

CSR investment and innovation – aligning and creating shared value: a critical review

Advanced
Business Journal

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Received 10 May 2026
Revised 24 June 2026
Accepted 2 August 2026

Abstract

Purpose – This study critically evaluates the theoretical foundations, construct operationalization, methodological rigor, and empirical validity of the study *CSR investments and innovation – Aligning and creating shared value*. The review focuses on how external environmental responsibility, internal employee-focused social responsibility, and ethical governance responsibility are linked to CSR investments and subsequent product, service, and process innovations, as well as whether the proposed relationships are adequately supported by the research design and measurement procedures.

Design/methodology/approach – This research employs a critical literature review methodology to systematically assess the theoretical foundations, methodological robustness, construct measurement, sampling strategy, statistical procedures, and contextual boundaries of the reviewed study. Particular attention is given to the cross-sectional sample of 410 organizations, the use of covariance-based structural equation modelling (SEM), multi-group comparisons across organizational sizes, the operationalization of CSR investments and innovation, the pooling of private, public, and not-for-profit organizations, and the use of Exploratory Factor Analysis and Confirmatory Factor Analysis.

Findings – The review identifies several important conceptual, psychometric, and methodological vulnerabilities. The operationalization of the core constructs presents tautological overlap between the exogenous CSR dimensions and the mediating CSR investments construct, while the empirical measurement of innovation does not fully reflect the theoretical emphasis on innovation aligned with shared value. The pooling of private, public, not-for-profit, sole trader, and partnership organizations also creates substantial sectoral heterogeneity that may weaken the internal validity of the structural relationships. Furthermore, the single-informant cross-sectional design creates potential risks of common method variance, simultaneity bias, and reverse causality. The use of Exploratory Factor Analysis with Varimax rotation followed by Confirmatory Factor Analysis on the same sample also raises concerns regarding psychometric redundancy, overfitting, and the appropriateness of the measurement validation procedure.

Originality/value – This study provides a critical perspective on the empirical examination of the CSR–investment–innovation relationship by identifying methodological and conceptual tensions that may affect the robustness of the reported findings. The review highlights the importance of clearer construct differentiation, stronger alignment between theoretical concepts and their empirical measures, more homogeneous sampling strategies, longitudinal research designs, and independent validation procedures. These considerations provide directions for future research examining how CSR practices and investments contribute to innovation and shared value creation across organizational contexts.

Keywords corporate social responsibility; critical review; innovation; investment; value

Paper type Critical review

1. Introduction

The paper D'Souza et al. (2024) examine how multidimensional corporate social responsibility practices catalyze dedicated CSR investments to drive shared-value innovation. The central thesis of the paper posits that when organizations strategically align their external environmental obligations, internal employee-oriented social practices, and ethical governance standards with targeted CSR investments, they establish a mechanism that fosters product and service innovation capable of generating simultaneous economic and societal value across small, medium, and large enterprises. Specifically, the authors (D'Souza et al., 2024) seek to answer how distinct micro-level (internal employee) and macro-level (external environmental and ethical) CSR dimensions influence firm-level CSR resource allocation, whether CSR investments mediate the translation of these responsibilities into value-creating innovations, and how organizational size moderates these structural relationships within the Australian regulatory and commercial landscape.

The intellectual backdrop of this inquiry lies at the intersection of strategic management, business ethics, and sustainable production. Over the past two decades, scholarly discourse has progressively shifted from viewing CSR as a philanthropic cost center or a purely compliance-driven obligation

ABJ



© PT Advanced Business Journal
e-ISSN: 3110-4053
DOI 10.65875/nz2kccq34

toward conceptualizing it as a source of competitive advantage and dynamic capability. Building heavily on Creating Shared Value (CSV) paradigm (Tavanti, 2025) and value-creation perspective (Miehe, 2025). The paper (D'Souza et al., 2024) argue that a persistent rift remains between short-term shareholder profit maximization and long-term multi-stakeholder obligation. Although firms operate within a robust regulatory framework and frequently adopt sustainability initiatives, micro-level and macro-level CSR efforts often remain siloed, preventing firms from translating responsible practices into tangible product or service innovations (D'Souza et al., 2024).

As an overall scholarly evaluation, the paper (D'Souza et al., 2024) present a conceptually engaging and well-intentioned empirical investigation that highlights the role of firm size and internal employee stewardship in the sustainability-innovation nexus. The study's (D'Souza et al., 2024) effort to bridge internal human resource practices with external environmental management under the umbrella of shared value is laudable and addresses a documented imbalance in the literature, which has historically favored macro-level external perceptions over micro-level employee dynamics. However, from a rigorous methodological and psychometric standpoint, the paper (D'Souza et al., 2024) suffers from significant construct validity challenges, analytical inconsistencies, and interpretive overreach. Tautological wording across independent and mediating survey items, an absence of shared-value specificity in the dependent innovation scale, paradoxical sample demographics, and statistical reporting discrepancies substantially weaken the evidentiary robustness of the authors' conclusions. Consequently, while the paper (D'Souza et al., 2024) offers a useful heuristic framework for sustainability scholars and practitioners, its empirical findings must be interpreted with considerable caution.

2. Research methods

This study employs a critical literature review methodology (Anh, 2024; By, 2005; Franzke et al., 2022; Mohamad Yunus et al., 2024; Pirmoradi et al., 2025) to evaluate the paper (D'Souza et al., 2024). Unlike a traditional narrative review, a critical review is designed to rigorously assess the theoretical foundations, methodological robustness, and contextual boundaries of prior research (Fernandez, 2019).

3. Results and discussion

Conceptual foundations and theoretical strengths

A primary scholarly merit of D'Souza et al. (2024) lies in its deliberate effort to bridge macro-level sustainability discourse with micro-level human resource practices. As the authors rightly observe, corporate sustainability research has historically privileged external stakeholder perceptions, such as green marketing, corporate philanthropy, and regulatory compliance, while treating internal employee welfare as a secondary or isolated human resources issue (Sabirali & Mahalakshmi, 2026). By integrating external environmental responsibility, internal employee-centered social responsibility, and ethical governance within a single structural equation model, the study (D'Souza et al., 2024) advances a more holistic view of organizational stewardship. Grounding the micro-level pathway in Social Identity Theory (Abrams, 2001) and Social Exchange Theory (Cook, 2015) provides a cogent theoretical mechanism: when employees perceive fair managerial decision-making, safe working conditions, work-life flexibility, and career development support, they internalize the organization's values and reciprocate through heightened commitment and innovative problem-solving. Furthermore, situating the empirical investigation within the economy offers valuable institutional context. Much of the extant empirical literature linking CSR, investment efficiency, and green innovation, or developing markets (Hao et al., 2025). The inclusion of multi-group comparisons across small, medium, and large enterprises is similarly commendable, as it moves beyond treating firm size merely as a statistical control variable (Fernández et al., 2019) to investigate how structural resource constraints and informal stakeholder dynamics shape CSR execution (Awa et al., 2024).

Construct operationalization and tautological measurement overlap

The paper (D'Souza et al., 2024) exhibits severe flaws in how its core constructs are operationalized and differentiated. A rigorous inspection of the measurement items reported reveals two critical threats to construct validity: tautological overlap between the exogenous CSR dimensions and the mediating "CSR investments" construct, and a complete disconnect between the theoretical framing of "innovation aligning with shared value" and its empirical measurement.

Sectoral heterogeneity (public, private, and not-for-profit pooling)

The authors (D'Souza et al., 2024) report that the sample of 410 organizations comprises 56% private sector firms, 22% public sector organizations (90 government entities), 5% not-for-profit organizations (20 entities), 12% sole traders, and 5% partnerships. The theoretical bedrock of the paper is Creating Shared Value (Tavanti, 2025), which is explicitly theorized as a mechanism to "reshape capitalism" and reconcile "a firm's objective for profitability" with societal progress. Public-sector government agencies and non-profit organizations do not operate to maximize shareholder profits, nor do they face capital market pressures or equity-ownership agency conflicts (which the authors invoke to explain the negative ethics coefficient). Although the authors (D'Souza et al., 2024) briefly acknowledge that pooling government, non-government, sole trader, and commercial firms is a limitation, this heterogeneity directly undermines the internal validity of the structural parameters.

Single-informant cross-sectional design and endogeneity

Because all exogenous, mediating, and endogenous variables were collected simultaneously from a

single respondent per organization using self-reported Likert scales, the study is highly vulnerable to common method variance (CMV) and simultaneity bias. While the authors (D'Souza et al., 2024) report procedural remedies, Harman's one-factor test (43% variance explained), and mention using the HTMT ratio, they fail to report any actual HTMT matrix values or cutoffs. More importantly, cross-sectional survey data cannot establish temporal causality. If innovation significantly predicts CSR in the same dataset, the unidirectional causal claims of the paper (CSR → CSR Investment → Innovation) are confounded by reverse causality and simultaneity.

EFA/CFA redundancy and rotation misspecification

The authors (D'Souza et al., 2024) state that they first performed an Exploratory Factor Analysis (using Principal Component Analysis with Varimax rotation) to create new factors because some variables lacked a unidimensional structure, and subsequently performed a Confirmatory Factor Analysis on the exact same sample of 410 firms. In psychometric methodology, modifying scale structures via EFA and validating those newly formed factors via CFA on the same dataset is widely discouraged, as it overfits sample-specific noise and turns CFA into a tautological verification of the EFA output. Best practice requires either splitting the sample or proceeding directly to CFA given that all scales were adapted from established instruments (Weerawardena et al., 2015). Additionally, using Varimax (orthogonal) rotation forces the extracted components to be uncorrelated, which is theoretically inappropriate for sister dimensions of CSR that share substantial variance. Furthermore, the authors (D'Souza et al., 2024) write that "The scree plot graphically shows the eigenvalues for each factor suggesting there is one predominant factor", a statement that inadvertently suggests uni-dimensionality rather than a five-factor structure.

Conclusion

The empirical study by D'Souza et al. (2024) offers a conceptually valuable contribution to the corporate sustainability literature by integrating macro-level environmental and ethical responsibilities with micro-level employee stewardship under the Creating Shared Value paradigm across small, medium, and large enterprises in Australia. By grounding internal social responsibility in Social Identity Theory and Social Exchange Theory, and by treating organizational size as a structural moderator rather than a mere control variable, the study provides a useful heuristic framework for understanding the sustainability-innovation nexus. The evidentiary robustness of the study is weakened by tautological overlap between the exogenous CSR dimensions and the mediating CSR investment construct, a misalignment between the theoretical framing of shared-value innovation and its empirical measurement, and internal validity threats arising from the pooling of private, public, and not-for-profit organizations. Furthermore, the reliance on a single-informant cross-sectional design exposes the causal pathways to common method variance and simultaneity bias, while conducting both Exploratory Factor Analysis with orthogonal Varimax rotation and Confirmatory Factor Analysis on the exact same sample of 410 firms introduces severe psychometric redundancy and model overfitting. Future research should employ sector-homogeneous sampling, longitudinal designs, and rigorous scale validation to more accurately establish these structural relationships.

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