

How Characteristics of CEO Impact the CSR Practices?

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Abstract

On the basis of the relevant literature review, this article has explored the relationship between CEO demographic compositions and consistency in corporate social responsibility practices among firms. The personal characteristics of CEO have significant influences on the corporate social responsibility. The age, education, tenure, experiences and compensation influence the corporate social responsibility practices in varying degrees.

Keywords

Demographic Compositions, Chief Executive Officer(CEO), Corporate Social Responsibility Practices.

1. Introduction

The role of the firm in society has been discussed in many studies (Garriga and Mele, 2004; Porter and Kramer, 2011). Most firms nowadays practice corporate social responsibility in some forms. Corporate social responsibility (CSR) has been embraced by a growing number of firms and gained much public attention in recent years. There has been a fierce debate in the literature about the role of CSR. The debate focuses on why firm would invest significant resources on CSR. According to some studies, CSR is considered as a crucial corporate behavior that deals with firms' relationship with their stakeholders, such as employees, communities and etc. The stakeholder theory suggests that firm's key decision maker is one of the direct stakeholders. The firm's key decision maker, namely its CEO, is responsible for formulating corporate strategy pertaining to CSR (Waldman et al., 2006a, 2006b). The CEO is in a prime position to influence CSR strategy and practice (Waldman and Siegel, 2008; Battisti and Perry, 2011; Cassells and Lewis, 2011).

CSR can be treated as a strategy (McWilliams and Siegel, 2001). Some companies choose to embark upon CSR initiatives proactively. Ben and Jerry's Ice Cream and the Body Shop are two such examples that have based their business models on CSR-driven strategies (Waldman et al., 2006a, 2006b). CSR offers managers an outlet to align their personal interests with a product differentiation strategy (McWilliams and Siegel, 2001). CSR is thus a strategic choice which allows firms to create shared value between managers' personal interests and the social cause. Carroll (1979) pointed out that managers have some autonomy, can be an important influence on the fulfillment of corporate social responsibility, the manager's individual characteristics and organizational characteristics affect management decisions about social responsibility. So this paper regards the link between CSR practices and CEO characteristics.

From the existing literature, the research of enterprise's social responsibility and corporate value relationship of literature is more, but the CEO features less impact on corporate social responsibility literature, this article is trying to study degree, term, compensation and its CEO characteristics influence on corporate social responsibility, to help in understanding the role of CEO characteristics in the performance of CSR.

2. Characteristics of CEOs and CSR Practices

2.1 Age of CEO and CSR Practices

Managers of different ages in experience, maturity, as well as differences, can also lead to the differences in behavior consequence, age will demand for managers, preferences, values, work attitude and work behavior influence (Rhodes, 1983). Level managers from workers struggle to to the senior management positions, age growing, position is on the rise, the material wealth is increasing. Older managers have greater motivation to pursue a high level of respect and self-actualization needs met, will consider more social responsibility behavior such as employee welfare, charity, environmental protection, improve the social responsibility of enterprises performance (Ruegger and King, 1992; Forte, 2004).

Also, some scholars believe that the younger generation of managers for environmental and ethical issues is more sensitive to the sensitivity lead to higher social responsibility and environmental friendly behavior (Bekiroglu, et al., 2011), the smaller the age of the board of directors or a program is easier to implement environmental governance structure of the decision (Post, et al., 2011). The higher diversity of director ages are, the better social responsibility performance (Hafsi and Turgut, 2012).

2.2 Tenure of CEO and CSR Practices

Corporate social responsibility has been regarded as a strategic investment activity, and the investment in the long term is can increase the enterprise value, and this investment can increase the reputation of the CEO, to attract media attention. CEO job tenure is seen as influencing firm performance (Simsek, 2007). When CEO tenure is very short, CEO pay more attention to short-term interest. Jensen and Meckling (1979) suggested that when the managers of enterprises to make investment decisions than the underlying assets of production capacity of a short life, the choice of managers to invest in the project, will remove the cash flow of the head and tail, to use a higher discount rate for capital budget, resulting in less investment. CEO tenure has a positive and linear association with firm-employee relationship strength but an inverted U-shaped association with firm-customer relationship strength (Luo, Kanuri & Andrews, 2014).

The longer the office practice, CEO of the control of the board of directors (Bebchuk and Fried, 2004). Jeong et al. (2016) found that CEO tenure had inverted U-shaped relationship with CSR performance. In specific, CSR performance decreased in early and late tenure while reached the peak in mid tenure of CEO. When reaches a certain term, the social responsibility performance doesn't bring his reputation and power, further improve the CEO is no longer needed this investment to increase their reputation and power (Weining Zhang, 2009). So is advantageous to the stakeholders of decision-making of the CEO power will reduce, may be more to pursue their own interests, social responsibility performance is reduced.

2.3 Managers' Field of Study and CSR Practices

Scholars have already looked into the correlation regarding the field of study of C.E.Os. and their likeliness to pursue CSR strategy (Marwell & Ames, 1981; Frank & et al., 1993; Manner, 2010). Campbell (2007) argued that the education background of managers will influence the performance of corporate social responsibility. The main characteristics and personal quality of a manager who makes key decisions influence on corporate social responsibility. Most of the past researches tended to agree on the fact that managers with a degree in economics will be less likely to pursue CSR practices than the ones with a degree in humanities or social sciences (Boone & et al., 1999; Frank & Schlutz, 2000; Manner, 2010). Surveys have been conducted among economics students showing that students were less honest in their answers and less willing to cooperate (Frank & et al., 1993).

Conversely, CEOs with a bachelor in human or social sciences are more likely to take good initiative regarding social implications and to comply to environmental standards (Rivera & De Leon, 2005). Davis et al. in 1997 showed that sociology and psychology are studies which lead managers to consider more often cooperative decisions taking into account other stakeholders interests (Davis &

et al., 1997). Regarding the impact of undertaking a MBA, several theories exist (Manner, 2010). This is mainly due to the fact that MBA programs are evolving and are more and more considering corporate social performance and other stakeholders' interests over profit maximization (Jones, 1995; Kuhn, 1998). Hence, managers undertaking MBAs are becoming more and more aware of socially and environmentally related issues.

2.4 Experiences of CEO and CSR Practices

Studies have shown that a manager is more likely to understand an issue from the point of view of their former department (Dearborn & Simon, 1958; Manner, 2010). Others talk about the frame of reference of managers by describing the process undertaken by managers of matching a new issue to one they have previously encountered (March & Simon, 1991). Hence if the manager has never seen such issues, they will allocate it to the most similar one they have already met. Thomas and Simer (1995) selected the 46 chemical industry and 55 companies in information technology industries as the research sample, empirically the CEO and the senior management team functions of background and term effects on corporate social performance, the study found that the production function to CEOs and senior background have a negative effect on corporate social performance, and higher growth, higher degrees of freedom of management in the industry of information technology industry influence is stronger.

Some scholars hold that there is an insignificant relationship between the CEOs' experiences with CSR. Othman et al.(2012) examined the relationship between investments and the chief executive officers' (CEO) international experience with CSR disclosure.

2.5 Gender of CEO and CSR Practices

Previous studies have shown that gender might influence C.E.Os. managerial characteristics. It might also be the case for undertaking CSR practices or not (Carpenter & et al., 2004; Manner, 2010; Frank & et al., 1993). Regarding that, it seems that female C.E.Os. undertake more often CSR strategies than male ones. Manna (2010) found that CEO holds a bachelor's degree in the humanities, the CEO in more functional departments work, CEO of stakeholders is the woman has a positive effect on corporate social responsibility performance advantage.

A growing number of studies show that women in management can improve the social responsibility performance of enterprises. Mcguinness et al. (2017) revealed stronger CSR performance in firms where a female officer is present at the CEO and/or vice-CEO level. Female leadership thus appears to be just as important as gender mix in driving CSR change. The experience of the female directors can bring different value, internally, they can stimulate the female employees into the top team; Externally, female directors can be linked with important supplier of effective (Milliken and Martins, 1996).

2.6 Compensation of CEO and CSR Practices

The relation between CSR and CEO compensation has been examined in the prior literature (Cai, Jo, & Pan, 2011). Corporate ethics and CEO compensation will be forever linked together(Mack, 2008).The influence of CEO compensation on their chance to pursue CSR strategy has been examined by some authors (McGuire & et al., 2003; Manner, 2010). However, it is difficult to make any conclusion as the level of managers' compensation is a factor that might change their behavior and practice. Dyke (2006) suggested that CEO pay structure has a significant influence on corporate social performance, short-term incentive of CEO pay structure has a negative influence on corporate social responsibility, long-term incentive of CEO pay structure has a positive effect on corporate social responsibility.

Lois Schafer Mahoney and Linda Thorn (2005) researched the relationship between CEO compensation and CSR practices in the Canadian company, showed that the pay of manager played a positive role to stimulate enterprises to fulfill social responsibility, CEO compensation is more likely for a long time to eliminate products and environmental vulnerability. According to Maslow's hierarchy of needs: when CEO compensation is enough, the most basic material needs have been met,

then he will pursue something intangible level, and the positive decisions of social responsibility would be implemented. Rekker(2014) argued that CEOs were more (less) likely to be intrinsically driven with regard to the non-performance (performance sensitive) part of their compensation, leading to an expectation that the negative CEO compensation/CSR linkage would dominate in the salary component.

3. Discuss

Over the last few decades, the literature on CSR has identified various factors of CEOs that lead firms to become involved in social activities. CEO is the top executive in a company responsible for daily affairs. They hold the core information of the enterprise and have a vision and responsibility for enterprise development. But As a finite rational being, it's possible that CEO may not always apply value-based moral reasoning, then business decisions can have a negative impact on enterprises. We should devote more effort to discussing how to realize the co-evolution of CEO and CSR in future.

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