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EDITORIAL

Editorial

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In the Report of the World Commission on Environment and Development ("Brundtland Report") (1987), sustainable development is defined as the development that meets "(…) the needs of the present without compromising the ability of future generations to meet their own needs" (see United Nations World Commission on Environment and Development (1987): Development and International Economic Co-Operation: Environment, http://www.un.org/documents/ga/res/42/ares42-187.htm). Sustainability not only deals with "green economies" or "ecological economies", but also comprises social topics through the explicit consideration of sustainable interests of stakeholders. Sustainability therefore deals with ethics, governance, and environment, which span the bulk of potential research areas. Sustainable behavior is strongly connected with socially responsible behavior. The concept of corporate social responsibility (CSR) is therefore the underlying concept and theoretical foundation for sustainability approaches in business and finance research.

The public view requests more and more that corporate managers operate in a socially responsible manner. The public demand for such behavior is increasingly focusing on corporate finance, investments, and financial intermediation because of the enormous impact of these sectors explicitly illustrated during the financial crisis.

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The relevance of the topic and the interest in it has led to the idea of editing this special issue. In addition, in March 2011, the *Wissenschaftliche Kommission Wissenschaftstheorie und Ethik in der Wirtschaftswissenschaft* (WK WEW) in the *German Academic Association for Business Research* (VHB) conducted a workshop entitled “Finanzkrise und Betriebswirtschaftslehre” (Financial Crisis and Business Economics). These two impulses have led to a search for potential authors for this special issue.

By now, the first introducing considerations have shown that sustainability in finance gives rise to a widespread variety of approaches on finance-related research. The definition and concept of “Sustainable Finance” is heterogeneous in the academic literature. Hence, *Astrid Salzmann* presents “The Integration of Sustainability into the Theory and Practice of Finance: An Overview of the State of the Art and Outline of Future Developments”. First, she analyzes the relevance and existing research fields of CSR and sustainability in economics and finance. By analyzing the number of related papers submitted to the *Social Science Research Network* over the years, it is demonstrated that there is an increasing academic interest in social and environmental concerns and sustainability research. But until now, sustainable finance has not subsisted as its own research field, which is highlighted by the lack of its presence in the top finance journals. After that, the author gives a structured introduction to the main aspects of CSR, which is used as the underlying framework for sustainable finance. The CSR approach is then applied to the fields of socially responsible investing, sustainable banking, and sustainable corporate finance, whereby the views of investors, intermediate financial institutions, and firms are represented and combined. In her conclusion, the author proposes several interesting open questions for future research that address the relationship between financial performance and sustainable behavior and the influence of responsible financial decisions on a sustainable development and the real economy.

In their contribution “Strategic Sustainability and Financial Performance: Exploring Abnormal Returns”, *Janick Christian Mollet*, *Urs von Arx*, and *Dragan Ilić* examine the performance of a selection of small European firms with a focus on strategic corporate social responsibility innovation. The firms under consideration have been selected by the sustainability research of the Zurich Cantonal Bank. Therefore, there is no distortion of an active portfolio management and no problem of an indistinct focus of aggregated funds. Mollet et al. treat this pool as a synthetic portfolio and compare it to the market. In order to test the hypothesis of positive abnormal returns for firms identified as socially responsible investments (SRI), the authors perform a portfolio analysis based on a new comprehensive dataset with pan-European Carhart risk factors. By doing so, they account for the well-known systematic risks in SRI portfolios and avoid mistaken attributions of observed out- or underperformance. The results of the portfolio analysis support the hypothesis of financial outperformance with a stable alpha of 1.30 % per month. Although there is reason to believe that some model misspecification is present due to the portfolio’s tilt towards small and medium-sized growth firms, the outperformance is reduced at most to 1 % when adjusting for this issue.

The article “Valuation effects of corporate strategic transactions in the cleantech industry” by *Houdou Basse-Mama*, *Nicolas Koch*, *Alexander Bassen*, and *Theo*

Bank addresses a niche product—clean technology—in a niche market—the market for clean technology. The authors find very specific conditions for incumbent (green Goliaths) as well as emerging firms (green Davids) in the cleantech industry. The capital market did not remain unaffected by this. The authors analyze capital market reactions to the announcement of strategic transactions in the cleantech industry. By the use of the event study method, the authors conduct a multi-country analysis based on primary data gained from announcements of mergers and acquisitions, joint ventures, and asset disposals between 2001 and 2011 in the cleantech industry (227 events) and the non-cleantech industries (101 events). The cost decline for the cleantech technology during the analyzed decade and the politically pampered markets have created the opportunity for shareholders to earn higher premia in markets for cleantech transactions than in markets for non-cleantech transactions. These results add to the overall picture of the multitude of patterns resulting from research in sustainable finance, and they attract attention to long-term wealth effects accruing from the market for the cleantech industry.

Dieter Gramlich and *Nicole Finster* provide a study about the relationship of "Corporate Sustainability and Risk". Short-term aspects and long-term aspects may lead to divergent assessments of the risks related to sustainability strategies. A sustainability strategy pursued by a firm may increase the risk of a firm to get access to financial resources in the short run; however, in the long run it may help to avoid social imbalances or lack of resources. The authors assume a causal relationship between corporate sustainability (CS) and risk, which is translated into a novel research design that might initiate future research. The focus of the paper is on the empirical evidence gained from a framework relating risk to accounting information based on data about profitability, liquidity, costs, and sales. The degree of sustainability is traced back to the number of inclusions of a firm into selected sustainability indices. A regression analysis and test statistics have been conducted on the basis of data from 167 European companies between 2001 and 2009. The results show no clear patterns of correlation in the total sample; for subsets there is some evidence for the impact of CS on some expressions of expected risk (mainly on profitability). The authors conclude that more detailed and specific analyses are required to add to our empirical knowledge about the CS-risk relationship.

Fernanda Martins and *Adalbert Winkler* take a closer look at "Foreign Ownership in Latin American Microfinance Institutions—Evidence and Impact". They base their examination on a unique, hand-collected dataset that provides detailed information on the degree of foreign investment in 84 microfinance institutions (MFIs) in 15 Latin American countries. Martins and Winkler find that MFIs with a majority ownership of foreign investors show a significantly higher breadth of outreach. This means that these MFIs are serving a larger number of clients. In contrast, foreign ownership does not seem to be associated with a higher degree of sustainability or with MFIs abandoning the original target group by issuing comparatively larger loans to a relatively wealthier clientele. This means that there is no particular change to the depth of outreach. As a consequence, the authors' analysis does not lend support to arguments that foreign investors place MFIs on a more sustainable basis. At the same time, Martins and Winkler are unable to reinforce concerns that a higher degree of foreign ownership will lead to MFI

mission drift, i.e. steering MFIs away from serving the poor and micro businesses. In fact, as a general conclusion, their analysis suggests that foreign investors seem to exert MFI governance in line with their stated mission: expanding financial inclusion, i.e. providing access to finance to as many people as possible.