Abstract

In this paper, the process for firms to decide whether or not to invest in corporate social responsibility is treated from a real option perspective. We extend the Husted (2005) framework with an important extra parameter that allows us to understand the timing of CSR investment and explain why some companies drag their feet over CSR investments. Our model explicitly allows for the impact of the opportunity cost of delaying the CSR investment decision, providing firms with tools to determine the optimal moment of exercising the CSR investment option. We illustrate our timing model through a case study and analyze governmental support strategies for CSR from a real options perspective