

Keeping Up with the Joneses: Networks and CSR Preferences among Institutional Money Managers^{*}

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Abstract

We examine social network influence on corporate social responsibility (CSR) preferences among money managing firms. Unlike studies of financial investment strategies, where network effects are confounded with rational learning about profitability, CSR preferences involve contested values without objective optima, allowing us to isolate pure preference transmission. Using data on professional money managers, we find symmetric convergence toward both high and low CSR preferences among connected peers, demonstrating bidirectional transmission of fundamental beliefs rather than coordination around profit signals. Network effects are concentrated among managers with dissimilar portfolio compositions and those belonging to separate network clusters. These results provide evidence that social networks influence not only tactical investment decisions but also fundamental preference formation in institutional investment management.

JEL classifications: G11, G20, Z11

Keywords: Social Influence; Institutional investors; Investment Decisions.

1 Introduction

For the past decade, Larry Fink, co-founder, chairman, and CEO of BlackRock, the world’s largest asset management firm, overseeing more than US\$10 trillion, has written annually to the companies in which BlackRock invests on behalf of its clients.¹ A highly connected figure in global finance, he consistently emphasizes that long-term financial performance is increasingly tied to corporate social responsibility (CSR) and sustainability. In contrast, Warren Buffett, chairman and CEO of Berkshire Hathaway, another major fiduciary with over US\$1 trillion in assets and himself one of the most well-connected investors, has been critical of companies diverting shareholder resources into CSR initiatives that do not directly contribute to financial returns.² The opinions of these influential and highly connected executives of money managing firms are likely to be considered by the companies they invest in. However, do other money managing firms, which have social ties to these investment giants through their executives and directors follow their lead? Prior research has demonstrated the role of social ties in explaining herding behavior in the corporate world. [Fracassi \(2017\)](#) finds that past social connections between executives and directors of U.S. public companies are associated with similar capital investment decisions in a corporate finance setting. Building on this insight, this study is the first to directly examine whether social connections between money managing firms influence their preferences regarding CSR policies in their portfolio companies.

Extensive prior research highlights the pivotal role of social networks in shaping information flow, trust, and behavioral dynamics. Studies have shown that network relationships foster mutual trust ([Nahapiet and Ghoshal, 1998](#); [Tullock, 1985](#)), facilitate easier access to information, and promote more efficient, low-cost information transmission and processing ([Burt, 1997, 2010](#); [Jackson, 2010](#); [Newman, 2010](#)). Furthermore, social networks help in the

¹<https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

²<https://markets.businessinsider.com/news/stocks/warren-buffett-companies-should-prioritize-profitability-over-social-causes-esg-2020-1-1028791675>

effective screening and filtering of information, while also enhancing reputational effects by either penalizing negative behavior or encouraging network members to commit to trustworthy actions voluntarily (Boot et al., 1993; Brass and Labianca, 2006).³ As networks heighten reputation concerns and foster a preference for conformity, they may lead to herding behavior and imitation (Welch, 1992; Trueman, 1994; Ng and Wu, 2010; Pedersen, 2022; Huang and Nolan, 2025). Hirshleifer (2020) highlights the significance of social transmission bias, which refers to the systematic distortion of signals and ideas that influence certain behaviors and practices that are more likely to spread within a social network due to social influence and conformity, arguing that these interactions play a crucial role in shaping economic outcomes.

Building on the established role of social networks in cultivating trust, fostering information flow, and reinforcing reputational concerns, we hypothesize that past social ties between money manager firms drive similarity in their CSR preferences. That is, when these firms are socially connected, they are more likely to exchange information, adopt shared norms, and experience reputational pressures that shape decision-making. These mechanisms can lead to the alignment of CSR preferences, not necessarily due to an independent evaluation of optimal or socio-environmentally beneficial CSR practices, but rather as a byproduct of social influence and conformity within the networks. Consequently, we expect that money manager firms with stronger historical social ties will exhibit greater similarity in their CSR preferences. This forms the central hypothesis of the study.

Moreover, if socially connected money manager firms are likely to align their specific CSR preferences due to shared values and the social influence within their network, encouraging

³While finance research does not address the role of social connections among investors, interpersonal bilateral ties have been studied in the context of efficiency of internal capital markets (Duchin and Sosyura, 2013; Duchin et al., 2017), lending (Engelberg et al., 2012), mergers and acquisitions (Cai and Sevilir, 2012; Ishii and Xuan, 2014), corporate behavior (Fracassi, 2017), managerial monitoring (Hwang and Kim, 2009; Fracassi and Tate, 2012), or supply chain relations (Chen et al., 2021; Jandik and Salikhova, 2023). In the specific context of investment, Cohen et al. (2010) find that mutual fund managers outperform if they invest in firms ran by executives with whom the mutual fund managers share their educational background. Cai et al. (2016) show that companies with strong social ties to investors are associated with significantly higher trading costs.

conformity and leading to the adoption of similar strategies, then this alignment could be manifested beyond shared investments, driving convergence in CSR preferences even among money manager firms holding different equity assets. As a result, we propose our second hypothesis: the alignment of CSR preferences due to social connections will be stronger for money manager firms with dissimilar portfolio holdings.

Next, the proposed harmonization in CSR policies does not necessarily imply convergence toward high (or good, i.e., socially and environmentally desirable) CSR standards. If the selection of portfolio companies with specific CSR practices is shaped by the shared norms and beliefs within the networks of money manager firms, strengthened by mutual trust, the exchange of information, concerns about reputation, and a natural inclination toward conformity, rather than by a pursuit of an objectively optimal solution or a systematic evaluation of best CSR practices, then we would expect that social ties between money manager firms could lead to a confluence toward either high or low levels of CSR engagement. Therefore, based on the preceding argument, we propose our third hypothesis: socially connected money manager firms may converge at either end of the CSR spectrum.

Finally, we hypothesize that the effect of social networks on CSR preferences should be stronger when the influence of social ties is likely to matter more. First, the effect is expected to be stronger when money manager firms belong to different network clusters. Inspired by the “strength of weak ties” perspective ([Granovetter, 1973](#)), we argue that the greater the structural distance between network clusters, the more valuable the connections between them are, as these ties can provide access to unique information and diverse perspectives, which may influence CSR preference decisions. Second, the effect should be more pronounced when money manager firms adhere to different investment strategies. This is because the influence of social networks is likely to have a greater impact when money manager firms’ approaches to investing are more divergent, as social connections could drive them to converge on CSR practices despite different investment philosophies. Thus, we propose our final hypothesis: the

strength of social network effects on CSR preferences will be stronger when money manager firms belong to different network clusters and follow distinct investment strategies.

The extent to which past employment or educational backgrounds, or shared involvement in charity boards or social clubs, result in similarities in investment outcomes among connected investors has not been directly explored in finance research. While [Fracassi \(2017\)](#) focuses on corporate executives and directors, we focus on a different type of agent: money managing firms. That is, the subject of our analysis is financial fiduciaries and not the executives of the firms in which they invest. These are two very separate kinds of positions, with different responsibilities and activities, varying regulatory environments, alternate ways of assessing performance, and a different relationship with stakeholders. These distinctions imply that the nature of the social connections, which we term social capital, for fiduciaries and corporate executives and directors (those leading the firms in which fiduciaries invest) are also likely to differ.

The responsibilities of financial fiduciaries and typical corporations reveal significant differences. The primary duty of financial fiduciaries is to act in the best interest of their clients. They are legally required to prioritize their clients' interests above their own or those of their firm. Corporate top executives are responsible for managing a firm's daily operations and making decisions that enhance shareholder value, while directors advise and monitor these executives. Both groups are accountable to shareholders, and their responsibilities encompass a broad range of governance, strategic, and financial decisions.

Financial fiduciaries focus on portfolio management, asset allocation, and investment performance. Money managing firms analyze financial markets, economic trends, and investment vehicles to manage investment portfolios that meet their clients' investment objectives. The objective of top corporate executives, however, is to ensure the firm's long-term growth and profitability. This involves not just financial management but also addressing operational efficiencies, market competition, innovation, and corporate strategy.

While directors play a crucial role by providing guidance and oversight to executives to ensure these objectives are met.

Financial fiduciaries are regulated by financial authorities and must adhere to specific investment regulations and standards of conduct. The fiduciary standard mandates that they provide advice and investment management that is in their clients' best interests. While corporate insiders are less formally regulated and need only comply with regulations that oversee corporate behavior, financial reporting, and disclosure.

The success of financial fiduciaries is measured directly by the performance of the investment portfolios they manage. They are evaluated against benchmarks and risk-adjusted returns. The performance of corporate executives is evaluated based on the firm's financial health, stock price performance, market share growth, and achievement of strategic goals. Their success is more multidimensional, incorporating financial results, operational achievements, and strategic milestones. While directors are assessed based on their effectiveness in governance, oversight, and the guidance they provide to ensure the organization meets these objectives.

Finally, the set of relationships that financial fiduciaries must manage is narrower than that of a typical corporate insiders. Those relationships are primarily with their clients, to whom they owe a duty of care and loyalty. Their interactions are governed by the investment policy statement and contractual agreements. Corporate insiders, however, interact with a broader set of stakeholders, including shareholders, employees, customers, regulators, and the public. These different relationships form the basis on which their social capital is created.

Our study also differs from [Fracassi \(2017\)](#) in that we focus on investor preferences for factors that are not necessarily related to value maximization. Our emphasis is on whether past social connections between two money managing firms affect their preference for investing in companies pursuing strong vs. weak CSR policies. A company's CSR policies

are important for several reasons, reflecting the evolving expectations of stakeholders and the broader community regarding the role of businesses in society. Specifically, these policies can affect a firm’s reputation and brand loyalty, risk management, regulatory compliance, and long-term sustainability.

While optimal financial and investment policies result in value creation, strong CSR policies are linked to both benefits and costs. “Stakeholder friendly” CSR policies have been linked to lower operational, reputational, and regulatory risks (Eccles et al., 2014), better access to capital (Flammer, 2013; Lins et al., 2017), employee satisfaction and talent retention (Edmans, 2011), and customer loyalty and brand image (Peloza and Shang, 2011). But pursuit of strong CSR policies can have negative consequences on firm performance (Ioannou and Serafeim, 2014), impede value creation and managerial innovation (Tirole, 2001), interfere with efficient resource allocation (Friede et al., 2015), or lead to market distortions and greenwashing. Ultimately, the overall impact of ESG policies on firms is uncertain (Oikonomou et al., 2012; Gillan et al., 2021).

The ambiguity of the impact of CSR policies on firms allows us to test whether the social connections of two money managing firms can affect preferences for investment policies that are not obviously related to value maximization. Indeed, with this research design, our study provides a more powerful test of the effectiveness of social connections to convey information and influence participants.

Studies linking social ties to investment outcomes face recurring questions about identification, market relevance, and what drives convergence. Our study addresses each of these concerns. With respect to identification, we exploit age-based executive retirements as exogenous shocks to network connectivity. When a connecting executive departs at the conventional retirement age of 67, CSR dissimilarity between previously connected manager pairs increases. This confirms the causal effect of social ties on CSR preferences. We address the issue of market implications, by finding that network-driven CSR herding creates correlated

portfolio tilts across interconnected managers sufficient to distort capital allocation, reduce opinion diversity, and amplify responses to ESG-related shocks. Finally, we address the issue of convergence in preferences. Because CSR involves contested values with no objective optimum, convergence among connected managers does not reflect shared information about profitability. Social influence is the only coherent explanation. Two further patterns rule out financial coordination. Herding runs in both directions, toward high and low CSR peers alike. And the effect is strongest among managers with dissimilar portfolios, where shared financial incentives are weakest. These results point to genuine belief transmission as the operative channel.

We study portfolio investment choices of money managing firms from 1998 to 2019. Specifically, first, for each company in every money manager firm’s portfolio, we estimate a model of determinants of an overall CSR (CSR strengths less CSR concerns in a particular year) and record the errors from this model. Positive/negative errors correspond to CSR over/underinvestment. We then estimate CSR residuals as the value-weighted error for each money manager firm’s annual portfolio, where the weights represent the proportion of the total investment allocated to each company in the portfolio. The main focus of this study is the analysis of dissimilarities (i.e., absolute value of the differences) between CSR residuals of any two money manager firm portfolios. We examine these dissimilarities as a function of social connections between the two money managing firms.

Our results show that the CSR dissimilarity between a pair of money manager firm’s portfolios is smaller if they share social connections, and that this effect is stronger if they share multiple connections.⁴ This effect is economically significant, with one additional type of connection between money manager firms is associated with a decline of 5.8% in the median CSR residual dissimilarity. We further find that the presence of social connections facilitates the harmonization of both CSR strengths and CSR concerns. We note that aligning

⁴We track four different types of social connections: educational, past employment, current employment, and social club/charity connections.

effect of social connections occurs for both the environmental and social components of CSR. Moreover, our findings also indicate that herding behavior is present not only toward peers who invest in high CSR firms but also toward those investing in low CSR firms. However, the influence of network effects in driving this mimicry is significantly stronger, nearly four times greater, when money manager firms follow peers who predominantly hold high CSR firms compared to those who invest in low CSR firms. We further find that the reduction in CSR residual dissimilarity among connected money manager firms cannot be explained solely by similarities in their equity holdings. Rather, these firms appear to shape CSR policies within their portfolio companies in alignment with their network connections. This interpretation is supported by our results, which show that the influence of social ties is even more pronounced when money manager firms hold more dissimilar portfolios ([Pool et al., 2014](#)).

Next, we document that the network effect is stronger when social influences are likely to have a greater impact. We create clusters of socially connected money manager firms based on the Louvain algorithm developed by [Blondel et al. \(2008\)](#). Our analysis reveals that social connections are significantly negative determinants of CSR residual dissimilarity for managers belonging to different clusters (i.e., managers who likely hold different portfolios). We also document that social connections significantly reduce CSR residual dissimilarity in subsamples of money manager firms adhering to distinct investment styles ([Bushee, 1998](#)).

Our findings remain robust even after considering numerous robustness checks. In addition to considering multiple types of fixed effects, our results hold after performing a propensity score matching procedure to match connected pairs of money manager firms with a control set of unconnected money manager firm pairs based on pair characteristics. We further undertake a test that addresses potential endogeneity: we perform a difference-in-differences analysis following the exogenous departure of a previously connected money manager executive or director. We use age-based retirement, specifically at age 67, to identify exogenous departures, which provides plausibly exogenous variation in network structure.

Retirement timing is determined primarily by demographic and career factors rather than by portfolio-level CSR strategies. We find that the dissimilarity of investment choices increases after this shock.

In aggregate, our results help distinguish a social-transmission mechanism from alternative explanations based on common ownership, formal ESG alliances, or shared clienteles. If these patterns are driven primarily by pressure from external stakeholders, we would expect convergence primarily toward higher CSR. Rather, our findings indicate symmetric herding. Similarly, if coordination through common holdings is the main channel, the effect should be stronger among managers holding more overlapping portfolios. We find, however, the opposite pattern. That is, the effect is concentrated among managers with dissimilar holdings. Finally, our retirement analysis helps to isolate the role of personal ties by severing the interpersonal link while leaving these alternative channels largely intact.

This study makes a number of significant contributions to the literature. It is the first to examine the effect of social network connections on the harmonization of investment policy choices, particularly in contexts where the factors involved are not directly related to value maximization. We build on the work of [Fracassi \(2017\)](#), who demonstrated the harmonizing effects of social networks on corporate capital investment decisions, where value-maximizing outcomes are well understood. While prior research has explored the multifaceted nature of CSR, with ongoing debates regarding its inherent benefits or detriments to shareholder value creation ([Hull and Rothenberg, 2008](#); [Miller et al., 2020](#); [Tong et al., 2020](#); [Shi and Veenstra, 2021](#)), our study contributes to this discussion by focusing on an outcome variable that is neither necessarily value-maximizing nor socially optimal. By adopting this framework, we offer a distinct setting to examine how social ties influence the behavior of money manager firms, particularly in situations where optimal or normative outcomes remain unclear or contested.

Second, we extend the existing literature on network effects by examining the behavioral

and investment consequences of bilateral social ties. While much of the current research focuses on network effects between contracting parties, such as borrowers and lenders ([Engelberg et al., 2012](#)), bidders and targets ([Fracassi and Tate, 2012](#)), or suppliers and customers ([Ramírez, 2024](#)), where corporate managers, by virtue of their roles, can engage in formal contracts that facilitate learning, our study shifts the focus. It demonstrates how bilateral links between parties without formal contractual relationships can still exert significant influence. Specifically, we highlight the effects of social ties between money-managing firms, which are typically more independent and often engage in competition for client capital.

Third, as social connections facilitate convergence toward similar behavior among money manager firms, this study extends the literature on herding behavior in financial markets and corporate practices ([Lakonishok et al., 1992](#); [Grinblatt et al., 1995](#); [Graham, 1999](#); [Wermers, 1999](#); [Sias, 2004](#)).

Fourth, we also contribute to prior research ([Hong et al., 2005](#); [Pool et al., 2014](#); [Apesteguia et al., 2020](#); [Genc et al., 2023](#)) which suggests that socially connected investors tend to hold similar assets and often engage in copy trading. In contrast, we document a network effect on investment outcomes that extends beyond shared holdings.

While prior research has documented herding among connected institutional investors in traditional investment strategies, our focus on CSR preferences reveals fundamentally new insights about social influence in asset management. Our focus on CSR preferences, rather than financial investment strategies, provides a particularly clean setting for identifying the social influence channel. Financial investment decisions are confounded with rational learning. When connected managers converge on a stock selection, it is difficult to separate social influence from shared access to value-relevant information. But CSR preferences involve contested values without objective optima. There is no correct level of environmental or social investment that financial analysis can identify. Convergence in CSR preferences therefore cannot be attributed to shared learning about profitability. When we find that connected

managers converge on CSR preferences, the only coherent explanation is that social networks transmit genuine beliefs about the appropriate role of CSR. The result eliminates the rational learning alternative, leaving preference transmission as the explanation.

Beyond these conceptual contributions, the CSR herding documented in our study has important economic implications regarding the capital allocation efficiency: we show that socially connected managers exhibit correlated portfolio tilts toward firms with similar ESG characteristics. This suggests that network effects may create pricing distortions. That is, firms that align with the CSR preferences of money managers may attract capital inflows disconnected from fundamental value. Our findings establish that CSR herding is not merely a statistical curiosity about portfolio similarity, but a phenomenon with meaningful consequences for capital markets and corporate decision-making.

We organize this study into seven sections. In the following section, we discuss the importance of social capital for financial fiduciaries, such as money manager firms, and how these connections differ from those of the firms in which they invest. We describe our sample and data in Section 3. The study’s research design and methods are provided in Section 4. We present our empirical findings, robustness tests, and our methods for confirming causality in Section 5. In Section 6, we discuss the market implications of CSR Herding. We conclude with a summary and a discussion of our findings in Section 7.

2 Importance of Social Capital for Financial Fiduciaries

There are several reasons why social connections might be more important to financial fiduciaries than for a typical corporate executives and directors. Given this importance, fiduciaries might build more extensive networks and engage with it more extensively. More critically, fiduciaries might be more influenced by their networks.

2.1 Nature of the Work

The nature of a money manager firm’s work emphasizes the importance of social connections. Money manager firms operate in financial markets where timely access to information and insights can directly influence investment decisions and outcomes. Social connections with industry insiders, analysts, and other market participants can provide crucial, non-public insights that inform better investment strategies. Corporate executives and directors, while also benefiting from information access, often rely on a broader network for strategic, operational, and industry-specific information, where the immediacy and financial market sensitivity might be less pronounced.

For money manager firms, particularly those in private equity, venture capital, or hedge funds, social networks are critical for discovering investment opportunities before they become widely known. Strong networks can lead to first looks at deals, partnerships, or unique investment propositions. Corporate executives and directors, on the other hand, while certainly benefiting from opportunities brought through their networks, might not depend as directly on these for the core operations of their businesses.

2.2 Reliance on Reputation and Trust

Money manager firms often need to cultivate trust with their clients, convincing them to invest their capital based on the manager’s strategy and insights. A robust social network, especially one that includes satisfied clients and respected industry figures, can significantly enhance a money manager firm’s reputation and credibility. For a typical corporate insiders, while reputation is crucial, the trust of investors often hinges more on the performance of the company as a whole rather than personal networks.

Money manager firms, especially in the realm of hedge funds, venture capital, and private equity, frequently need to network to raise capital for their funds. These activities make social connections not just beneficial but essential. Corporate executives also engage in fundraising

activities (e.g., equity or debt financing), but these efforts are typically more directly linked to the company’s performance metrics and prospects rather than the personal network.

2.3 Influence and Personal Brand

The personal brand of a money manager firms, often built through extensive networking, can be a key competitive advantage. For corporate executives and directors, while personal brand matters, the company’s brand, its products, and its performance are usually more influential. Money manager firms often rely on their networks to benchmark performance, understand industry trends, and gauge market sentiment. Corporate executives certainly engage in similar activities, but their strategic decisions are often more influenced by market research, competitive analysis, and internal company data. They benefit from a strong network for a variety of strategic, operational, and personal reasons. However, the immediacy of the impact of these networks on the core activities of money manager firms, such as accessing information, sourcing deals, and raising capital, make these connections potentially more vital in their professional landscape.

3 Data and Sample

The CSR data originates from the MSCI ESG Stats (formerly known as Kinder, Lydenberg, and Domini or KLD Stats) database spanning from 1998 to 2019, serving as our initial dataset. The firm’s CSR activities encompass positive endeavors such as charitable giving or pollution prevention. CSR concerns involve negative aspects like the generation of hazardous waste or substantial emissions. Appendix [A](#) provides detailed definitions of CSR dimensions reported by MSCI, along with strength and concern attributes associated with each dimension. Following prior literature, we include the environmental and social dimensions but exclude the corporate governance dimension from our CSR measure. Each year t , we tally the number of strengths and concerns for each firm i . The net CSR score variable is calculated

as the number of strengths minus the total number of concerns documented for each firm for that year. Additionally, we separately examine CSR strengths and concerns, as well as the environmental and social dimensions. It's noteworthy that CSR data from this provider is unavailable post-2019.

Institutional holdings are sourced from the Thomson Reuters 13F Filings database. For each (institutional investor) money manager firms, each year, we compute the mean of holdings across the four quarters. Next, we use the BoardEx database to estimate social connection metrics and control variables. For our analysis, we focus on the connections between the directors or senior executives of money manager firms. Consistent with [Fracassi \(2017\)](#), we estimate four metrics for social networks: (1) Educational Connections: two individuals are considered socially connected through their educational network if they attended the same school and graduated within one year of each other, (2) Employment Connections: two individuals are socially connected through their past employment network if they have previously worked in the same company at the same time, (3) Current Employment Connections: two individuals are socially connected through their current employment network if they are employed by the same firm and hold positions together either on the board of directors or within the top management group, and (4) Other Social Activity Connections: two individuals are socially connected through their participation in clubs, organizations, or charities.

We then compile the social associations among all pairs of executives and directors affiliated with money manager firms, for each of these four possible networks. We aggregate this information at the level of money manager pairs: For each connection type, we assess the social inter-connectivity between money manager j and k by establishing a binary variable that equals one if at least one executive/director from money manager j is linked to an executive/director from money manager k . Lastly, we define the Social Network Index (SNI) as the total of the social connectivity indicators across the four connection types.

Consequently, two money manager firms possess an SNI strength of zero if they lack any connection across any of the networks. They have a maximum value of four if they share connections across all four network types. We matched the 13F and BoardEx datasets using the following process: First, we removed all punctuation from company names, converted the remaining characters to uppercase, and eliminated any leading or trailing whitespace. We also removed common terms (e.g., “Inc,” “Co”) that could bias the matching accuracy. Next, we applied a fuzzy matching technique to calculate the Levenshtein spelling distance between company names in the 13F and BoardEx datasets. If multiple records were found for a particular year, only the record with the minimum Levenshtein distance is retained. Finally, we manually validated all the matches using Google, company websites, and EDGAR, the SEC’s database of regulatory filings. We use the IBES database to quantify analyst coverage. Appendix B provides a list of variable definitions including money manager firm pair-level variables and firm characteristics.

We emphasize that the integration of these databases resulted in exceptionally large sample sizes. For example, our initial merge of the BoardEx network files produced over 315 million observations. Additionally, in our portfolio overlap estimations, we worked with datasets exceeding 45 million observations. The scale and complexity of this data required significant computational resources, underscoring the demanding nature of the analysis.⁵ The final dataset encompasses around 5.8 million money manager firm pair-year observations, spanning from 1998 to 2019.

Table 1 presents the descriptive statistics for the primary dependent and independent variables.⁶ Panel A illustrates summary statistics for money manager firm pair-level variables,

⁵We would like to acknowledge the use of high-performance computing services provided by Research Computing at Florida Atlantic University.

⁶While OLS regression is useful for identifying linear relationships between independent and dependent variables, it might not adequately capture the complexity of social networks, spatial relationships, and non-linear dynamics inherent in how social capital influences CSR policy decisions. Additionally, OLS does not inherently model interactions between entities, which is a central feature of the gravity model adapted for social capital analysis.

while Panel B does so for the portfolio firm level CSR and other variables. The mean CSR score across all firm-years stands at 0.248, with a standard deviation of 2.0458. The median CSR score is zero, indicating a wide range of CSR scores, with most firms exhibiting a balance between positive and negative scores. The average value for the CSR dissimilarity measure is 0.4744. The average social connections measure is 0.1523, with a median of 0.

[Table 1 about here.]

4 Research Design and Methods

4.1 Gravity Model: First Stage

Consistent with [Fracassi \(2017\)](#), we use a two-stage gravity model to investigate whether the preferences of money manager firms regarding the CSR policies of their portfolio firms are influenced by their peers. In the first stage, we regress the CSR of each holding i (each stock or firm in the money manager’s portfolio) on a set of control variables found in the literature to be determinants of CSR ([Harjoto et al., 2015](#)). We specify our model in equation (1):

$$CSR_{i,t} = \beta_0 + \sum_m \beta_m X_{m,i,t} + \varepsilon_{i,t} \quad (1)$$

We include a series of control variables in equation (1). First, we introduce a set of variables related to firm and board characteristics. These are firm size (SIZE), capital expenditures (CAPXS), and research and development expenditures (RDS). We anticipate a positive correlation between these variables and measures of CSR initiatives ([McWilliams and Siegel, 2001](#)). Further, we incorporate proxies for firm profitability (ROA) and risk (LEV, STD, AGE). We anticipate a positive coefficient for profitability, but negative for the risk measures of leverage, standard deviation, and age ([Hillman and Keim, 2001](#); [Campbell, 2007](#)).

Prior research such as [Dupire and M'Zali \(2018\)](#) report that competitive pressure positively influences CSR. Hence, we include the Herfindhal-Hirschman index as a proxy for market concentration (HHIIndex). Furthermore, we control for board diversity (DIVERS), board independence (BRDIND), institutional ownership (INST), and analyst following (ANALYSTS).

[Harjoto and Jo \(2011\)](#) establish a positive relation between CSR and the percentage of independent board members. [Ioannou and Serafeim \(2014\)](#) report that firms engaged in higher CSR activities tend to receive more favorable analyst recommendations. Thus, we anticipate positive coefficients for board independence and analyst following. [Harjoto et al. \(2015\)](#), however, find an inverse relation between institutional ownership and CSR. Consequently, we anticipate a negative coefficient for our institutional ownership measure. Finally, we include industry (Fama-French 48) and year fixed effects to control for industry and year-specific shocks. We extract the residuals from equation (1), which represent the excess or idiosyncratic component of the CSR of firm i in year t , relative to the expected CSR according to the standard model.

4.2 CSR Dissimilarity Measure Estimation

For each money manager j during year t , we calculate the value-weighted average residual CSR of the holdings. In this calculation, the weight (w) assigned to each firm holding is the percentage of the money manager's total equity portfolio that is invested in firm i . That is, the value-weighted average residual CSR variable for money manager j in year t can be expressed in equation (2) as:

$$\bar{M}_{j,t} = \sum_{i,t} w_{j,i,t} \varepsilon_{i,t} \quad (2)$$

In equation (2) the summation represents the sum across all firms in money manager j 's

portfolio for each year t . This formula calculates the weighted sum of the residual for each firm in a money manager's portfolio, where the weight $w_{i,j,t}$ represents the proportion of the total portfolio value held in firm i by money manager j in year t .

For each pair of money manager firms j and k , we define CSR policy dissimilarity as the absolute value of the difference in the average value-weighted residuals of their holdings as per equation (3):

$$\text{CSR_DISSIMILAR}_{j,k,t} = |\bar{M}_{j,t} - \bar{M}_{k,t}| \quad (3)$$

The variable `CSR_DISSIMILAR` serves as an indicator of the difference in the average CSR policy decisions within the portfolio firms managed by two different money manager firms. Consequently, a lower value for this variable suggests a higher degree of similarity in the CSR policies of their respective portfolio firms.

4.3 Gravity Model: Second Stage

In the second stage, we examine how social connections influence the similarity in CSR policies among portfolio firms. We regress CSR policy dissimilarity on social connections measure. That is, we estimate the following empirical model in equation (4):

$$\text{CSR_DISSIMILAR}_{j,k,t} = \alpha_0 + \alpha_1 \text{SNI}_{j,k,t} + \sum_n \alpha_n C_{n,j,k,t} + \epsilon_{j,k,t} \quad (4)$$

Following [Fracassi \(2017\)](#) we also include a number of control variables in the second stage of our analysis: `N_EXEC_DIR` - the total count of directors on the board and key executives for each pair of institutional investors, `AGE_EXEC_DIR` - the average age of all directors on the board and key executives for each pair of institutional investors, `DIF_SIZE` -

the absolute difference in the market values of holdings for each pair of money manager firms, DIF_N_EXEC_DIR - the absolute difference in the number of executives and directors for each pair of institutional investors, DIF_AGE_EXEC_DIR - the absolute difference in the average age of executives and directors for each pair of money manager firms. Additionally, we include peer fixed effects and year fixed effects. To address serial correlation, we allow for clustering of the error term at the pair level.

5 Empirical Analysis and Results

5.1 Factors Influencing CSR Practices in Portfolio Firms

In this section, we present the results of the first-stage analysis of the two-stage gravity model. Specifically, we regress a firm’s CSR on the control variables noted in equation (1). Table 2 presents our findings. In Columns 1, the dependent variable is CSR, our net measure, estimated as the total number of strengths minus the total number of concerns within a given year. In Columns 2, the dependent variable is CSR strength, estimated as the total number of strengths (CSR_STR), while in Column 3, the dependent variable is CSR concerns (CSR_CON). Finally, in Columns 4 and 5, we decompose our net CSR measure into its social and environmental dimensions. CSR_ENV represents the environmental dimension, calculated as the number of environmental strengths minus the number of environmental concerns. CSR_SOC is the social dimension calculated as the number of social strengths minus the number of social concerns.

We find that diversity, analyst following, board independence, size, and capital expenditure positively influence corporate CSR initiatives. Conversely, institutional ownership, leverage, profitability, industry monopoly, and risk negatively influence CSR policies. While firm age is insignificant in the aggregate model, it is significantly positive in the remaining models. The coefficients of these variables are largely consistent with the findings of previous

studies.

[Table 2 about here.]

5.2 Money Manager Social Ties and CSR Policy Similarity

5.2.1 Main Results

In this section, we analyze the results of the second stage of our gravity model. We use the excess CSR policy for each holding of a money manager firm, obtained from the estimates in Table 2. Next, we estimate the value-weighted average CSR policy of portfolio firms for each money manager firm, each year, following equation (2). For all possible pairs of money manager firms, we annually estimate CSR policy dissimilarity per equation (3), which is the absolute value of the difference in value-weighted average excess CSR policy of portfolio firms. Finally, we regress this dissimilarity measure on social connections between pairs of money manager firms as well as controls, following equation (4).

We present the results of this analysis in Table 3. The variable of interest is the strength of social ties (SNI). In column (1), we present the results of the baseline regression that includes only the social connections measure as an independent variable. We find a strong negative effect of social connections on CSR policy dissimilarity, supporting the hypothesis that shared social connections align money manager firms' preferences for CSR policies across their portfolio firms. In Column (2) and (3), we add several control variables. First, we introduce the total number of directors and key executives for each pair of institutional investors (N_EXEC_DIR), the absolute difference in the market values of holdings for each pair of money manager (DIF_SIZE), and the absolute difference in the number of executives and directors for each pair (DIF_N_EXEC_DIR). Further, we also add the average age of key executives and directors for each money-manager-pair (AGE_EXEC_DIR) to control for the fact that older boards and management team tend to have more social connections, and the absolute difference in the average age of executives and directors for each pair of money

manager firms (DIF_AGE_EXEC_DIR. We also add pair fixed effects. Finally, with model (4) and (5), we include year fixed effects along with pair fixed effects and the other regressors.

Overall, we find in Table 3 that the coefficient estimates for the social connection variable is significantly negative in all specifications. This suggests that more connected money manager firm pairs tend to hold portfolio firms with more similar CSR policies. In terms of economic significance, we find that a one-unit increase in social connectedness between money-manager firm pairs is associated with a reduction in CSR policy dissimilarity of portfolio firms, varying from 1.4% to 5.8%. relative to the median.⁷

[Table 3 about here.]

5.2.2 Identification: Exogenous Shocks to Network Connectivity

Our identification relies on the assumption that executive retirements at age 67 represent exogenous shocks to network connectivity rather than endogenous responses to planned CSR strategy changes. Several features of our design support this assumption. First, age-67 retirement is determined primarily by life-cycle factors, including pension eligibility, career duration, and personal circumstances, rather than by portfolio-level CSR considerations. A money manager firm planning a shift in CSR strategy has no reason to time that shift around the retirement of a specific executive or director. The use of a conventional retirement age threshold makes it implausible that retirement timing is systematically related to CSR preferences at the portfolio level.

Further, our analysis exploits multiple retirement events occurring across various money manager firms and years during our 1998 to 2019 sample period. Our firms differ substantially in size, investment mandate, competitive environment, and client base. For retirement timing to generate our results through an endogenous channel, changes in CSR strategy would need

⁷In unreported tests, we repeat the estimation of all models in Table 3, but use a dummy variable equal to one if two individuals have any type of a connection (i.e., SNI>0) and zero otherwise. This connection indicator variable is statistically significant in all models.

to coincide with individual retirements consistently across this range of institutions. No plausible narrative connects retirement timing to CSR portfolio shifts in a way that operates uniformly across multiple firms.

The temporal pattern of our results is consistent with the gradual erosion of social influence rather than a discrete strategic change. If retirements reflect broader organizational reorientations toward different CSR policies, divergence is expected to occur around the leadership transition itself. Rather, our specification estimates the effect from CSR dissimilarity over the three-year period following the executive’s departure. This is after the personal connection has lapsed, rather than from changes occurring close to the transition date. This pattern is consistent with the erosion of an informal social tie built through prior professional interaction. It is not easily reconciled with a corporate pivot, which would be reflected at the time of an organizational change.

Finally, our stacked difference-in-differences approach includes pair-cohort and time-cohort fixed effects that control for important confounding factors. Pair-cohort fixed effects absorb the time invariant differences between specific connected pairs, including patterns of strategic coordination. Time-cohort fixed effects control for secular trends in CSR preferences over our sample period. With this specification, unobserved strategic coordination would vary within pairs, across time, and correlate with individual retirement timing to generate our results. This represents a highly specific pattern.

More specifically, we operationalize our identification strategy by using individual retirement events as shocks to a money manager firm’s social connectivity. When an individual retires, their social ties within the network terminate, exogenously altering the social relationship between money manager firms. Given the occurrence of multiple retirement events annually, we employ a stacked difference-in-differences approach ([Gormley and Matsa, 2011](#)) that allows us to compare the behavior of exposed money manager pairs (i.e., pairs of money manager firms connected by a retiring director or executive) and unexposed money manager

pairs around each retirement event. For each year, we establish cohorts of exposed and unexposed money manager pairs by considering observations over the three years preceding and following the event. We then aggregate the data across cohorts and conduct the regression analysis using the following model: across cohorts and conduct regression analysis using the following model:

$$\text{CSR_DISSIMILAR}_{j,k,c,t} = \gamma_0 + \gamma_1 TP_{j,k,c,t} + \delta_{tc} + \eta_{j,k,t} + \mu_{j,k,c,t} \quad (5)$$

The dependent variable, CSR_DISSIMILAR, measures the dissimilarity in CSR policies among pairs of money manager firms. TP is an indicator of whether cohort c is affected by time t . It is an interaction term between TRT (a binary variable that equals 1 if a director or executive connecting these pairs retires in a specific year, and 0 otherwise) and POST (a binary variable that equals 0 in the 3-year period before the retirement event and 1 in the 3-year period after retirement). $\delta_{t,c}$ represents time-cohort fixed effects, controlling for POST dummy variable in each event. $\eta_{j,k,c}$ represents pair-cohort fixed effects, controlling for TRT - a treatment dummy in each cohort. Pair-cohort fixed effects are included to ensure correct estimation of the impact of exposure while controlling for fixed differences between pairs. Year-cohort fixed effects serve as a nonparametric control for any secular time trends. Alternative models are also estimated with pair and year fixed effects, as well as cohort and year fixed effects.

Table 4 presents the results of estimating equation (5). In Panel A, we deliberately do not include any control variables because these variables are likely affected by the shock, and including them would confound estimates of γ_1 . In Panels B and C, we include these controls for robustness. In Column (1), we incorporate peer and year-cohort fixed effects to ensure that we estimate the impact of exposure after controlling for any fixed differences between pairs of money manager firms. We also include year-cohort fixed effects as a control

for time trends. TP in equation (5) is an indicator variable to capture whether cohort c is affected by time t , and in fact is an interaction between treatment, TRT, a binary variable for treatment group and POST, a binary variable following the shock years (in standard Diff-in-Diff notation).

In Panel A, Column (1), we find that the difference-in-difference estimator is positive and significant, suggesting that CSR policy dissimilarity of portfolio firms increases after the exogenous negative shock on social ties. The result is robust to alternative fixed effects inclusion in Columns (2) and (3). Our results are qualitatively similar in Panels B and C. Overall, the results of the Diff-in-Diff regressions estimated in Table 4 suggest that changes in social connections have a causal effect on changes in the preferences of money manager firms regarding CSR policies of their portfolio firms.

[\[Table 4 about here.\]](#)

As an additional robustness check of our main results and to address concerns regarding omitted variables potentially influencing the outcomes, we employ a propensity score matching procedure. This involves matching connected pairs of money manager firms with a control set of money manager pairs that do not have connections, based on pair characteristics. Initially, we fit a logit model by regressing the indicator variable for money manager pair connections on controls. The results of this estimation are presented in Appendix D, Panel C. Next, we obtain the propensity score from this model and then construct the matched sample using nearest neighbor matching, without replacement, of money manager firm pairs with and without social connections. The tests of means for the original sample and matched sample are presented in Panel A and Panel B in Appendix D, respectively. Finally, we estimate the model specified in equation (4) on the matched sample and present the results of these regressions in Table 5. Our findings in this analysis are supportive of the main results.

[\[Table 5 about here.\]](#)

5.2.3 Social Ties and Components of CSR

In this section, we focus on the components comprising the net CSR measure. Initially, we scrutinize the CSR strengths and concerns. CSR strengths embody positive endeavors aligned with shareholder, stakeholder, and broader societal objectives, such as community engagement, employment of underrepresented groups, clean energy, among others (refer to Appendix A for further details). Conversely, CSR concerns encompass negative activities, including environmental liabilities, regulatory infringements, and human rights violations.

We utilize the excess CSR strengths and concerns for each holding of money manager firms, as derived from the analysis in Table 2 (Columns 2-3). We estimate the value-weighted average excess CSR strengths and concerns of portfolio firms for each money manager, annually, following equation (2). Subsequently, we calculate the dissimilarity in CSR strengths (concerns) for all possible pairs of money manager firms, annually, as per equation (3), which quantifies the absolute discrepancy in the value-weighted average excess CSR strengths (concerns) of the portfolio firms. Lastly, we conduct regression analysis on these dissimilarity measures, incorporating social connections between pairs of money manager firms and additional controls, as modelled in equation (4).

We present our findings in Table 6. Our analysis reveals a substantial and adverse impact of social connections on both CSR strength and concern dissimilarity, supporting our hypothesis that social ties contribute to aligning money managers' shared preferences for CSR policies as they relate to strengths and concerns. A one-unit increase in social connectedness between money-manager pairs is associated with approximately a 2% (1%) change in the median CSR strength (concerns) dissimilarity among portfolio firms. The effect of social connections is more pronounced for CSR strengths than for concerns, likely because strength attributes, such as charitable giving, pollution prevention, and minority hiring, are more active decisions, whereas concern attributes, such as regulatory problems, tax disputes, and controversies, are more passive in nature.

[Table 6 about here.]

We next decompose our net CSR measure by its social and environmental dimensions. We individually evaluate the environmental and social dimension of CSR. Our results are provided in Table 7. Our analysis uncovers a significant and negative influence of social connections on both environmental and social CSR policy dissimilarity measures, with the impact of the social dimension appearing marginally stronger. That is, greater social connections between money manager firms results in greater similarity in the environmental and social policies of the firms held in their portfolios.⁸

[Table 7 about here.]

5.3 The Effects of Portfolio Overlaps

In this section, we examine whether the effect of social networks varies across money manager firms with dissimilar portfolio holdings. We partition the sample based on portfolio overlaps measure between money manager firm i and j during year t , estimated following [Pool et al. \(2014\)](#) approach. Money manager firm pairs with portfolio overlaps below the lowest decile breakpoint are categorized into the Low group, while those above this breakpoint are categorized into the High group. The results are presented in Table 9.

We find that the effect is significant in both sub-samples; however, the impact within the Low portfolio overlap group is approximately 4.8 times stronger than that in the High group. Consequently, our analysis supports the conclusion that social ties play a more substantial role when money manager firms hold different stocks. This finding supports our second conjecture that social connections have a stronger influence on aligning CSR preferences among money manager firms with differing portfolio holdings.

⁸In our main analysis, we measure a money manager firm’s annual portfolio CSR practices using the value-weighted average residual CSR of holdings. In Appendix C, we replicate Tables 3, 6, and 7 using the unweighted version of this measure, and our results remain robust.

This pattern speaks directly to how social influence operates. If network effects operate through coordination around financial signals, we would expect stronger effects among managers with similar portfolios. This is where the shared incentives and common exposures are the greatest. When managers hold similar assets, they receive similar signals about the CSR consequences of those holdings, leaving less room for social influence to add information. The near five-fold amplification of network effects among dissimilar-portfolio pairs is consistent with social influence filling an information gap. When managers lack direct experience with a firm’s CSR consequences, peer beliefs become more valuable as a guide. This supports a preference transmission channel rather than one based on common information or a coordinated financial strategy.

[\[Table 8 about here.\]](#)

5.4 Harmonization towards High vs. Low CSR

In this section, we examine whether herding behavior exists among peers who invest, on average, in high (good) or low (bad) CSR firms. If networks influence investment decisions, we would expect to see mimicry and herding in both cases. However, due to stronger sentiment toward positive CSR, a more pronounced herding effect is expected when peers invest in high CSR firms. We test this proposition in Table 8. In Columns (1) and (3), the sample is restricted to pairs of money manager firms whose holdings, on average, have low (below their respective medians) weighted average CSR. Columns (2) and (4) present results for pairs with high (above their respective medians) weighted average CSR.

We find that herding behavior is occurring in both scenarios. Specifically, our results show that herding is present not only toward peers who invest in high CSR firms, but also toward those who invest in low CSR firms. However, the influence of network effects driving this mimicry is significantly stronger when money manager firms follow peers who predominantly hold high CSR firms. In fact, the network effect is nearly four times more pronounced when

managers are mimicking peers investing in high CSR firms compared to those following peers who invest in low CSR firms. This differential impact is understandable, as the widespread positive sentiment surrounding CSR suggests that connected money manager firms may converge in their investments due to learning effects that reinforce the perception of CSR as the “optimal” or “right” investment strategy. However, we also emphasize that convergence occurs on the other side of the spectrum as well. Our results indicate that social connectedness fosters convergence in investment strategies even among managers who favor low CSR investments. Since preferences for low CSR investments are less likely to be driven by factors like value maximization or social expectations, this finding suggests that CSR preferences may simply reflect the personal values or attitudes of money manager firms, which are shaped by their social connections.

The bidirectional nature of herding provides the sharpest falsification of alternative mechanisms. If network effects are driven by reputational concerns, greenwashing incentives, or regulatory pressure, we would observe convergence only toward high CSR. This is because these forces uniformly favor stronger ESG engagement. If network effects reflect shared access to information about the financial benefits of CSR, again we would expect asymmetric convergence toward high CSR since managers adjust to the strategy with higher expected returns. The finding that herding occurs toward low CSR peers, is inconsistent with both of these alternatives. It is, however, consistent with a preference transmission channel in which social connections cause managers to adopt the values of their peers, regardless of the direction of those beliefs.

[\[Table 9 about here.\]](#)

5.5 The Effects of Cluster Belongings and Investment Style

In this section, we examine whether the effect of social networks is stronger when the influence of social ties is likely to matter more. First, we create clusters of socially connected money

manager firms using the Louvain algorithm developed by [Blondel et al. \(2008\)](#) and perform separate analyses on pairs of money manager firms belonging to the same and different clusters. Cluster formation is based on graph theory, with links between money manager firms determined by cross-holdings. The results, presented in Table 10, indicate that the effect is stronger when money manager firms belong to different clusters.

[\[Table 10 about here.\]](#)

Second, we use investment styles as conditioning variables. Specifically, we follow the classifications by [Bushee \(2001\)](#), [Abarbanell et al. \(2003\)](#), and [Bushee and Goodman \(2007\)](#) to identify money manager firm pairs that adhere to either similar or different investment philosophies. Table 11 presents this analysis. Our findings show that the effects of social ties are stronger when money manager firms follow different investment styles.

[\[Table 11 about here.\]](#)

Overall, our findings in this section highlight the critical role of social tie dynamics, particularly in contexts where their influence is likely to be more pronounced. The pattern of heterogeneity across clusters and investment styles further supports a preference transmission mechanism. Effects are stronger across network cluster boundaries which is consistent with [Granovetter \(1973\)](#)'s weak ties argument. That is, connections between otherwise separate clusters carry non-redundant information and expose managers to perspectives they would not encounter within their own cluster. Effects are also stronger among managers with different investment styles. For these managers surface-level imitation is less plausible because the managers' overall approaches to portfolio construction diverge. Convergence in CSR preferences despite divergent investment philosophies suggests that social ties operate at the level of fundamental beliefs about the role of ESG, rather than at the level of tactical portfolio decisions. In aggregate, the heterogeneity results across portfolio overlap, cluster membership, and investment style consistently point to the same mechanism: social networks

transmit CSR preferences most powerfully where direct information and surface imitation are weakest

6 Market Implications of CSR Herding

Our findings carry direct implications for capital market efficiency. Network-driven CSR herding among institutional investors creates correlated portfolio tilts across interconnected managers. To the extent these tilts reflect transmitted preferences rather than independent valuation, firms aligned with prevailing network CSR norms attract capital inflows disconnected from fundamental value. Because our sample spans 5.8 million money manager pair-year observations covering a 22-year period, this distortion operates at a scale sufficient to affect asset prices and firm financing decisions. Firms that align with the CSR preferences of well-connected managers attract capital not because of superior fundamentals but because of their position within a social network. This is a mechanism that can compromise the efficient allocation of investment capital

A further implication concerns the diversity of perspectives in institutional investment. If managers form CSR views through networks rather than through the independent analysis of firm fundamentals, the effective number of independent opinions in the market is smaller than the number of institutional participants implies. Standard models of price discovery assume that institutional investors aggregate dispersed information. Our results suggest that, for CSR-related investment decisions, much of this information is not independently gathered but rather is socially transmitted. This reduces the informativeness of prices for firms with significant ESG exposure and can lead to systematic mispricing that persists longer than standard models predict.

Finally, correlated ESG tilts among interconnected managers create the potential for an amplified market reactions to ESG-related shocks. When a regulatory change, a rating

revision, or a high-profile ESG controversy occurs, managers whose preferences are were shaped by the same network are likely to respond similarly. This correlation in responses, driven by shared beliefs rather than shared fundamentals, is a source of systemic fragility in markets where institutional ownership is concentrated among a relatively small number of interconnected firms. Our results suggest that regulators and investors should account for network-driven preference correlation when assessing the systemic risk in ESG-exposed markets

7 Conclusion and Discussion

Social networks play a crucial role in shaping trust, facilitate information exchange, and reinforce reputational concerns, thereby driving similarity in decision-making. We provide evidence that such mimicry extends to the money manager firms influencing portfolio-level CSR decisions. Importantly, this alignment arises not from independent evaluations of value-maximizing CSR practices but rather as a consequence of social influence and conformity. Specifically, using a unique dataset on social ties between money manager firms and a two-stage gravity model, we demonstrate that firms sharing social connections exhibit a higher degree of similarity in their CSR policy preferences. This effect is consistent across various dimensions, including CSR strengths, CSR concerns, and both the environmental and social components of CSR, underscoring the influential role of social networks in driving convergence in portfolio-level CSR decisions. Moreover, our evidence suggests a potential causal link between social ties and CSR policy similarity, supported by a stacked difference-in-differences analysis to mitigate endogeneity concerns. We further validate the findings through various robustness checks, including a propensity score matching.

By demonstrating the effect of bilateral social ties between money manager firms who often lack formal relations and may compete for client capital, the study extends the existing research on social networks, which predominantly focuses on contractual relationships (e.g.,

between borrowers and lenders). This broadens the scope of network research in finance, suggesting that social connections exert a significant influence even among competing or indirectly related parties.

We also show that the alignment of CSR preferences extends beyond firms with overlapping investments. However, harmonization of CSR policy preferences does not inherently indicate a shift toward higher (good) CSR engagement. Because CSR preferences are shaped by shared beliefs rather than objective evaluation, social ties drive money manager firms to herd toward either high or low levels of portfolio CSR. Finally, the strength of social network effects on CSR preferences is likely to vary based on specific conditions. That is, connections between firms from different network clusters have a greater impact, demonstrating the strength of weak ties. Additionally, money manager firms with contrasting investment strategies experience stronger social influence, as network ties drive harmonization despite differing approaches.

From a policy perspective, our results raise questions about how institutional investor preferences are formed and the potential for network-driven herding to create market inefficiencies or systemic risks. If CSR preferences spread through social networks rather than emerging from independent analysis, regulators and investors might need to reconsider assumptions about the diversity of perspectives in institutional investment management. The concentration of assets within interconnected networks creates correlated responses to ESG-related events or regulatory changes. This has implications for market stability and efficient capital allocation. More broadly, our findings suggest that the apparent growth in institutional commitment to stakeholder capitalism may reflect network contagion as much as independent convergence on ESG as a value-maximizing strategy. This distinction matters for assessing whether ESG integration in institutional portfolios represents a durable shift in investment philosophy or a preference that is susceptible to reversal if network sentiment shifts

While this study offers substantial evidence on the influence of social connections among money manager firms on CSR policy adoption, it also opens avenues for further investigation: Future research can explore how the impact of social ties on CSR policy preferences varies across different cultural contexts, considering that social network structures and their effectiveness might differ significantly across countries. Investigating the evolution of social ties over time and their long-term impact on CSR policies and firm performance could provide deeper insights into the dynamics of social influence among money manager firms. Examining whether the influence of social ties on CSR policy alignment differs across industries with varying CSR priorities and practices could uncover sector-specific dynamics. With the rise of digital platforms and social media, studying the impact of online social connections among money manager firms on investment decisions and CSR practices could provide insights into how digitalization is reshaping professional networks.

Appendix A: CSR Dimensions (from MSCI ESG KLD STATS)

Dimension	Strength Attributes	Concern Attributes
Community	Charitable giving, innovative giving, non-US charitable giving, support for housing, support for education, indigenous people relations, and volunteer programs, community engagement, and other strengths.	Investment controversies, negative economic impact, tax disputes, and other concerns.
Diversity	CEO is a woman or a member of a minority group, promotion policies, board of directors, work/life benefits, women and minority contracting, employment for the disabled, gay and lesbian policies, employment of underrepresented groups, diversity, and other strengths.	Controversies, non-representation, board diversity, board of directors - minorities, and other concerns.
Employee Relations	Union relations, no-layoff policy, cash profit sharing, employee involvement, retirement benefits, and health and safety, compensation and benefits, employee relations, professional development, human capital management, and other strengths.	Union relations, health and safety, workforce relations, and retirement benefits concerns, supply chain policies, program & initiatives, supply chain controversies, child labor, and other concerns.
Environment	Beneficial products and services, pollution prevention, recycling, clean energy, communications, property, plant and equipment, management systems, water stress, biodiversity & land use, raw material sourcing, and other strengths.	Hazardous waste, regulatory problems, ozone depleting chemicals, substantial emissions, agricultural chemicals, climate change, negative impact of products and services, land use & biodiversity, non-carbon releases, supply chain management, water management, and other concerns.

Human Rights	Positive record in South Africa, indigenous people relations, labor rights, and other strengths.	South Africa, Northern Ireland, Burma, Mexico, labor rights, indigenous people relations, operations in Sudan, freedom of expression & censorship, human rights violations, and other concerns.
Product	Quality, R&D / innovation, and benefits to economically dis-advantaged, access to capital, and other strengths.	Product safety, marketing / contracting, and antitrust, customer relations, and other concerns.
Corporate Governance (Consistent with prior literature, we have excluded this dimension from our CSR measure.)	Limited compensation, ownership, transparency, political accountability, public policy, financial system instability, and other strengths.	High compensation, ownership, accounting, transparency, political accountability, public policy, governance structures controversies, corruption & political instability, controversial investments, business ethics, and other concerns.

Appendix B: Variable Definitions

Panel A: Institutional Investor Pair-Level Variables		
Variable	Definition	Source
CSR_DISSIMILAR	The dissimilarity in CSR policies of holdings between pairs of money manager firms. For each holding in a money manager's portfolio, we regress the portfolio firm's CSR, defined in Panel B below, on the control variables commonly used in the literature for as a CSR predictor, as shown in equation (1). We then estimate the absolute value of the weighted average difference in the residual (or excess) CSR policy for each pair of money manager firms, where weights for each firm in the portfolio equal the percentage of the money manager firm's total equity portfolio that is invested in a firm, at time t .	ISS MSCI ESG KLD, 13F
CSR_STR_DISSIMILAR	The dissimilarity in CSR strengths of holdings between pairs of money manager firms, estimated as CSR_DISSIMILAR, but for CSR_STR as defined in Panel B below.	ISS MSCI ESG KLD, 13F
CSR_CON_DISSIMILAR	The dissimilarity in CSR concerns of holdings between pairs of money manager firms, estimated as CSR_DISSIMILAR, but for CSR_CON as defined in Panel B below.	ISS MSCI ESG KLD, 13F
CSR_ENV_DISSIMILAR	The dissimilarity in environmental dimension CSR of holdings between pairs of money manager firms, estimated as CSR_DISSIMILAR, but for CSR_ENV as defined in Panel B below.	ISS MSCI ESG KLD, 13F
CSR_SOC_DISSIMILAR	The dissimilarity in social dimension CSR of holdings between pairs of money manager firms, estimated as CSR_DISSIMILAR, but for CSR_SOC as defined in Panel B below.	ISS MSCI ESG KLD, 13F
SNI	Each binary variable equal to one if in money manager pair there is at least one individual in the money manager firm with a current employment, past education, employment, and other social activity connections with one or more individual in the other money manager firm.	BoardEx
SNI_D	The binary variable that equals 1 if social ties between these pairs are present, as measured by SNI, and 0 otherwise.	
N_EXEC_DIR	The sum of all directors on the board and key executives for each money manager firm pair.	

DIF_SIZE	The absolute value of difference between market values of holdings for each pair of money manager firm.
DIF_N_EXEC_DIR	The absolute value of difference between number of executives and directors for each pair of money manager firm
AGE_EXEC_DIR	The average age of all directors on the board and key executives for each pair of money manager firm.
DIF_AGE_EXEC_DIR	The absolute value of difference between average age of executives and directors for each pair of money manager firm.

Panel B: Firm Characteristics

Variable	Definition	Source
CSR	The total number of strengths minus the total number of concerns for all dimensions, excluding governance.	ISS MSCI ESG KLD
CSR_STR	The total number of strengths, excluding governance.	ISS MSCI ESG KLD
CSR_CON	The total number of concerns, excluding governance.	
ENV	The number of environmental strengths minus the number of concerns.	ISS MSCI ESG KLD
SOC	The number of social strengths minus the number of social concerns under the areas of community, diversity, human rights, and employee relations.	ISS MSCI ESG KLD
DIVERS	The board diversity index from Harjoto et al. (2015).	BoardEx
BRDIND	The binary variable indicating whether the board consists of at least 75% independent directors.	BoardEx
INST	The institutional ownership divided by the total shares outstanding.	Thomson Reuters 13F
SIZE	The natural logarithm of total assets.	Compustat
ROA	The EBITDA divided by the sum of market value of equity and total debt.	Compustat
LEV	Total debt divided by the book value of total assets.	Compustat
CAPXS	The capital expenditures divided by sales.	Compustat
RDS	The research and development expenditures divided by sales.	Compustat

HHI INDEX	The Herfindhal-Hirschman index - a proxy for a market concentration.	Compustat
FIRMAGE	The number of years since the firm was first listed in the CRSP database.	CRSP
STD	The standard deviation of daily stock returns over a one-year period.	Compustat

Appendix C: Social Ties and Similarity in CSR Policies - Alternative Measures

This table presents the results of regressions of the dissimilarity in CSR policies of holdings between pairs of money manager firms, on the number of social ties between these pairs (SNI). In Panels A the dependent variable is dissimilarity in total CSR (CSR_DISSIMILAR_UW). In Panel B, Columns (1)-(2) and (3)-(4) dependent variables are dissimilarities in CSR Strengths (CSR_STR_DISSIMILAR_UW) and Concerns (CSR_CON_DISSIMILAR_UW) measures, respectively. In Panel C, Columns (1)-(2) and (3)-(4) dependent variables are dissimilarities in Environmental CSR (CSR_ENV_DISSIMILAR_UW) and Social CSR (CSR_SOC_DISSIMILAR_UW) measures, respectively. Dissimilarity measures are estimated as defined in Appendix B, but the absolute value of the average difference (instead of weighted average difference) in the residual CSR policy for each pair of money manager firms is estimated. Appendix B provides definitions of all variables. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on pair level, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Panel A: CSR_DISSIMILAR_UW			
	(1)	(2)	(3)
SNI	-0.0196*** (-41.902)	-0.0037*** (-4.505)	-0.0018* (-1.959)
N_EXEC_DIR		-0.0010*** (-27.276)	-0.0009*** (-21.748)
DIF_SIZE		0.0027** (2.450)	0.0102*** (7.432)
DIF_N_EXEC_DIR		0.0007*** (18.525)	0.0006*** (13.969)
AGE_EXEC_DIR			0.0014*** (21.886)
DIF_AGE_EXEC_DIR			-0.0001 (-1.455)
_cons	0.5316*** (2242.662)	0.7090*** (302.978)	0.6720*** (193.834)
Pair FE	No	Yes	Yes
Year FE	No	Yes	Yes
adj. R-sq	0.000	0.439	0.439
N	5814764	5814764	3609805

Panel B: CSR Strength and Concerns				
	(1)	(2)	(3)	(4)
	CSR_STR_DISSIMILAR_UW		CSR_CON_DISSIMILAR_UW	
SNI	-0.0097***	-0.0090***	-0.0043***	-0.0035***

	(-12.410)	(-10.705)	(-8.413)	(-6.298)
N_EXEC_DIR	-0.0010***	-0.0009***	-0.0005***	-0.0005***
	(-26.850)	(-23.610)	(-18.459)	(-18.704)
DIF_SIZE	0.0197***	0.0249***	0.0308***	0.0428***
	(18.561)	(18.884)	(40.169)	(45.792)
DIF_N_EXEC_DIR	0.0008***	0.0008***	0.0003***	0.0003***
	(22.087)	(20.320)	(12.379)	(12.703)
AGE_EXEC_DIR		0.0021***		0.0006***
		(38.338)		(14.445)
DIF_AGE_EXEC_DIR		0.0004***		0.0001***
		(6.343)		(2.832)
_cons	0.4991***	0.4241***	0.3869***	0.3736***
	(260.652)	(144.395)	(264.672)	(170.301)
Pair FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
adj. R-sq	0.525	0.524	0.465	0.470
N	5814764	3609805	5814764	3609805

Panel C: Environmental and Social CSR

	(1)	(2)	(3)	(4)
	CSR_ENV DISSIMILAR_UW		CSR_SOC DISSIMILAR_UW	
SNI	-0.0046***	-0.0056***	-0.0017**	-0.0014**
	(-14.360)	(-16.029)	(-2.527)	(-1.983)
N_EXEC_DIR	-0.0003***	-0.0003***	-0.0008***	-0.0007***
	(-24.467)	(-22.271)	(-26.073)	(-21.088)
DIF_SIZE	0.0233***	0.0295***	0.0076***	0.0150***
	(54.805)	(56.696)	(8.451)	(13.375)
DIF_N_EXEC_DIR	0.0003***	0.0003***	0.0004***	0.0004***
	(18.256)	(16.930)	(14.206)	(10.806)
AGE_EXEC_DIR		0.0004***		0.0016***
		(16.857)		(31.452)
DIF_AGE_EXEC_DIR		-0.0000		0.0006***
		(-0.232)		(9.742)
_cons	0.2140***	0.1998***	0.4818***	0.4217***
	(284.932)	(167.378)	(265.556)	(154.596)
Pair FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
adj. R-sq	0.469	0.461	0.470	0.472
N	5814764	3609805	5814764	3609805

Appendix D: Propensity Score Matching (PSM) Approach - Test of Means

This table compares mean statistics for unmatched and PSM samples between money manager pairs with and without social ties, using the full sample (Panel A) and matched subsample (Panel B). Panel C of this table presents the results of the logit model of SNI_D - the binary variable that equals 1 if social ties between these pairs are present and 0 otherwise on money manager pair characteristics. Appendix B provides definitions of all variables. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on two dimensions of firm and year, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Panel A: Full Sample

	SNI_D=0		SNI_D=1		
	N	Mean	N	Mean	MeanDiff
N_EXEC_DIR	5198653	26.581	616111	149.307	-122.726***
DIF_SIZE	5198653	0.286	616111	0.429	-0.143***
DIF_N_EXEC_DIR	5198653	21.07	616111	117.63	-96.560***

Panel B: Matched Sampled

	SNI_D=0		SNI_D=1		
	N	Mean	N	Mean	MeanDiff
N_EXEC_DIR	478254	99.684	478254	99.266	0.418
DIF_SIZE	478254	0.405	478254	0.377	0.028***
DIF_N_EXEC_DIR	478254	81.776	478254	81.354	0.423

Panel C: Propensity Score Regression

	(1)
N_EXEC_DIR	0.072*** (204.752)
DIF_SIZE	0.319*** (26.847)
DIF_N_EXEC_DIR	-0.066*** (-187.032)
_cons	-3.720*** (-214.018)
pseudo R-sq	0.294
N	5814764

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Table 1: Summary Statistics

This shows descriptive statistics for the sample. Appendices [A](#) and [B](#) provide definitions of all variables.

Panel A: Money Manager Pair-Level Variables						
Variable	N	Mean	SD	p25	p50	p75
CSR_DISSIMILAR	5,814,764	0.4744	0.5225	0.1051	0.2894	0.6566
CSR_STR_DISSIMILAR	5,814,764	0.5729	0.5193	0.1805	0.4251	0.8111
CSR_CON_DISSIMILAR	5,814,764	0.3372	0.3131	0.1035	0.2483	0.4741
CSR_ENV_DISSIMILAR	5,814,764	0.2312	0.2364	0.0610	0.1514	0.3214
CSR_SOC_DISSIMILAR	5,814,764	0.4313	0.4405	0.1127	0.2890	0.5985
SNI	5,814,764	0.1526	0.5026	0	0	0
N_EXEC_DIR	5,814,764	39.5850	86.8260	5	12	35
DIF_SIZE	5,814,764	0.3015	0.3254	0.0805	0.2038	0.4014
DIF_N_EXEC_DIR	5,814,764	31.3015	80.4588	1	6	25
AGE_EXEC_DIR	3,609,805	50.5196	7.4629	45.2	50.5	55.5238
DIF_AGE_EXEC_DIR	3,609,805	10.7866	8.5149	4	8.8636	15.5
Panel B: Firm-Level CSR and Control Variables						
Variable	N	Mean	SD	p25	p50	p75
CSR	34,221	0.2480	2.0458	-1	0	1
CSR_STR	34,221	1.3004	1.9325	0	1	2
CSR_CON	34,221	1.0477	1.3625	0	1	2
CSR_ENV	34,221	0.1254	0.7045	0	0	0
CSR_SOC	34,221	0.2274	1.6925	-1	0	1
DIVERS	34,221	2.5647	0.5518	2.1944	2.6111	2.9669
ANALYSTS	34,221	2.3149	0.7967	1.7918	2.3979	2.8904
BRDIND	34,221	0.5163	0.4997	0	1	1
INST	34,221	0.7397	0.2238	0.6147	0.7947	0.9156
SIZE	34,221	7.5800	1.7249	6.3125	7.4599	8.6650
ROA	34,221	0.0832	0.0702	0.0550	0.0864	0.1191
LEV	34,221	0.7870	1.9741	0.0439	0.4189	0.9970
CAPXS	34,221	0.0823	0.1655	0.0178	0.0340	0.0687
RDS	34,221	0.1204	0.5484	0	0	0.044418
HHI_INDEX	34,221	0.0651	0.0654	0.0284	0.0387	0.0750
FIRM_AGE	34,221	21.1623	18.7916	7	16	30
STD	34,221	0.0254	0.0122	0.01657	0.02250	0.03083

Table 2: Determinants of Corporate CSR Policies

This table presents the results of the regression of CSR on the control variables used in the literature. Columns (1)-(5) dependent variables equal total CSR (CSR), CSR strength (CSR_STR), CSR concerns (CSR_CON), environmental dimension (CSR_ENV) and social dimension (CSR_SOC), respectively. Appendix B provides definitions of all variables. All models include industry (Fama-French 48) and year fixed effects. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on two dimensions of firm and year, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

	(1)	(2)	(3)	(4)	(5)
	CSR	CSR_STR	CSR_CON	CSR_ENV	CSR_SOC
DIVERS	0.7703*** (41.341)	0.4644*** (28.753)	-0.3093*** (-26.540)	0.1015*** (15.250)	0.6606*** (43.206)
ANALYSTS	0.1982*** (12.186)	0.2116*** (15.515)	0.0070 (0.712)	0.0597*** (10.452)	0.1297*** (9.977)
BRDIND	0.1237*** (5.568)	0.1623*** (8.494)	0.0427*** (3.024)	0.0529*** (6.713)	0.0651*** (3.585)
INST	-0.6095*** (-12.482)	-0.9699*** (-23.461)	-0.3280*** (-10.509)	-0.3081*** (-17.688)	-0.3756*** (-9.532)
SIZE	0.2673*** (25.528)	0.5832*** (64.838)	0.3135*** (45.751)	0.0669*** (17.366)	0.3101*** (37.351)
ROA	-0.9270*** (-5.864)	-0.9078*** (-6.940)	0.0640 (0.615)	-0.2082*** (-3.851)	-0.5341*** (-4.101)
LEV	-0.0111** (-2.091)	-0.0171*** (-3.709)	-0.0047 (-1.416)	-0.0023 (-1.208)	-0.0160*** (-3.759)
CAPXS	0.3433*** (5.349)	-0.2871*** (-5.808)	-0.5597*** (-13.253)	0.1563*** (5.893)	0.0568 (1.117)
RDS	-0.0493*** (-2.669)	0.0608*** (3.900)	0.0911*** (7.523)	-0.0393*** (-6.740)	-0.0060 (-0.374)
HHI_INDEX	-1.6811*** (-7.749)	-0.5228*** (-2.769)	0.9596*** (6.677)	-0.2181*** (-3.067)	-1.2193*** (-6.960)
FIRM_AGE	0.0007 (0.916)	0.0109*** (16.749)	0.0099*** (19.868)	0.0007** (2.022)	0.0018*** (2.978)
STD	-8.3977*** (-7.587)	-2.9302*** (-3.203)	5.6997*** (7.662)	-3.0866*** (-8.610)	-4.2856*** (-4.705)
_cons	-4.1580*** (-15.707)	-3.5796*** (-16.086)	0.5525** (2.282)	-0.9889*** (-9.201)	-3.3972*** (-16.889)
Industry FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
adj. R-sq	0.295	0.420	0.380	0.192	0.329
N	34221	34221	34221	34221	34221

Table 3: Social Ties and Similarity in CSR Policies

The table presents the results of the regression of the dissimilarity in CSR policies of holdings between pairs of money manager firms (CSR_DISSIMILAR), on the number of social ties between these pairs (SNI). Appendix B provides definitions of all variables. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on pair level, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

	(1)	(2)	(3)	(4)	(5)
SNI	-0.0169*** (-20.347)	-0.0126*** (-10.944)	-0.0087*** (-7.000)	-0.0058*** (-5.676)	-0.0041*** (-3.703)
N_EXEC_DIR		0.0004*** (6.852)	0.0005*** (7.482)	-0.0010*** (-18.018)	-0.0008*** (-14.162)
DIF_SIZE		-0.0432*** (-32.438)	-0.0500*** (-31.777)	0.0531*** (38.339)	0.0545*** (33.073)
DIF_N_EXEC_DIR		0.0000 (0.055)	-0.0001 (-1.335)	0.0009*** (15.198)	0.0007*** (12.212)
AGE_EXEC_DIR			-0.0012*** (-10.408)		0.0038*** (24.259)
DIF_AGE_EXEC_DIR			-0.0003*** (-2.938)		-0.0006*** (-6.716)
_cons	0.4769*** (1110.947)	0.4736*** (580.966)	0.5199*** (86.566)	0.3290*** (191.116)	0.1764*** (24.615)
Pair FE	No	Yes	Yes	Yes	Yes
Year FE	No	No	No	Yes	Yes
adj. R-sq	0.000	0.351	0.361	0.429	0.440
N	5814764	5814764	3609805	5814764	3609805

Table 4: Social Ties and Similarity in CSR Policies - Stacked Difference-in-Difference

The table presents the results of “stacked” difference-in-difference analysis (Gormley and Matsa, 2011). The dependent variable is dissimilarity in CSR policies of holdings between pairs of money manager firms (CSR_DISSIMILAR), as defined in Appendix B. TRT is a binary variable that equals 1 for a connected pair of money manager firms in a particular year if a director or executive connecting these pairs retires, and 0 otherwise. POST is a binary variable that equals 0 in the 3-year period before the retirement of a director or executive connecting money manager firm pairs, and 1 in the 3-year period after retirement. We then stack the samples into one dataset and create a variable that identifies the cohort each observation belongs to. Retirement events of connected directors are identified each year by determining if age 67 marks the last year the individual worked for the company. In Panel A, no controls are included, whereas in Panels B and C, the regressions are augmented with baseline and extended control variables, respectively. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on pair level, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Panel A: Models without Controls			
	(1)	(2)	(3)
TRT*POST	0.0376*** (6.009)	0.0319*** (5.131)	0.0163*** (2.594)
TRT		-0.0096 (-1.323)	-0.0133* (-1.646)
POST		0.0000** (2.520)	-0.0001*** (-3.273)
Pair-Cohort FE	Yes	No	No
Year-Cohort FE	Yes	No	No
Pair FE	No	Yes	No
Cohort FE	No	No	Yes
Year FE	No	Yes	Yes
adj. R-sq	0.508	0.534	0.126
N	29164916	30711498	30739807

Panel B: Models with Baseline Controls			
	(1)	(2)	(3)
TRT*POST	0.0181*** (-2.742)	0.0100 (1.548)	0.0149** (2.362)
TRT		0.005 (0.697)	0.0415*** (4.812)
POST		0.0001*** (5.109)	-0.0001*** (-2.748)
N_EXEC_DIR	-0.0019***	-0.0018***	-0.0004***

DIF_SIZE	(-17.656) -0.0000***	(-17.436) -0.0000***	(-11.274) -0.0000***
DIF_N_EXEC_DIR	(-9.354) 0.0017*** (15.908)	(12.072) 0.0015*** (14.574)	(-54.695) 0.0004*** (12.262)
Pair-Cohort FE	Yes	No	No
Year-Cohort FE	Yes	No	No
Pair FE	No	Yes	No
Cohort FE	No	No	Yes
Year FE	No	Yes	Yes
adj. R-sq	0.508	0.534	0.128
N	29164916	30711498	30739807

Panel C: Extended Models

	(1)	(2)	(3)
TRT*POST	0.0249*** (3.806)	0.0157** (2.429)	0.0167*** (2.619)
TRT		0.0031 (0.415)	0.0457*** (5.238)
POST		0.0001*** (4.781)	-0.0001*** (-2.940)
N_EXEC_DIR	-0.0016*** (-15.608)	-0.0016*** (-15.704)	-0.0004*** (-10.280)
DIF_SIZE	-0.0000*** (-5.946)	-0.0000*** (-7.268)	-0.0000*** (-35.895)
DIF_N_EXEC_DIR	0.0015*** (13.999)	0.0013*** (12.857)	0.0004*** (10.100)
AGE_EXEC_DIR	0.0027*** (15.291)	0.0027*** (14.557)	-0.0035*** (-39.852)
DIF_AGE_EXEC_DIR	0.0002 (1.642)	-0.0002 (-1.967)	0.0009*** (13.189)
Pair-Cohort FE	Yes	No	No
Year-Cohort FE	Yes	No	No
Pair FE	No	Yes	No
Cohort FE	No	No	Yes
Year FE	No	Yes	Yes
adj. R-sq	0.511	0.537	0.121
N	17927697	18922319	18941995

Table 5: Propensity Score Matching Approach

This table presents the results of the regression of the dissimilarity in CSR policies of holdings between pairs of money manager firms (CSR_DISSIMILAR) on the binary variable that equals 1 if social ties between these pairs are present and 0 otherwise (SNI_D). The regression is conducted using the propensity score-matched sample, obtained by matching money manager pairs with and without social ties. Appendix B provides definitions of all variables. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on pair level, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

	(1)	(2)	(3)	(4)
SNI_D	-0.0162*** (-6.167)	-0.0086*** (-3.662)	-0.0209*** (-7.936)	-0.0061*** (-2.584)
N_EXEC_DIR			0.0017*** (14.514)	-0.0008*** (-7.803)
DIF_SIZE			-0.0681*** (-21.689)	0.0622*** (18.138)
DIF_N_EXEC_DIR			-0.0016*** (-12.219)	0.0007*** (6.485)
_cons	0.4620*** (351.844)	0.3267*** (60.545)	0.4451*** (135.321)	0.3382*** (57.270)
Pair FE	Yes	Yes	Yes	Yes
Year FE	No	Yes	No	Yes
adj. R-sq	0.368	0.466	0.370	0.466
N	956508	956508	956508	956508

Table 6: Social Ties and Similarity in CSR Strengths and Concerns

The table presents the results of the regression of the dissimilarity in components of CSR policies of holdings between pairs of money manager firms, on the number of social ties between these pairs (SNI). Columns (1)-(2) and (3)-(4) dependent variables are dissimilarities in CSR strengths (CSR_STR_DISSIMILAR) and concerns (CSR_CON_DISSIMILAR), respectively. Appendix B provides definitions of all variables. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on pair level, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

	CSR_STR_DISSIMILAR		CSR_CON_DISSIMILAR	
Variable	(1)	(2)	(3)	(4)
SNI	-0.0103*** (-10.095)	-0.0092*** (-8.398)	-0.0047*** (-7.440)	-0.0050*** (-7.386)
N_EXEC_DIR	-0.0009*** (-17.606)	-0.0008*** (-14.777)	-0.0007*** (-21.826)	-0.0006*** (-19.114)
DIF_SIZE	0.2109*** (135.711)	0.2086*** (112.114)	0.1402*** (135.883)	0.1436*** (115.440)
DIF_N_EXEC_DIR	0.0008*** (15.413)	0.0007*** (13.267)	0.0005*** (16.282)	0.0005*** (14.421)
AGE_EXEC_DIR		0.0026*** (17.517)		0.0009*** (8.885)
DIF_AGE_EXEC_DIR		0.0010*** (10.950)		-0.0001** (-2.327)
_cons	0.2177*** (144.371)	0.1005*** (14.624)	0.1866*** (145.590)	0.1543*** (33.824)
Pair FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
adj. R-sq	0.487	0.499	0.431	0.446
N	5814764	3609805	5814764	3609805

Table 7: Social Ties and Similarity in Environmental and Social CSR

This table presents the results of the regression of the dissimilarity in components of CSR policies of holdings between pairs of money manager firms, on the number of social ties between these pairs (SNI). Columns (1)-(2) and (3)-(4) dependent variables are dissimilarities in environmental (CSR_ENV_DISSIMILAR) and social components (CSR_SOC_DISSIMILAR), respectively. Appendices A and B provides definitions of all variables. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on pair level, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

	CSR_ENV_DISSIMILAR		CSR_SOC_DISSIMILAR	
Variable	(1)	(2)	(3)	(4)
SNI	-0.0036*** (-7.739)	-0.0037*** (-7.247)	-0.0060*** (-6.569)	-0.0060*** (-6.091)
N_EXEC_DIR	-0.0005*** (-24.244)	-0.0004*** (-19.429)	-0.0008*** (-16.729)	-0.0007*** (-14.890)
DIF_SIZE	0.0642*** (107.074)	0.0640*** (88.927)	0.1261*** (95.243)	0.1297*** (81.701)
DIF_N_EXEC_DIR	0.0005*** (20.273)	0.0004*** (16.425)	0.0005*** (11.016)	0.0005*** (9.827)
AGE_EXEC_DIR		0.0009*** (12.873)		0.0018*** (13.181)
DIF_AGE_EXEC_DIR		-0.0000 (-0.718)		-0.0002*** (-3.013)
_cons	0.0989*** (172.361)	0.0625*** (20.259)	0.2329*** (157.877)	0.1686*** (27.527)
Pair FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
adj. R-sq	0.486	0.494	0.434	0.441
N	5814764	3609805	5814764	3609805

Table 8: Social Ties and Similarity in CSR Policies – Role of Portfolio Overlaps

The table presents the results of the regression of the dissimilarity in CSR policies of holdings between pairs of money manager firms (CSR_DISSIMILAR), on the number of social ties between these pairs (SNI). In Columns (1)-(2) and (3)-(4), the sample is partitioned by portfolio overlaps measure between money manager firm i and j during year t , as estimated following Pool et al. (2015). Money manager firm pairs with portfolio overlap below the bottom decile breakpoint are placed in the Low group, while those above are placed in the High group. Appendix B provides definitions of all variables. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on pair level, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Variable	(1)	(2)	(3)	(4)
	Low	High	Low	High
SNI	-0.0186*** (-4.732)	-0.0039*** (-4.051)	-0.0135*** (-3.199)	-0.0028*** (-2.664)
N_EXEC_DIR	-0.0013*** (-7.118)	-0.0007*** (-13.053)	-0.0009*** (-4.729)	-0.0005*** (-9.985)
DIF_SIZE	-0.1143*** (-17.021)	0.0773*** (58.629)	-0.0977*** (-12.286)	0.0747*** (47.637)
DIF_N_EXEC_DIR	0.0011*** (5.972)	0.0007*** (11.977)	0.0008*** (4.104)	0.0005*** (9.670)
AGE_EXEC_DIR			0.0053*** (8.671)	0.0033*** (21.694)
DIF_AGE_EXEC_DIR			-0.0004 (-1.134)	-0.0007*** (-7.589)
_cons	0.6772*** (58.136)	0.2660*** (166.016)	0.4921*** (17.089)	0.1258*** (17.892)
Pair FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
adj. R-sq	0.418	0.435	0.431	0.441
N	1079675	4735089	678282	2931523

Table 9: Social Ties and Similarity in CSR Policies – High vs. Low CSR of Holdings

The table presents the results of the regression of the dissimilarity in CSR policies of holdings between pairs of money manager firms (CSR_DISSIMILAR), on the number of social ties between these pairs (SNI). In Columns (1) and (3) and (2) and (4), the sample is restricted to pairs of money manager firms whose holdings have on average low (below their respective medians) and high (above their respective medians) weighted average CSR, respectively. Appendix B provides definitions of all variables. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on pair level, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Variable	(1)	(2)	(3)	(4)
Variable	Low	High	Low	High
SNI	-0.0032** (-2.453)	-0.0114*** (-6.197)	-0.0025* (-1.844)	-0.0110*** (-5.307)
N_EXEC_DIR	-0.0006*** (-8.857)	-0.0009*** (-8.218)	-0.0005*** (-6.617)	-0.0009*** (-7.469)
DIF_SIZE	0.0282*** (18.034)	0.3510*** (90.436)	0.0281*** (16.204)	0.3389*** (67.934)
DIF_N_EXEC_DIR	0.0005*** (7.293)	0.0008*** (7.336)	0.0004*** (5.542)	0.0009*** (6.951)
AGE_EXEC_DIR			0.0031*** (14.307)	0.0026*** (9.065)
DIF_AGE_EXEC_DIR			-0.0013*** (-10.470)	0.0004*** (2.696)
_cons	0.2301*** (136.481)	0.2541*** (5.392)	0.0989*** (10.333)	0.2519*** (3.701)
Pair FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
adj. R-sq	0.486	0.456	0.520	0.456
N	2013935	2013314	1344343	1184365

Table 10: Social Ties and Similarity in CSR Policies – Clusters of Connected Money Managers

The table presents the results of the regression of the dissimilarity in CSR policies of holdings between pairs of money manager firms (CSR_DISSIMILAR), on the number of social ties between these pairs (SNI). In Columns (1)-(2) and (3)-(4) the sample is restricted to pairs of money manager firms belonging to the different and same clusters, respectively. We create clusters of socially connected money manager firms based on the Louvain algorithm developed by Blondel et al. (2008). Appendix B provides definitions of all variables. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on pair level, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Variable	(1)	(2)	(3)	(4)
	Different	Same	Different	Same
SNI	-0.0066*** (-5.303)	-0.0050** (-1.975)	-0.0053*** (-3.978)	-0.0017 (-0.618)
N_EXEC_DIR	-0.0011*** (-16.487)	-0.0005*** (-4.813)	-0.0009*** (-13.654)	-0.0004*** (-3.210)
DIF_SIZE	0.0531*** (31.313)	0.0428*** (11.106)	0.0536*** (27.848)	0.0420*** (9.564)
DIF_N_EXEC_DIR	0.0010*** (14.513)	0.0004*** (3.776)	0.0008*** (12.358)	0.0003** (2.475)
AGE_EXEC_DIR			0.0045*** (24.985)	0.0024*** (5.075)
DIF_AGE_EXEC_DIR			-0.0002** (-2.327)	0.0010*** (3.697)
_cons	0.3357*** (155.235)	0.3649*** (52.812)	0.1504*** (18.115)	0.2570*** (11.766)
Pair FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
adj. R-sq	0.436	0.456	0.441	0.468
N	3899434	1115759	2652996	750469

Table 11: Social Ties and Similarity in CSR Policies - Investment Style

The table presents the results of the regression of the dissimilarity in CSR policies of holdings between pairs of money manager firms (CSR_DISSIMILAR), on the number of social ties between these pairs (SNI). In Columns (1)-(2) and (3)-(4) the sample is restricted to pairs of money manager firms belonging to the different and same investment style, respectively. In Panels A, B, and C we use investment style classifications following Bushee (2001), Abarbanell, Bushee, and Raedy (2003), and Bushee and Goodman (2007), respectively. Appendix B provides definitions of all variables. T-statistics, based on robust standard errors adjusted for heteroskedasticity and clustered on pair level, are reported in brackets below the coefficients. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Panel A: Investment Style – Dedicated, Quasi-indexers, and Transient				
	(1)	(2)	(3)	(4)
	Different	Same	Different	Same
SNI	-0.0059*** (-3.570)	-0.0001 (-0.052)	-0.0051*** (-2.831)	0.0017 (1.145)
N_EXEC_DIR	-0.0013*** (-14.986)	-0.0003*** (-4.599)	-0.0012*** (-12.750)	-0.0001* (-1.877)
DIF_SIZE	0.0551*** (25.284)	0.0507*** (25.606)	0.0534*** (20.322)	0.0469*** (19.927)
DIF_N_EXEC_DIR	0.0007*** (7.901)	0.0005*** (6.652)	0.0006*** (6.683)	0.0003*** (4.093)
AGE_EXEC_DIR			0.0039*** (16.451)	0.0019*** (8.271)
DIF_AGE_EXEC_DIR			-0.0011*** (-7.944)	-0.0001 (-0.605)
_cons	0.3525*** (103.711)	0.2322*** (101.946)	0.2151*** (19.301)	0.1461*** (14.094)
Pair FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
adj. R-sq	0.405	0.430	0.408	0.435
N	2672667	2442049	1657143	1507289

Panel B: Investment Style – Large Value, Large Growth, Small Value, and Small Growth				
	(1)	(2)	(3)	(4)
	Different	Same	Different	Same
SNI	-0.0040*** (-3.277)	-0.0036 (-1.632)	-0.0028** (-2.143)	-0.0017 (-0.696)

N_EXEC_DIR	-0.0009*** (-13.316)	-0.0007*** (-7.399)	-0.0008*** (-10.707)	-0.0006*** (-6.001)
DIF_SIZE	0.0577*** (35.180)	0.0418*** (13.464)	0.0569*** (28.988)	0.0384*** (10.309)
DIF_N_EXEC_DIR	0.0007*** (9.506)	0.0005*** (4.659)	0.0006*** (7.606)	0.0004*** (3.866)
AGE_EXEC_DIR			0.0031*** (17.084)	0.0031*** (8.456)
DIF_AGE_EXEC_DIR			-0.0008*** (-7.156)	-0.0005*** (-2.312)
_cons	0.2956*** (131.164)	0.2915*** (62.954)	0.1753*** (20.723)	0.1666*** (9.962)
Pair FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
adj. R-sq	0.411	0.429	0.414	0.441
N	3805488	1291550	2355125	798656

Panel C: Investment Style – Growth, Value, and Growth & Income

	(1)	(2)	(3)	(4)
	Different	Same	Different	Same
SNI	-0.0045*** (-3.415)	-0.0026 (-1.484)	-0.0029** (-2.031)	-0.0019 (-1.049)
N_EXEC_DIR	-0.0010*** (-12.483)	-0.0004*** (-5.691)	-0.0008*** (-9.990)	-0.0003*** (-3.860)
DIF_SIZE	0.0533*** (29.523)	0.0511*** (21.313)	0.0520*** (23.977)	0.0501*** (17.433)
DIF_N_EXEC_DIR	0.0007*** (8.640)	0.0004*** (5.121)	0.0006*** (6.731)	0.0003*** (3.897)
AGE_EXEC_DIR			0.0033*** (16.644)	0.0027*** (9.268)
DIF_AGE_EXEC_DIR			-0.0005*** (-4.743)	-0.0003** (-1.989)
_cons	0.3095*** (120.323)	0.2599*** (82.400)	0.1815*** (19.690)	0.1371*** (10.306)
Pair FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
adj. R-sq	0.400	0.455	0.404	0.463
N	3352358	1651187	2068198	1028207
