	3095.757	Bayesian crit. (BIC)	3344.152

*** *p<.01,* ** *p<.05,* * *p<.1*

CONCLUSION

A growing body of academic literature demonstrates that firm value could also be diminished by social irresponsibility behavior of firms (Gregory et al., 2014; Lenz et al., 2017). Stakeholder responses to socially irresponsible actions result in righteous anger and moral outrage sentiments. Such negative emotions create negative firm reputation, incite consumer boycotts (Braunsberger & Buckler, 2011; Kim et al., 2024), and lose legitimacy (Price & Sun, 2017). The second line of reasoning is more indirect and forward-looking. A firm reputation reduces risk for investors as it indicates presence of good financial reporting quality (Cao et al., 2012). Superior earnings quality of the firm could be indicated by its reputation, thereby mitigating information asymmetry (Cui et al., 2018; Francis et al., 2005).

It is worth noting that acquirers inclined to offer higher premium to firms that exhibit fewer irresponsible corporate incidents compared to the acquiring firms as a means to enhance their corporate brand image (Maung et al., 2020). M&As allows to achieve strategic goals of firms by entering into new markets and integrating with reputable brands (Fong et al., 2013). With the acquisition of domestic well-established firm, target's reputation could be capitalized by the acquirer and embedded customer relationships. Moreover, it reduces ambiguity linked with differences in cultural norms, legal framework and corporate governance standards. In the context of M&A transactions, targets with strong market standing can play a stabilizing role, easing informational frictions and facilitating smoother integration in the post-acquisition phase (Lee & Abdullah, 2024; Saxton & Dollinger, 2004).

Drawing the perspective of resource-based view (Barney, 1991; Hart, 2005), study highlights reputational risk as an important strategic asset that shapes both acquisition target choice and post-acquisition outcomes. Hussain and Shams (2022) suggests that differences in resource endowments or organizational capabilities between merging firms can act as a key source of takeover synergies. When such imbalances exist, they open avenues for resource recombination, allowing the comparatively weaker firm to access, apply, and learn from the stronger partner's assets. As a result, variation in firms' pre-acquisition resource profiles can facilitate the expansion of the combined resource base and promote reciprocal learning following the deal.

Previous studies in elaboration of information conveyed through CSR and CSI, has contended that stakeholders assess these activities not in isolation, but rather in relation to the various thematic domains in which they are embedded (Jayachandran et al., 2013; Mishra & Modi, 2016). This approach serves to reduce uncertainty and complexity, thereby enhancing the accuracy of stakeholder expectations and improving the firm's future conduct predictability (Schoorman et al., 2007). Stakeholders categorize both CSR and CSI into distinct domains such as community relations, corporate governance, environment, employee relations, human rights, and diversity (Sen & Bhattacharya, 2001). For instance, stakeholders would classify corporate behaviors like the implementation of operational safety and health programs (a CSR initiative) and rightsizing (a CSI instance) under the umbrella of employee relations, given that both pertain to employee-related matters.

While evaluating CSR endeavors of a firm, the consideration of CSI can help stakeholders to determine whether they are able to construct a cohesive understanding of a firm's identity and moral standing (Janney & Gove, 2011). Yoon et al. (2006) suggest that a thematic connection between CSR and CSI intensifies the perception of insincere motives behind CSR. CSI and same domain CSR encompass corporate actions designed to enhance stakeholder well-being or societal welfare within the identical domain(s) where CSI has occurred.

This research provides valuable insights for investment advisors, corporate leaders, and M&A strategists. By exploring how increased corporate social irresponsibility (CSI) can elevate acquisition costs, the study offers acquirers a better understanding of the ways reputational risks can impact deal valuations. Executives may become more aware of hidden costs stemming from irresponsible corporate conduct, which can lead to more precise risk assessments and thorough due diligence. The findings also shed light on how CSI can affect the timeline of deal completion. Delays caused by reputational concerns may introduce uncertainty, raise transaction expenses, and even jeopardize the success of an acquisition. Furthermore, managers should recognize that when CSR and CSI activities share overarching characteristics within the same domain, stakeholders are likely to notice inconsistencies between them. A significant mismatch between CSI and CSR within the same category (i.e., SD-CSR) can be perceived negatively, making the overlap between CSR and CSI in their respective domains crucial for building stakeholder trust. These insights have direct implications for corporate governance, helping managers evaluate whether CSR can serve as an effective corrective tool and how it may influence M&A outcomes.

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