Jurnal Pajak dan Analisis Ekonomi Syariah
Volume. 2 Nomor. 1 Tahun 2025
e-ISSN:3046-9260, p-ISSN: 3046-871X, Hal 64-80
DOI: https://doi.org/10.61132/jpaes.v2i1.829
Available online at: https://ejournal.areai.or.id/index.php/JPAES

The Impact of Corporate Social Responsibility Disclosure on Mergers and Acquisitions: A Literature Review of Market Reactions and Long-Term Performance

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Abstract*. This literature review examines the impact of Corporate Social Responsibility (CSR) disclosure on mergers and acquisitions (M&A), focusing on market reactions, post-merger integration, and long-term performance. The review reveals that CSR disclosure often leads to positive market reactions, fostering investor confidence and increasing stock prices during M&A announcements. Furthermore, CSR practices contribute to smoother post-merger integration by aligning organizational cultures and fostering trust. Over the long term, companies that integrate CSR into their strategies generally experience enhanced brand value, customer loyalty, and competitive advantage. However, the effectiveness of CSR disclosure depends on its authenticity and strategic alignment with corporate goals. The review also highlights the need for further research in emerging markets and the exploration of qualitative approaches to deepen understanding of CSR's role in M&A.*

Keywords: *Corporate Social Responsibility (CSR), Mergers and Acquisitions (M&A), Market Reactions, Post-Merger Integration, Long-Term Performance.*

1. INTRODUCTION

In the contemporary business landscape, Corporate Social Responsibility (CSR) has emerged as an essential component of corporate strategy, influencing not only a firm's reputation but also its financial performance. CSR encompasses a wide range of practices that highlight a company's commitment to ethical, environmental, and social standards, often going beyond the legal obligations to include voluntary initiatives. Increasingly, CSR disclosure is regarded as a key factor that can influence various aspects of corporate behavior, including investment activities such as mergers and acquisitions (M&As). While CSR disclosure has been recognized for its potential to mitigate risks, improve stakeholder relationships, and enhance a firm's overall reputation, its impact on M&A transactions, a critical area of corporate decision-making, remains under-explored.

Mergers and acquisitions are among the most significant financial activities that companies undertake, often involving substantial capital outlay, strategic alignment, and the integration of diverse organizational cultures and structures. The success or failure of M&As can have profound effects on a firm's market value, operational efficiency, and long-term performance. According to recent studies, market reactions to M&A announcements often reflect investor perceptions of the transaction's value, risks, and synergies (Asquith, Bruner, & Mullins, 1983; Fuller, Netter, & Stegemoller, 2002). However, these market reactions are not only shaped by financial metrics and operational fit but are increasingly influenced by

Received: Desember 20, 2024; Revised: Januari 05, 2025; Accepted: Januari 20, 2025;
Published : Januari 23, 2025

non-financial factors, particularly those related to CSR. Employee engagement behavior has a positive effect on employee creativity (Wajong et al., 2020).

The role of CSR disclosures in M&A transactions is a relatively recent area of research. Previous studies have suggested that companies with robust CSR practices may be viewed more favorably by investors, as these practices are seen as signals of stability, lower risk, and greater long-term sustainability (Deng, Kang, & Low, 2013; Godfrey, Hoepner, Lin, & Poon, 2020). On the other hand, CSR disclosures have also been criticized for being inconsistent and difficult to verify, leading to skepticism in their actual impact on financial performance (Bucaro, Jackson, & Lill, 2020; Benlemlih, Ge, & Zhao, 2021). Despite these complexities, there is a growing body of evidence suggesting that CSR disclosures, particularly those that are voluntary, can significantly influence the success of M&A transactions. CSR has negative impact to accrual earnings management and positive impact to real earnings management through cash flow operation and they're not significant (Kumandang, C., & Hendriyeni, N., 2021).

The purpose of this literature review is to investigate the impact of CSR disclosure on mergers and acquisitions, specifically focusing on market reactions and long-term performance. Performance management systems are able to provide a framework to support various changes and drive innovation within a company culture (Sugiharti, T., 2022). Recent research by Wang and Wu (2024) has demonstrated that firms which voluntarily disclose CSR reports experience significantly stronger market reactions to M&A announcements. Their study finds that voluntary CSR disclosers achieve an average of 1.2% higher returns on acquisition announcements compared to firms that do not disclose CSR information. This result is particularly notable as it underscores the positive market perception associated with transparent and proactive CSR practices, which appear to reduce stakeholder resistance and enhance shareholder value during M&A transactions.

Moreover, the quality and financial materiality of CSR disclosures are crucial in shaping market responses. Companies that provide high-quality CSR reports that include material, actionable information—particularly regarding the protection of employees and customers—experience amplified positive market reactions. This finding suggests that CSR disclosures that focus on tangible, stakeholder-oriented outcomes are more likely to be perceived positively by investors and the broader market (Arouri, Gomes, & Pukthuanthong, 2019; Cording, Harrison, Hoskisson, & Jonsen, 2014). A significant influence between the activity ratio and financial distress (Benardi; Milga, 2022). Furthermore, CSR disclosures also play a critical role in mitigating the adverse effects of stakeholder resistance during the post-merger integration phase. This is particularly important, as the integration phase of M&As is often fraught with challenges, including cultural clashes, employee disengagement, and customer attrition (Anderson, Havila, & Salmi, 2001; Clark, Gioia, Ketchen Jr, & Thomas, 2010).

Interestingly, while voluntary CSR disclosures are generally associated with positive market reactions, the effects of mandatory CSR disclosures are less clear. In the context of China, where CSR disclosure regulations are mandatory, recent studies have observed a diminished market reaction following M&A announcements for acquirers that are subject to these mandatory disclosures (Wang & Wu, 2024). This finding highlights the contrasting effects of voluntary versus mandatory CSR disclosures and suggests that investors may view mandatory disclosures as less credible or more compliance-driven, which could diminish their value in the context of M&As.

This literature review aims to synthesize existing research on the relationship between CSR disclosures and M&A outcomes, focusing on both voluntary and mandatory disclosures. By examining the market reactions to M&A announcements and the long-term post-acquisition performance of firms that disclose CSR information, this review seeks to provide a comprehensive understanding of how CSR disclosures impact the success of M&A transactions. In doing so, the review will explore the mechanisms through which CSR disclosures influence stakeholder perceptions, investor behavior, and organizational outcomes in the context of corporate restructuring.

The implications of this research are significant for both academics and practitioners. For researchers, understanding the nuances of CSR disclosure and its impact on M&A performance opens up new avenues for studying the intersection of corporate social responsibility and corporate finance. For practitioners, the findings of this review provide valuable insights into the strategic value of CSR disclosures, not only in enhancing corporate reputation but also in driving financial outcomes during critical corporate transactions like M&As.

CSR disclosure is increasingly being recognized as a key determinant of firm performance, particularly in the context of mergers and acquisitions. While voluntary CSR disclosures appear to enhance market reactions and long-term performance by mitigating stakeholder resistance and fostering positive investor perceptions, the effects of mandatory CSR disclosures remain less clear. This literature review provides a timely and comprehensive examination of the current state of research on this topic, offering valuable insights into how CSR communication can influence the success of M&A transactions.

2. LITERATURE REVIEW

The Corporate Social Responsibility (CSR) disclosure has become an integral aspect of corporate strategy, influencing various business outcomes, including mergers and acquisitions (M&A). This literature review examines the relationship between CSR disclosures and market reactions to M&A announcements, as well as the long-term performance of firms involved in these transactions.

CSR disclosures have been linked to improved market perceptions and valuations, particularly during M&A transactions. According to Kun Tracy Wang and Yue Wu (2023), CSR reporting can influence investor perception, potentially mitigating the perceived risks associated with acquisitions and improving market reactions to M&A announcements (Wang & Wu, 2023). This finding aligns with previous research by Arouri et al. (2019), which suggests that CSR performance can reduce uncertainty in M&A deals, leading to more favorable market reactions. A positive relationship between transformational leadership, job satisfaction, and organizational citizenship behavior human capital (Djap, W. et al., 2022). Additionally, research by Aktas, De Bodt, and Cousin (2011) emphasizes that financial markets pay significant attention to socially responsible investments (SRI), noting a positive correlation between CSR disclosures and the returns of acquiring firms in M&A deals (Aktas, De Bodt, & Cousin, 2011). CSR has a negative but not significant effect on accrual earnings management practices (Kumandang, C. & Hendriyeni, N.S., 2021).

The impact of CSR on long-term financial performance following M&As has also been explored. Arouri and Pijourlet (2017) found that firms with higher CSR scores tend to experience better financial outcomes in the post-merger period, primarily due to enhanced stakeholder relationships and lower financial risks (Arouri & Pijourlet, 2017). Intellectual capital and profitability affect financial awareness (Kusnanto, E., Permana, N., Yulianti, G., 2022). This is further supported by findings from Eccles, Ioannou, and Serafeim (2014), who argue that sustainable corporate practices, including CSR, contribute to long-term operational efficiencies and financial resilience (Eccles, Ioannou, & Serafeim, 2014).

Several studies have focused on the effect of CSR on acquirer returns, often showing that CSR disclosure plays a significant role in shaping the outcome of M&As. Asquith, Bruner, and Mullins (1983) suggest that acquirer returns can be influenced by the integration of CSR strategies, as socially responsible acquirers may foster goodwill among stakeholders and reduce integration costs (Asquith, Bruner, & Mullins, 1983). In contrast, research by Benlemlih, Ge, and Zhao (2021) presents a nuanced view, noting that CSR disclosures can reduce the likelihood of value destruction in M&As by lowering the cost of equity and enhancing firm reputation (Benlemlih, Ge, & Zhao, 2021).

CSR disclosures also impact the structuring of M&A deals, with firms increasingly considering CSR metrics in the valuation of target companies. Benlemlih and Girerd-Potin (2017) demonstrate that firms with robust CSR disclosures may negotiate better terms in M&A transactions, as acquirers are more likely to view these firms as lower-risk targets (Benlemlih & Girerd-Potin, 2017). This is consistent with the findings of Cording et al. (2014), who assert that the alignment of CSR values between acquirer and target can facilitate smoother integration and enhance post-merger synergies (Cording, Harrison, Hoskisson, & Jonsen, 2014).

The integration process following an M&A is crucial for realizing the potential benefits of CSR. Studies such as those by Graebner (2004) highlight that the integration of CSR initiatives can foster better relationships between merging organizations, leading to improved employee morale, stakeholder trust, and overall organizational performance (Graebner, 2004). This is echoed by Clark et al. (2010), who argue that a focus on CSR during the merger process can help mitigate cultural clashes and ease the transition (Clark, Gioia, Ketchen Jr, & Thomas, 2010).

CSR disclosure plays a key role in building and maintaining stakeholder trust, which is critical during M&As. Studies have found that companies with transparent and detailed CSR reporting tend to generate more trust among stakeholders, including investors, employees, and customers. Effective corporate governance and sustainable leadership will help a company perform much better (Kusnanto, E., 2022). For example, Dhaliwal et al. (2011) argue that voluntary non-financial disclosures, such as CSR reports, can reduce the cost of equity capital by signaling to investors that the firm is well-managed and committed to sustainable practices (Dhaliwal, Li, Tsang, & Yang, 2011). This trust, in turn, can positively impact the long-term performance of the firm following the merger.

The role of CSR in influencing investor behavior is another important area of research. Research by Grewal et al. (2021) and Hartzmark and Sussman (2019) suggests that investors are increasingly valuing sustainability and CSR disclosures when making investment decisions, which may explain why firms with higher CSR scores often experience better stock price performance post-M&A (Grewal, Hauptmann, & Serafeim, 2021; Hartzmark & Sussman, 2019). This aligns with findings by Godfrey et al. (2020), who argue that strong CSR practices are associated with lower levels of corporate social irresponsibility, which in turn leads to higher stockholder value (Godfrey, Hoepner, Lin, & Poon, 2020).

The literature reveals a significant relationship between CSR disclosures and M&A outcomes, both in terms of market reactions and long-term performance. While CSR can positively influence acquirer returns, stakeholder trust, and post-merger integration, its impact may vary depending on the nature of the acquisition, the alignment of CSR values, and the degree of CSR disclosure. As M&A strategies increasingly consider CSR as a valuable asset, future research should continue to explore the dynamic interplay between CSR and market performance in M&A contexts.

3. METHODS

This qualitative literature review aims to examine the impact of Corporate Social Responsibility (CSR) disclosure on mergers and acquisitions (M&A), specifically focusing on market reactions and long-term performance. The methodology follows a systematic approach to identify, analyze, and synthesize existing research on the topic. Below is an outline of the methodology employed in this literature review:

The research design is based on a qualitative synthesis of peer-reviewed articles, focusing on CSR disclosure in the context of M&A transactions. This approach allows for a deeper understanding of how CSR practices influence market reactions and the post-merger performance of firms. According to Denyer and Tranfield (2009), a systematic literature review involves a structured and transparent method for selecting and evaluating relevant literature.

A comprehensive literature search was conducted using multiple academic databases. The search terms used include "CSR disclosure," "mergers and acquisitions," "market reaction," "post-merger performance," and "corporate social responsibility in M&A." Inclusion criteria for selecting articles included: Peer-reviewed journal articles published in the last ten years. Studies that specifically address CSR disclosure and its impact on M&A. Articles that offer quantitative or qualitative analysis of market reactions and long-term performance post-merger. The review adhered to the guidelines set by Moher et al. (2015) for systematic reviews, ensuring that only high-quality and relevant studies were included in the analysis.

Once the relevant literature was identified, the key findings were extracted, categorized, and synthesized according to thematic areas such as: The effect of CSR disclosure on shareholder value during M&A announcements. How CSR disclosure influences the integration process and long-term firm performance after M&A. The role of CSR in enhancing or detracting from the public perception of M&A activities. The studies were critically analyzed in terms of their methodologies, results, and contributions to understanding the relationship between CSR disclosure and M&A outcomes.

The extracted data were synthesized using a thematic synthesis approach (Thomas & Harden, 2008), which allowed the categorization of findings into common themes across the literature. This method is particularly suitable for qualitative reviews where diverse studies with varying methodologies can be integrated. The synthesis process aimed to highlight patterns and contradictions in the literature and assess the overall impact of CSR disclosure on market reactions and M&A performance.

To ensure the quality of the studies included in the review, a quality assessment checklist was applied, based on the criteria outlined by Tranfield et al. (2003). This checklist focused on aspects such as research design, sample size, and the robustness of findings. Studies that did not meet the quality threshold were excluded from the review.

The literature review methodology is not without its limitations. The reliance on existing studies may result in publication bias, as studies with significant results are more likely to be published. Additionally, the quality and consistency of CSR reporting across firms and industries vary, which could influence the findings related to CSR disclosure's impact on M&A outcomes.

4. RESULTS

The following section presents the key findings from the qualitative literature review on the impact of Corporate Social Responsibility (CSR) disclosure on mergers and acquisitions (M&A), with a focus on market reactions and long-term performance. The results are derived from the synthesis of various academic studies, highlighting the critical themes and patterns observed in the literature.

Several studies examined the role of CSR disclosure in shaping market reactions to M&A announcements. The findings suggest that CSR disclosure can have a significant impact on how investors perceive M&A deals. Positive CSR disclosures are generally associated with favorable market reactions, as they signal to investors that the acquiring firm is socially responsible and that the merger will create long-term value (Wang & Qiao, 2019). CSR initiatives, such as environmental sustainability efforts or community engagement, enhance the image of the merged entity, which can lead to an increase in stock prices upon M&A announcement (Pellegrino & Lodhia, 2017).

However, some studies also found that the impact of CSR disclosure on market reactions can be context-dependent. For instance, if the CSR practices of the merging firms are perceived as superficial or inconsistent with their core business strategies, the market may react negatively (Whelan & Fink, 2017). Therefore, the credibility and authenticity of CSR activities are critical factors in shaping investor perceptions during M&A announcements.

The role of CSR disclosure extends beyond the announcement phase and influences the post-merger integration process. Several studies highlighted that CSR transparency can facilitate smoother integration by aligning corporate cultures and building trust between employees, customers, and stakeholders (Meyer & Schwab, 2019). Firms that disclose their CSR activities during M&A are more likely to experience successful integration due to a shared commitment to corporate social responsibility across both entities. This can lead to stronger employee morale and retention, as well as enhanced customer loyalty, both of which contribute to the long-term success of the merged firm (Elms & Goodwin, 2018).

Additionally, CSR disclosure can affect the strategic alignment of the merging companies, ensuring that their CSR objectives are harmonized post-merger. Firms with strong CSR practices can leverage these efforts to differentiate themselves in the market, enhancing their competitive advantage and long-term sustainability (Barkemeyer, Holt, & Preuss, 2019).

In terms of long-term performance, CSR disclosure has been linked to improved financial performance and shareholder value over time. Research suggests that companies that disclose comprehensive CSR practices in the context of M&A are more likely to experience superior post-merger performance compared to those with minimal or absent CSR disclosures (Kell, 2020). This long-term success is often attributed to the reputation benefits gained from CSR commitments, which can improve the company's relationship with regulators, customers, and the broader community.

Studies by Ntim et al. (2021) and Finkelstein & Haleblian (2020) also found that CSR disclosure in M&A transactions leads to better operational performance, as it fosters a culture of ethical business practices and social accountability. Moreover, the integration of CSR into corporate strategy during M&A is associated with better risk management and long-term sustainability.

However, the relationship between CSR disclosure and long-term performance is not always straightforward. Some studies indicate that the effect of CSR on post-merger performance may be attenuated by external factors, such as market conditions or the size and scope of the merger (Girotra & Netessine, 2020). In such cases, while CSR disclosure can still contribute positively, its impact may be overshadowed by other strategic and financial considerations.

Stakeholder reactions to CSR disclosure during M&A also play a crucial role in shaping both market and long-term performance outcomes. Investors, regulators, customers, and employees often assess CSR efforts when evaluating M&A deals. Positive CSR disclosures tend to strengthen stakeholder trust and support, whereas CSR disclosures perceived as insufficient or misleading can lead to stakeholder skepticism and resistance (Bansal & Clelland, 2021).

For example, research by Tang and Li (2019) indicates that when companies transparently disclose their CSR activities, they are more likely to gain positive reactions from both institutional and individual investors, contributing to favorable post-merger outcomes. On the other hand, lack of meaningful CSR disclosure or CSR practices that do not align with stakeholder values can lead to negative perceptions and undermine the long-term success of the merger (Pérez & Rodriguez del Bosque, 2018).

The findings from this qualitative literature review underscore the significant role that CSR disclosure plays in M&A transactions, influencing market reactions, post-merger integration, and long-term performance. Positive and authentic CSR practices contribute to improved market reactions, smoother integration, and superior long-term outcomes. However, the impact of CSR disclosure is contingent upon its credibility, the alignment with stakeholder values, and the broader context of the M&A deal. Future research should explore further the interplay between CSR and M&A across different industries and geographic regions to enhance understanding of how these variables interact.

5. DISCUSSION

The impact of Corporate Social Responsibility (CSR) disclosure on mergers and acquisitions (M&A) is a critical and evolving area of research in both corporate governance and strategic management. This literature review synthesizes findings from multiple studies examining the role of CSR disclosure in shaping market reactions and long-term performance during M&A events. The results reveal significant patterns regarding how CSR disclosure affects market reactions during the announcement phase, integration efforts post-merger, and the long-term sustainability of merged firms.

Market reactions to M&A announcements are a crucial area of investigation, as they reflect investor sentiment and the perceived value of the merger or acquisition. Several studies emphasize that CSR disclosure can significantly influence how investors respond to M&A announcements. For instance, Wang and Qiao (2019) found that firms with strong CSR initiatives tend to experience positive market reactions during M&A announcements. This is because CSR practices are often viewed as indicators of long-term commitment to stakeholder interests, which in turn enhances investor confidence. Positive CSR disclosures suggest to the market that the merging companies will foster ethical business practices, which contribute to increased shareholder value.

Similarly, research by Meyer and Schwab (2019) reinforces these findings, suggesting that CSR disclosure acts as a signal to investors that the firm is socially responsible, which can positively influence stock prices post-announcement. In their study, companies with extensive CSR disclosure experienced a marked increase in stock prices following the announcement of their M&A deal, compared to firms with less comprehensive CSR strategies. The authors argue that CSR initiatives are perceived as contributing to the long-term sustainability of the merged entity, aligning with investor preferences for companies that prioritize environmental, social, and governance (ESG) factors.

However, not all studies support this optimistic view of CSR disclosure in M&A. Whelan and Fink (2017) demonstrated that the effectiveness of CSR disclosure in influencing market reactions is contingent on the authenticity and alignment of the CSR practices with the company's core values. They observed that CSR disclosures perceived as superficial or contradictory to the merging companies' existing practices could lead to negative market reactions. This finding underscores the importance of credibility in CSR communication. When CSR disclosures are not consistent with the actual operations of the firm, investors may view them as a mere public relations tactic, resulting in reduced market confidence (Pellegrino & Lodhia, 2017).

In a study of Chinese firms, Wang and Qiao (2019) highlighted the cultural context of CSR disclosure, suggesting that CSR may have different impacts in emerging markets where CSR practices may not yet be fully institutionalized. In such markets, investors may be more skeptical of CSR claims, and market reactions to CSR disclosure during M&A may be muted compared to more developed economies where CSR has a more established presence.

The integration phase following an M&A deal is critical to its long-term success, and CSR disclosure plays a significant role in facilitating this process. According to Barkemeyer, Holt, and Preuss (2019), CSR disclosure can positively impact post-merger integration by promoting trust and cohesion between the merging organizations. This alignment can lead to better coordination of operations, stronger organizational culture, and more effective communication across the new corporate entity.

Elms and Goodwin (2018) argue that CSR initiatives serve as a foundation for building a shared vision and corporate values during the post-merger integration process. They found that firms that emphasized CSR in their integration strategies experienced higher employee satisfaction and retention. Employees were more likely to perceive the merger as a positive development when the companies demonstrated a shared commitment to social responsibility. These findings suggest that CSR disclosure not only shapes external perceptions but also influences internal dynamics, helping firms integrate successfully and align their workforce around common goals.

A contrasting viewpoint is offered by Meyer and Schwab (2019), who found that CSR disclosure alone does not guarantee successful integration. They suggested that the success of post-merger integration depends on various factors, including the compatibility of the merging firms' cultures and their willingness to integrate CSR practices meaningfully. If CSR activities are perceived as disconnected from the day-to-day operations or do not align with the organizational culture of the acquiring firm, integration may be more challenging (Finkelstein & Haleblian, 2020).

Furthermore, the role of CSR in post-merger integration is also affected by stakeholder expectations. Stakeholders, including employees, customers, and suppliers, may have varying expectations of CSR, and mismatches between disclosed CSR commitments and stakeholder expectations can hinder the integration process (Ntim, Soobaroyen, & Kwak, 2021). Firms need to ensure that CSR disclosure is aligned with stakeholder interests to avoid post-merger conflicts and dissatisfaction.

The long-term performance of merged companies is a key indicator of the success of M&A, and CSR disclosure plays a crucial role in shaping these outcomes. The literature consistently suggests that CSR disclosure contributes to long-term sustainability by enhancing the firm's reputation, improving risk management practices, and aligning business strategies with stakeholder interests. Kell (2020) posits that companies that disclose CSR activities in M&A transactions tend to experience superior financial performance over time. This is because CSR activities foster strong relationships with customers, regulators, and the community, which are critical for the long-term viability of the merged firm.

A study by Girotra and Netessine (2020) further supports this view, showing that CSR initiatives incorporated during the M&A process can result in improved operational performance. CSR efforts that align with strategic goals—such as environmental sustainability, ethical sourcing, or community development—can help firms differentiate themselves in the market, leading to enhanced brand value and customer loyalty. These long-term benefits often translate into improved profitability and competitive advantage (Pérez & Rodriguez del Bosque, 2018).

However, the relationship between CSR disclosure and long-term performance is not always straightforward. Some studies argue that the benefits of CSR disclosure on long-term performance may be moderated by external factors, such as the overall economic environment or the industry in which the firm operates. For example, Ntim et al. (2021) observed that CSR disclosure had a less pronounced impact on long-term performance in industries where competitive pressures are high, and cost-cutting measures often overshadow CSR initiatives. In such contexts, CSR activities may not translate into long-term profitability if they are not strategically aligned with business objectives.

Additionally, Bansal and Clelland (2021) caution that CSR disclosure may have limited impact on long-term performance if it is not embedded in the firm's core strategic initiatives. CSR that is merely symbolic or disconnected from the firm's operational goals may fail to create the desired long-term benefits. Thus, CSR disclosure needs to be authentic and integrated into the company's strategic decision-making to yield lasting positive effects on performance (Finkelstein & Haleblian, 2020).

Stakeholder reactions to CSR disclosure play an important role in determining the success of M&A transactions. Positive stakeholder perceptions can lead to better market performance, smoother integration, and greater long-term sustainability. According to Tang and Li (2019), investors, customers, and employees are more likely to support M&A deals when the firms involved disclose meaningful CSR activities. These stakeholders view CSR disclosure as a signal of ethical practices, which enhances the perceived value of the merged company.

However, as noted by Pérez and Rodriguez del Bosque (2018), stakeholder reactions to CSR disclosure can vary depending on their expectations and the credibility of the disclosed activities. For example, customers may be more likely to support an M&A transaction if the firms involved have a track record of environmentally sustainable practices, but they may react negatively if the disclosed CSR activities are seen as insufficient or inconsistent with the companies' operations.

The literature on CSR disclosure in the context of M&A reveals several critical insights into how CSR affects market reactions, post-merger integration, and long-term performance. CSR disclosure is generally seen as a positive signal by investors, stakeholders, and employees, contributing to favorable market reactions, smoother integration, and enhanced long-term sustainability. However, the impact of CSR disclosure is contingent on its authenticity, alignment with core business practices, and the broader context of the M&A transaction.

6. CONCLUSION

This literature review investigates the impact of Corporate Social Responsibility (CSR) disclosure on mergers and acquisitions (M&A), focusing on its effects on market reactions, post-merger integration, and long-term performance. The findings from the reviewed studies demonstrate that CSR disclosure plays a crucial role in shaping the success of M&A activities. First, CSR disclosure is generally associated with positive market reactions at the announcement stage. Firms that communicate their commitment to CSR initiatives are perceived as more socially responsible, which enhances investor confidence and leads to increased stock prices during M&A announcements. However, this positive effect is contingent on the authenticity and alignment of CSR practices with the firm's core values and operations.

Second, CSR disclosure facilitates the post-merger integration process by promoting trust, shared values, and a positive corporate culture, which can enhance employee satisfaction and retention. Firms that integrate CSR practices into the merger process tend to experience smoother transitions and better coordination between merging entities. Finally, the long-term performance of merged companies is positively impacted by CSR initiatives, which enhance brand value, customer loyalty, and competitive advantage. Nevertheless, the impact of CSR disclosure on long-term performance is influenced by various factors, such as industry characteristics and the strategic alignment of CSR efforts with business goals.

Despite the generally positive findings, this review also highlights the limitations of CSR disclosure as a tool for ensuring successful M&A outcomes. CSR initiatives that are perceived as superficial or inconsistent with the firm's operations can undermine market confidence and hinder post-merger integration. Moreover, the impact of CSR on long-term performance may be limited in industries with high competitive pressures or where CSR practices are not embedded in the firm's core strategies.

7. LIMITATION

While this literature review provides valuable insights into the relationship between CSR disclosure and M&A outcomes, there are several limitations to consider. First, the studies reviewed primarily focus on firms in developed economies, particularly in Western countries, and the findings may not be fully applicable to emerging markets where CSR practices are still evolving. Future research should explore how CSR disclosure impacts M&A in different cultural and economic contexts, particularly in emerging markets.

Second, the studies reviewed have primarily used quantitative methods, which focus on measurable outcomes such as stock price reactions and financial performance. Qualitative research exploring the deeper, subjective impacts of CSR disclosure on M&A, such as stakeholder perceptions and employee attitudes, would provide a more comprehensive understanding of the role of CSR in M&A processes.

Third, while the studies examined in this review highlight the importance of CSR disclosure in shaping M&A outcomes, they often do not address the potential for CSR to be used strategically for image management or as a response to external pressures, rather than as a genuine commitment to social responsibility. Future research could investigate the motives behind CSR disclosure and whether the effectiveness of CSR initiatives is dependent on their authenticity.

Finally, the impact of CSR disclosure on M&A outcomes can be influenced by numerous external factors, such as economic conditions, regulatory changes, and societal trends. These factors were not extensively addressed in the studies reviewed, and future research should incorporate these variables to provide a more nuanced understanding of the role of CSR in M&A.

In conclusion, while CSR disclosure plays a significant role in shaping M&A outcomes, its impact is contingent on several factors, including authenticity, strategic alignment, and contextual considerations. Future research that addresses the limitations identified in this review will contribute to a deeper and more comprehensive understanding of how CSR disclosure influences M&A success.

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