

We explore the impact of corporate social responsibility (CSR) ratings on sell-side analysts' assessments of firms' future financial performance. We suggest that when analysts perceive CSR as an agency cost they produce pessimistic recommendations for firms with high CSR ratings. Moreover, we theorize that over time, the emergence of a stakeholder focus shifts the analysts' perceptions of CSR. Using a large sample of publicly traded U.S. firms over 15 years, we confirm that in the early 1990s, analysts issue more pessimistic recommendations for firms with high CSR ratings. However, analysts progressively assess these firms more optimistically over time. Furthermore, we find that analysts of highest status are the first to shift the relation between CSR ratings and investment recommendation optimism.

[Read Full Article](#)