



CEO characteristics and corporate philanthropic giving in an emerging market: The case of China[☆]

Jiuchang Wei^a, Zhe Ouyang^b, Haipeng (Allan) Chen^{c,*}

^a School of Management, University of Science and Technology of China, 96 JinZhai Road, Hefei, Anhui Province 230026, PR China

^b Department of Business Administration, Nanjing University of Finance and Economics, 3 Wenyuan Road, Nanjing, Jiangsu Province 210046, PR China

^c Gatton College of Business and Economics, University of Kentucky, 550 S Limestone, Lexington, KY 40506, USA

ARTICLE INFO

Keywords:

Upper echelons theory
Corporate philanthropic giving
Corporate social responsibility
Emerging market
China

ABSTRACT

The upper echelons theory proposes that organizational actions may reflect the values, experiences, and personalities of powerful actors within an organization. Drawing upon this theory, this research investigates how the characteristics of chief executive officers (CEOs) affect corporate philanthropic giving (CPG) strategies in an emerging market. Using a unique data set consisting of CPG activities of publicly listed Chinese firms in response to the 2008 Wenchuan earthquake, this study uncovers relationships between CEOs' acquired characteristics (e.g., tenure, education, political connectedness, celebrity status) and different aspects of firm CPG strategies, including donation amount, timeliness and disclosure. We discuss the unique insights we gain by studying the upper echelons theory and corporate philanthropic giving in an emerging market context.

1. Introduction

In an age of ever-intensifying business competition, corporate philanthropy as part of their corporate social responsibility (CSR) is becoming an important practice that firms leverage to improve their reputation and reap financial benefits (Gardberg & Fombrun, 2006; Marquis & Lee, 2013; Wang & Bansal, 2012). Corporate philanthropy giving (CPG), defined as unconditional and voluntary transfers of cash or other resources by firms for public purposes (FASB, 1993), has been argued to help a firm establish its social reputation (Muller & Kräussl, 2011), forge customers relationship (Dean, 2003), attract and maintain a quality workforce (Turban & Greening, 1997), reduce corporate capital constraints (Wang & Qian, 2011), generate corporate legitimacy with key regulatory institutions (Sanchez, 2000), and develop a favorable business environment (Lev, Petrovits, & Radhakrishnan, 2010). CPG is thus gradually seen as a strategic response that holds potential benefits to the focal firms (Ricks, 2005; Saiia, Carroll, & Buchholtz, 2003; Seifert, Morris, & Bartkus 2004; Porter and Kramer, 2002).

Given the numerous advantages of firm CPG strategies, many scholars and executives have become interested in the mechanisms that “may account for the increased adoption of philanthropy into business strategies” (Marquis & Lee, 2013: 483). Yet there remain critical differences in firms' CPG strategies that are unexplained. For example, why are some firms that are engaged in CPG activities more generous

and responsive than others? And why are some responsive firms more likely to disclose donation information? While certain factors, such as firm's economic conditions, characteristics of stakeholders and the external environment (Rodell, 2013; Wang, Choi, & Li, 2008; Wang & Qian, 2011), are widely accepted as promoting CPG, we draw upon the upper echelons theory and propose that a key to a better understanding of these differences in firms' CPG strategies may lie in an analysis of corporate leaders' influence on firm strategies.

Upper echelons theory proposes that organizational strategies and actions are influenced by individual-level experiences, aptitudes, and cognitions (Finkelstein, Hambrick, & Cannella, 2009; Luo, Xiang, & Zhu, 2017; Tang, Qian, Chen, & Shen, 2015). According to Hambrick and Mason (1984: 193), organizational strategies are considered as “reflections of the values and cognitive bases of powerful actors in the organization”. Past empirical research has suggested that CEOs as the most powerful actors in their organizations heavily influence firms' strategic choices (Crossland, Zyung, Hiller, & Hambrick, 2014: 656). CEOs may play even bigger roles in emerging economies such as China where a lack of formal structures and decision-making processes for philanthropic giving (Gao, 2011; Zhang, Rezaee, & Zhu, 2010), combined with an authoritative and hierarchical culture (Hofstede, 1980), can give corporate leaders even more influence on firms' CPG strategies.

Thus, in this study we focus on the effects of CEOs in publicly traded firms in China, and examine how CEO characteristics influence firms'

[☆] This study was supported by the National Natural Science Foundation of China (grant #s 71522013, 71702180 & 71373250).

* Corresponding author.

E-mail addresses: weijc@ustc.edu.cn (J. Wei), zhezhe@ustc.edu.cn (Z. Ouyang), allanchen@uky.edu (H.A. Chen).

CPG strategies. We show that CPG is significantly associated with the idiosyncratic qualities of CEOs, such as their organizational tenure, education and political connectedness. In addition, CEOs' celebrity status influence CPG as well. To empirically test our hypotheses, we construct and analyze a unique dataset of Chinese public firms' philanthropic responses to the 2008 Wenchuan earthquake, a tragic event that become the landmark of Chinese firms' CPG effort. While many of firms responded to the call for donations quickly and generously in the aftermath of this disaster, not all of them responded equally well.¹ Our investigation of the inter-firm variations in CPG strategies using the framework of the upper echelons theory not only speaks to the issue of how upper echelons influence corporate strategies but also provides a novel empirical lens through which one can examine the increasingly important roles played by firms in disaster relief efforts in an emerging market context.

Our paper makes a number of important contributions to the literature on upper echelons and corporate philanthropy giving. First, while the issue of CPG has attracted growing research interest in recent years (e.g., Gao, 2011; Luo et al., 2017; Marquis & Lee, 2013), most empirical studies focus on donation amount. By examining corporate responses to a specific catastrophic event, we study multiple facets of firms' CPG strategies, including donation amount, donation timeliness and whether firms publicly disclose their donation information. As we propose and empirically demonstrate, the three facets of firms' CPG strategies are differentially affected by CEO characteristics. The simultaneous examination of these different facets has the potential of enriching our understanding of firms' CPG strategies.

Second, we follow a recent trend in studying individual-level antecedents of philanthropic activities (Chin, Hambrick, & Trevino, 2013; Fabrizi, Mallin, & Michelon, 2014; Li, Song, & Wu, 2015; Luo et al., 2017; Marquis & Lee, 2013; Tang et al., 2015). Our research answers a call for more research on how individual-level variables (e.g., CEO characteristics) affect firm corporate social responsibility strategies (Aguinis & Glavas, 2012), and fills a gap in the literature characterized by a "lack of research connecting individuals to CSR or related outcomes" (Orlitzky, Siegel, and Waldman, 2011: 11). Our empirical study includes important CEO characteristics that are typically examined in the upper echelons' framework (e.g., tenure), as well as variables that are left unexamined in prior research due to data availability (e.g., education, Marquis & Lee, 2013); we add CEO celebrity to this literature as another important consideration in understanding how powerful individuals influence firm strategies (e.g., Chin et al., 2013; Tang et al., 2015).

Finally, our research contributes to the relatively scant literature on CSR research and practices in developing countries (Lund-Thomsen, Lindgreen, & Vanhamme, 2016). Using a research setting provided by the Wenchuan earthquake in China, we provide evidence for the associations between firms' CPG strategies and CEO characteristics. To our knowledge, this is the first empirical study that explicitly investigates such relationships between the upper echelons and firm strategies in an emerging country context.

2. Corporate philanthropy in China

China provides an appropriate setting to study the influence of CEOs' characteristics on firms' CPG strategies for multiple reasons. While the notion of benevolence has been rooted in the Chinese culture, tracing back to Confucianism and Buddhism, philanthropy appears to

¹ For example, Wang Shi, the then-CEO of Vanke Co., Ltd., the largest publicly listed property developer in China, not only argued that a mere 2 million RMB yuan donation (less than US\$300,000 using the then exchange rate) by Vanke was appropriate, but also urged employee contributions to be limited to 10 yuan per person (less than US\$2). Not surprisingly, he suffered from serious public and media criticism for being miserly and for the freewheeling expression of his lack of philanthropic values, followed by a fall in the firm's stock price.

be a new concept in China. This may explain why, despite the wealth accumulation since China's reform and opening up, philanthropic giving in China still lags behind the more developed countries (e.g., U.S., Japan). In the event of natural disasters that affect a region's residents and economy, firms' CPG efforts play a big role in disaster relief effort due to the widespread distrust of individual donors toward charities in China.² Most of the firms, however, do not have clear and implementable policies about philanthropic giving due to a lack of institutional infrastructure, regulations and laws governing CPG in China (Gao, 2011), and oftentimes may have to defer to their CEOs for firms' CPG decisions (Marquis & Qian, 2013; Marquis, Zhang, & Zhou, 2011). Under such circumstances, CEOs personal (e.g., tenure) and social characteristics (e.g., political connectedness, celebrity status) may play an especially important role in firms' CPG strategies.

The Chinese culture is also conducive to the influence of CEOs on firm strategies. In a hierarchical society like China (Hofstede, 1980) where autocratic leadership styles are prevalent (Pellegriani & Scandura, 2009), the basic premise of the upper echelons theory, that corporate strategies are influenced by powerful individuals, is especially valid. These CEOs are heavily influenced by social pressures from stakeholders, which should be particularly strong in the collectivistic Chinese society (Triandis, 2001), to respond to disaster relief efforts.

Another way through which culture can highlight CEOs' influence on firms' CPG strategies is via education. As culture is heavily influenced by education and instilled through it, the influence of CEOs on firms' CPG strategies may be imbued by the uniqueness of a given culture's education value and system. On the one hand, the emphasis on education in the Chinese culture could give CEOs, especially those with higher education levels, more leeway to decide and influence firms' CPG strategies. On the other hand, the lag in the introduction of recent pro-social (vs. utility maximization) management theories (e.g., the stakeholder theory) into professional business education (e.g., MBA) in China could diminish CEOs' tendency to respond to various stakeholders in the wake of a natural disaster.

For the aforementioned reasons, the Chinese context provides a fruitful setting to examine the manifestations of the upper echelons theory. Specifically, we study the effect of CEOs' characteristics on Chinese publicly listed firms' donations to the 2008 Wenchuan earthquake, to test our predictions derived from the upper echelons theory. The disastrous Wenchuan earthquake was a milestone for Chinese philanthropy (Gao, 2011; Zhang et al., 2010; Zhang, Feng, Xu, Zhou, & Chen, 2009). While few Chinese firms engaged in philanthropic giving before that tragedy, almost half of the listed firms on the Chinese stock market contributed to the relief efforts in the wake of the Wenchuan earthquake and the size of their donations was extraordinary (Zhang et al., 2010; China Charity Foundation, 2009). Therefore, the focus on firms' responses to the Wenchuan earthquake offers an opportunity to better understand the impact of CEO characteristics on firms' CPG strategies in an emerging market context.

3. Existing research and theoretical framework

Firms are social entities whose decisions are made by actors with various considerations, including firms' profit maximization, and managers' utility maximization or ethical motives (Gautier & Pache, 2015). Previous studies have argued that individual characteristics affect CEO's choices (Wood, 1991), which in turn shape firm strategies (Hambrick, 2007).

According to the upper echelons theory, "(1) executives act on the basis of their personalized interpretations of the strategic situations they face, and (2) these personalized construals are a function of the executives' experiences, values, and personalities" (Hambrick, 2007: 334). In particular, the theory suggests that organizational actions,

² http://usa.chinadaily.com.cn/china/2014-03/31/content_17390892.htm.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات