CEO Personal Donating Behavior and Corporate Social Responsibility

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ABSTRACT

Using a hand-collected dataset of CEOs' charitable donations, we find that firms managed by CEOs who make regular charitable donations have significantly higher CSR performance than those managed by CEOs who occasionally donate or never donate. To identify causation, we examine changes in firms' CSR performance around exogenous CEO turnover events with a difference-in-difference approach. We find that when a non-routine-donor CEO or non-donor CEO is replaced by a routine donor CEO, the firm's CSR performance improves. Also, using natural disasters as quasi-natural experiments that increase public awareness about CSR, we find firms managed by routine donor CEOs increase their firm's CSR performance more than firms managed by non-routine-donor CEOs after the shocks. Our results are consistent with behavioral consistency theory which predicts that a CEO's personal socially responsible behavior can predict his firm's socially responsible behavior. Overall, we provide important new evidence on why firms engage in CSR and identify a new CEO characteristic that can predict such engagements.

1. Introduction

There has been rising attention paid to corporate social responsibilities (CSR) both in the academic and business world. Besides increasing shareholders' value, being a member of the society, corporations are often expected and do choose to invest in activities that are deemed to be socially responsible to show their good citizenship. Previous research in economics, finance, and strategic management has investigated the potential benefits and costs from investing in corporate social responsibility. More recently, researchers have focused more directly on the determinants of CSR, including both external drivers such as the salience of external stakeholders (Agle, Mitchell, and Sonnenfeld, 1999), stakeholder activism (Clark and Hebb, 2004; David, Bloom, and Hillman, 2007), and internal drivers such as incentive compensation (Deckop, Merriman, and Gupta, 2006; McGuire, Dow, and Argheyd, 2003), management team commitment to ethics (Muller and Kolk, 2010), CEO personal value (Hemingway et al., 2004), and CEO political ideologies (Chin, Hambrick, and Trevino, 2013). With regards to CSR, the role played by top managers is extremely important (Quazi, 2003; Swanson, 2008). For example, Quazi (2003) argues that the commitment of managers to CSR activities may have its origin in their personal characteristics, since managers not only represent a business as an individual, but also make decisions as a professional executive. Thus, manager's perceptions of what should be done play a vital role in their daily lives and also business decisions. Swanson (2008) further argues that top managers could drive corporate social responsibility through moral leadership directing the organization towards socially responsible goals. As Godos-Diez, Fernandez-Gago, and Martinez-Campillo (2011) states, "There cannot be socially responsible corporations without socially responsible managers…, it is the top managers

who spread interest in ethics and social responsibility throughout the firm." However, despite the important role of top managers in implementing CSR, there has been little research investigating what types of managers are more prone to engage in CSR activities.

The behavioral consistency theory predicts that CEOs would behave consistently across situations, including personal decision-makings and also professional decision-makings (Allport, 1937, 1966; Epstein, 1979, 1980; and Funder and Colvin, 1991). Several recent studies in economics, finance, and accounting support this notion. Barsky, Juster, Kimball, and Shapiro (1997) show a positive relation across individuals between all types of risky behavior they study, such as holding stocks rather than Treasury bills, risky entrepreneurial activity, and smoking and alcohol consumption. In a corporate finance setting, Malmendier and Tate (2005) document that CEOs who tend to be overconfident in their personal investment decisions are also more likely to be overconfident in corporate investment decisions. Hutton, Jiang, and Kumar (2010) find that Republican CEOs pursue more conservative corporate policies than do Democrats as the Republican party is more conservative. Chyz (2013) documents a positive relationship between CEOs' personal and corporate tax decisions. Specifically, he finds that CEOs who are personally more tax aggressive manage firms with more tax avoidance activities. Benmelech and Frydman (2015) document that CEOs with military experience are associated with more conservative corporate policies and ethical behavior. Cain and McKeon (2016) find that the personal risk-taking behavior of CEOs is correlated with corporate risk-taking. All the above studies show that personal preferences and choices of decision-makers such as CEOs can partly explain their professional decisions. Thus, personal socially responsible

behavior may also have a positive effect on the engagement of corporate social responsible activities.

Given this background, we propose to examine the relationship between CEOs' socially responsible behavior at a personal level and their firms' CSR policy. For this purpose, we hand collected a dataset of CEO charitable donations. We argue that making charitable donations is a positive signal of a person's prosocial attitude. Consistent with the notion that CEOs' personal socially responsible behavior (in our case, making charitable donations) determines the corporate level socially responsible behavior (in our case, firm's CSR engagement), we find that firms with donating CEOs have significantly higher CSR performance. Moreover, we distinguish two types of donating CEOs, routine donor CEOs and non-routine donor CEOs. Specifically, we construct a dummy variable *Routine donor CEO* which equals one when the fraction of a CEO's donating years is larger than the 75th percentile of all CEOs. The idea is that if a person constantly make charitable donations, it is more likely that the donating behavior reflects this person's personal level social responsible behavior. Similarly, all other donating CEOs are *non-routine donor CEOs*, and the rest that did not make any charitable donation are *non-donor CEOs*. We find that relative to firms with *non-donor CEOs* and firms with *non-routine donor CEOs*, firms with a *routine donor CEO* tend to engage more in CSR activities. Moreover, relative to firms with *non-routine donor CEOs*, firms with *routine donor CEOs* also have higher CSR scores. This further validates the construction of the two dummy variables, *routine donor CEO* and *non-routine donor CEO*. The above evidence together shows a positive relationship between the CEO's personal social responsible behavior and firm-level CSR activities.

If CEOs tend to impose their own socially responsible preferences on their firms regardless of their impact on shareholders, we expect the relationship to be stronger if CEOs are more powerful. Specifically, we use CEO duality as an indicator of CEO power. If a CEO is also the chairman of the board, she is expected to have more power over corporate decisions. Consistent with our expectation, we find that CEO power enhances the positive relationship between CEO personal donating behavior and CSR investment. In particular, by interacting CEO duality dummy with our routine donor CEO dummy variable, we find a positive and statistically significant coefficient on this interaction term, indicating that when the routine donor CEOs have higher influence on corporate decisions, they tend to be more likely to impose their preferences on CSR.

The positive correlation between CEO's personal socially responsible behavior and CSR engagement needs to be interpreted with caution. Donating CEOs or the firms they manage could be self-selected based on unobservable characteristics that can also explain a higher investment in CSR. We use three different approaches to address the concern of endogeneity. First, we analyze a subsample of CEO turnovers, where the turnovers are classified as exogenous in the literature. Specifically, we focus on the exogenous turnovers where the departing CEO is a non-donor or non-routine donor and the incoming CEO is a routine donor. We compare whether a firm's CSR score changes following such exogenous turnovers. We find that firms significantly increase their CSR score after such exogenous turnovers. In contrast, when examining the exogenous turnovers where the departing CEO is a routine donor and the incoming CEO is a non-routine donor or non-donor, we find change in the opposite direction, i.e. firms significantly reduce their CSR score after such exogenous turnovers. By doing this, we are able to isolate the impact of CEO preference

from possible selection of the CEO by the firm. Second, we make use of the Deepwater Horizon oil spill in 2010 as a shock to corporate social reasonability and examine whether firms with a routine-donor CEO are more responsive to such a shock. Consistent with our expectation, we find that firms with CEOs that routinely donate increase their corporate social responsibility more than firms with CEOs that occasionally donate or do not donate. Third, we estimate an instrumental variable regression, using the proportion of CEOs that routinely donate within the same zip code as a firm's headquarter as an instrument. We find that the results from this instrumental variable approach are consistent with our prior results. The results from these three approaches collectively shed more light on the causal relationship between CEO personal donating behavior and corporate social responsibility.

Our study makes several important contributions to the existing literature. First, we examine CEOs' donating behavior and corporate social responsibilities and thus contribute to the growing literature on CSR. Our evidence shed new light on the determinants of a firm's CSR performance. The existing literature offers two explanations for why firms invest in CSR: "doing well by doing good" which means doing CSR enhances profitability and firm value and "doing good by doing well" which means only well-performing firms can afford to invest in CSR (Deng, Kang, and Low (2013); Flammer (2015); Krueger (2015); Dimson, Karaks, and Li (2015); Hong, Kubik, and Scheinkman (2012)). However, neither of the above two explanations can explain the cross-firm variation in CSR. In this paper, we show that the preference of CEOs is an important factor in determining CSR investment. Second, we make use of charitable donations as a measure of CEOs' social preferences, and this contributes to the management characteristics literature. That is, routine donating behavior could capture some personal trait that also affects a manager's

corporate decisions. Moreover, our paper provides new evidence on the behavioral consistency between CEOs' personal activities and their professional activities.

The rest of this paper is organized as follows: Section 2 reviews related literature and develops our hypotheses; Section 3 describes our data and sample statistics; Section 4 shows empirical results; Section 5 discusses our identification strategies; Section 6 presents some additional tests, and Section 7 concludes.

2. Related Literature and Hypothesis Development

2.1 Corporate Social Responsibility

Corporate social responsibility refers to one process by which a firm expresses and develops its corporate culture and social consciousness (Rupp et al, 2006 and Calderon, 2011). Moreover, McWilliams and Siegel (2001) define CSR concisely as actions on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its shareholders. The attention paid to corporate social responsibility by researchers has been growing. For example, Carroll (1979) gives a conceptual model of corporate social performance that categorizes total social responsibilities into four groups, which include economic responsibilities, legal responsibilities, ethical responsibilities, and discretionary responsibilities. He gives the definition, "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" and addresses the importance of the social responsibilities on an on-going business model.

Recent studies have investigated the possible determinants of the engagement of CSR activities. Among these studies, two different types of drivers have been examined. The first type includes external drivers, such as the salience of external stakeholders (Agle, Mitchell, and Sonnenfeld, 1999) and stakeholder activism (Clark and Hebb, 2004; David, Bloom, and Hillman, 2007). The second type includes internal drivers, such as executive incentives (e.g., Deckop, Merriman, and Gupta, 2006; McGuire, Dow, and Argheyd, 2003), management team commitment to ethics (Muller and Kolk, 2010), and CEO political ideologies (Chin, Hambrick, and Trevino, 2013). However, relatively few have investigated the impact of personal preferences on CSR activities. According to McWilliams and Siegel (2001), corporate social responsible activities are "actions that appear to further some social good, beyond the interests of the firm and that which is required by law", hence we link CEO personal actions that "appear to further some social good" and "that which is not required by law" with company's CSR to investigate the effects of executive personal traits on CSR.

2.2 Donating Behavior

Charitable donation or the simple act of giving is accredited to the human helping behavior as addressed by the altruism theory (Simmons and Emanuele, 2007). The definition of altruism from different researchers includes, a cognitive activity to help others (Brewer, 2003), a helping behavior (Schwartz, 1970), and a desire to improve another's condition (Karylowski, 1982). The empathy-altruism hypothesis from social-psychology studies shows that people are not always self-seeking and may be driven by empathy and as such help out others (Eveland and Crutchfield, 2007). Altruistic motivations can be a

helping motive and it also includes sympathy responding to a request, believing in the cause, and a moral sense of obligation to give back to society (Hibbert et al., 2005). As such, giving as a prosocial behavior refers to "voluntary actions that are intended to help or benefit another individual or group of individuals" (Eisenberg and Mussen 1989). According to Schuyt, Bekkers, and Smit (2010), most philanthropy is for the benefit of unknown strangers or far-reaching goals. "The key motives for philanthropy may be tied in with stewardship and a sense of social responsibility for the well-being of society as a whole" (Schuyt, Bekkers, and Smit, 2010). In other words, CEOs' charitable donations are ways of expressing their individual level of social responsibility and whether this individual level social responsibility is related to corporate social responsibility deserves a thorough investigation.

2.3 CEOs' Donating Behavior and Firm CSR Activities

Recent developments in psychology and behavioral economics have been used to examine CSR as a behavior of "sacrificing profits in the social interest" (Benabou and Tirole, 2010). In this interpretation, Crifo and Forget (2014) define CSR as a prosocial behavior which reflects managers' willingness to engage in philanthropic activities for altruistic reasons. Typically, this view corresponds to Milton Friedman (1970)'s view that CSR amounts to spending others' money for prosocial motivations. That is, as donating behavior of CEOs, CSR engagement is essentially a corporate level prosocial behavior.

Research has shown that top managers' characteristics affect organization decisions and behavior (Chatterjee and Hambrick, 2007; Finkelstein and Hambrick, 1996; Hambrick,

2007; Hambrick and Mason, 1984). Prior work further shows that at least part of the heterogeneity in CEOs' managerial styles reflects variations in individual life experiences (e.g., Graham and Narasimhan, 2005; Malmendier and Tate, 2005; Malmendier, Tate, and Yan, 2011; Schoar and Zuo, 2011; Benmelech and Frydman, 2014; Linet al., 2014; Dittmar and Duchin, 2016). Since CSR actions are voluntary managerial "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams and Siegel, 2001), building on the theory of upper echelon (Hambrick and Mason, 1984), we hypothesize that the CEO will have a significant influence in such discretionary decisions. In other words, we expect that a company's engagement in CSR activities may be affected by CEO's preferences and priorities that derive from their values and personal behavior (Chatterjee and Hambrick, 2007). Based on the above discussion, our first hypothesis is as follows.

Hypothesis 1: Donating CEOs tend to engage more in CSR activities relative to non-donor CEOs.

To test this hypothesis, we categorize CEOs into different groups. Specifically, we define *donor CEOs* as those who made at least one donation in our sample period. To further investigate the donating behavior, we define *routine donor CEOs* as those donor CEOs whose donating yeas to her appearing years ratio in our sample is larger than the 75th percentile for all CEOs. The rationale is that if a CEO makes donations persistently, it is more likely that the donating behavior reflects this CEO's personal level social preference rather than strategic activities. By this categorization, we are more able to discern different types of donating behaviors and further identify CEOs who truly have a preference for personal level socially responsible behavior.

If donating CEOs impose their personal preferences on corporate decisions and engage more in CSR investments in our context, we expect the effect of donating CEOs on CSR to be stronger when these CEOs are more powerful. Thus, our second hypothesis is related to the strengthening effect of CEO power.

Hypothesis 2: CEO power has a strengthening effect on CSR engagement for donating CEOs.

To test the second hypothesis, we make use of two variables to measure the power of CEOs: CEO duality which is a dummy variable that indicates whether the CEO is also the chairman of the board and board independence which is the percentage of independent directors on a firm's board. The rationale is that when a CEO is also the chairman of the board, this CEO is more powerful in a firm's decision making. By the same token, if the governance of a firm is weak as measured by a low percentage of independent directors on a firm's board, the CEO of this firm is more powerful and more likely to impose his/her personal preference on firm decisions.

3. Data and Empirical Methodology

The dataset used in our study comes from various sources. CEOs' charitable donations records are manually collected from a proprietary database. We manually search each CEO's name in this database to identify charitable donation records for firms listed on S&P 1500. We extract CEO's demographic information from ExecuComp and then use their full name to search for donation records. If we are not sure about whether the donation is made by this CEO, we google the record manually to ensure the accuracy of our matches.

We construct a dummy variable *Donor CEO*, which equals one if a CEO has made at least one donation in our sample period. We also construct another dummy variable *Routine Donor CEO* which equals one if a CEO's donating yeas to her appearing years ratio in our sample is larger than the 75th percentile for all CEO to minimize the possibility that the donation is made for some strategic purposes. For corporate social responsibility information, we make use of the Kinder Lydenburg and Domini (KLD) database. The KLD database is the standard source for CSR activities engagement measure (Mattingly and Berman, 2006), which employs surveys, financial statements, media and academic articles, and also governmental reports to assess a company's social performance along several different dimensions. In this database, firm's CSR scores are available for the S&P 500 firms since 1991 and has expanded its coverage to the largest 3,000 U.S. publicly traded companies measured by market capitalization.

Following previous literature, we use scores on six areas from the KLD database for a firm's social performance including environment, human rights, diversity, employee relations, product quality and safety, and community relations. In each one of the six areas, multiple subcategories exist for measuring strengths and concerns. Binary values are assigned to these strengths and concerns subcategories. For our purpose here, we calculate strengths and concerns scores as the sum of the subcategories' scores for strengths and concerns, respectively. We also take sum of all the strengths and concerns scores to calculate a firm's CSR strength score and concerns score. Then the total CSR score for a firm in each year is calculated by subtracting that firm's CSR concerns score from its strengths score, which is the standard way to measure a firm's total CSR performance in

the literature (Waddock and Graves, 1997; Johnson and Greening, 1999; Chatterji et al., 2009).

For firm characteristics, we extract the information on firm fundamentals from the Compustat database. Company stock returns and volatility are from The Center for Research in Security Prices (CRSP) database. In addition, board characteristics are from ISS and institutional ownership information is from Thomas Reuter's database. We then merge our hand-collected data on CEO charitable donations with the KLD CSR dataset ranging from 2000 to 2013. Our final sample consists of 14,328 firm-year observations.

In panel A of Table 1, we present the summary statistics for our full sample. Our full sample contains 14,328 firm-year observation ranging from 2000 to 2013. In panel A, we divide our sample into two subsamples based whether a CEO has made any charitable donations in our sample period. First subsample contains observations with *Donor CEO* = 0, meaning that for these firm-year observations, the CEOs of such firms did not make any charitable donation in our sample period. Similarly, second subsample is comprised of observations with *Donor CEO* = 1, meaning that for these firm-year observations, the CEOs of such firms has made at least one donation in our sample period. The two subsamples have different number of observations (3,801 for *Donor CEO* = 0, and 10,527 for *Donor CEO* = 1) suggesting that most CEOs donated some money as they are wealthier than average population. For our two subsamples, we see that the mean CSR score is much smaller for the subsample with Donor=0 than the mean CSR score for the subsample with Donor=1. For firm size, we use the natural logarithm of the firm's total assets. *Return on assets (ROA)* is measured by the ratio of a firm's net income over total assets at the beginning of the fiscal year. *Stock volatility* is measured as the standard deviation of the

most recent three years' monthly stock returns. *Leverage* is a firm's book leverage calculated as the long term debt plus current portion of long term debt divided by total assets. *Market-to-book* is the ratio of market value of equity to book value of equity. CEO ownership is the percentage of the firm's shares owned by its CEO. *CEO duality* is a dummy variable that equals one if the CEO is the chairman of the board. *Female CEO* is an dummy variable indicating whether the CEO is female. *Ln CEO tenure* is the natural logarithm of a CEO's tenure. We measure a CEO's tenure using *the date became CEO* variable in the ExecuComp database and when this variable is missing we manually search related information using google.com. *Ln compensation* is the natural logarithm of a CEO's total compensation. *Institutional ownership* is calculated as the percent of a firm's shares owned by institutional investors. We define all other variables in the Appendix.

In panel B of Table 1, we look at the summary statistics in firms with donating CEOs. Among 10,527 observations with *Donor CEO* = 1, we identify 3,907 observations with *routine donor CEO* = 1, and 6,597 observations with *routine donor CEO* = 0. We notice that even among firms with donor CEOs, those with routine donor CEOs exhibit higher average CSR score.

To investigate whether a CEO's donating behavior affects a firm's CSR engagement, in our study, we use the ordinary least squares (OLS) regression to test our hypotheses. The main regression model used in this study is as follows:

$$y_{i,t} = \alpha + \beta_1 * Donor\ CEO + \beta_2 \cdot firm\ characteristics +$$

$$\gamma \cdot CEO\ characteristics + fixed\ effects + \varepsilon_{i,t}$$

We include year and industry fixed effects in every regression and cluster the standard errors at the firm level for every regression in our study. For the main dependent variable, we use a firm's CSR score to measure this firm's CSR engagement. *Donor CEO* and *Routine Donor CEO* are our main explanatory variables of interest which capture a CEO's personal level donating behavior. For firm characteristics, we include variables that have been shown to be correlated with a firm's CSR scores, including firm size, stock return volatility, return on assets, book leverage, and market-to-book ratios. For CEO characteristics, we include CEO ownership, CEO duality, CEO tenure, CEO gender, CEO age, and CEO compensation.

4. Empirical Results

4.1 Univariate Analysis

In Panel A of Table 2, we present our univariate test results based on the mean difference of each variable conditional on the dummy variable *Donor CEO*. In particular, we separate our full sample into two groups based the value of *Donor CEO*: firms with donor CEOs (*Donor CEO* = 1) and firms with non-donor CEOs (*Donor CEO* = 0). As shown in Panel A of Table 2, the mean CSR score is 0.25 for firms with donor CEOs and it is negative -0.36 for firms with non-donor CEOs. The univariate test results in Panel A of Table 2 indicate that the mean difference in CSR scores between these two subsamples is statistically significant at the 1% significance level (*t-statistic* = 14.33) and the mean CSR score for firms with donor CEOs is much higher than those with non-donor CEOs (mean difference = 0.61). For firm characteristics, we notice that firms with donor CEOs

tend to be larger than firms with non-donor CEOs and the mean difference of firm size between these two subsamples is statistically significant at a 1% significance level (*t-statistic* = 30.79). Although the mean difference of return on assets for the two subsamples is not statistically significant (*t-statistic* = 1.51), the mean difference of stock return volatility is statistically significant at the 1% significance level (*t-statistic* = -11.35). Specifically, stock returns for firms with donor CEOs tend to be less volatile than those for firms with non-donor CEOs. The mean market-to-book ratios for the two subsamples are not significantly different with a *t-statistic* of 0.12. However, the mean book leverages for these two subsamples are statistically significantly different at the 1% significance level with a *t-statistic* of 8.05. Firms with donor CEOs are slightly more levered relative to firms with non-donor CEOs. For variables on CEO characteristics, the mean differences in CEO tenure (t-statistic=13.77), CEO age (t-statistic=7.01), and CEO compensation (t-statistic=19.05) are statistically significant. On the other hand, the mean difference in CEO gender and ownership are not statistically significant (t-statistic=-0.38 and -0.01, respectively). The mean differences in CEO duality (t-statistic=10.82) is statistically significant for the two subsamples.

In Panel B of Table 2, we show our univariate test results based on mean difference of each variable conditional on the dummy variable *routine donor CEO*. In particular, we separate our subsample with *Donor CEO* equaling one into two groups based on the value of *Routine Donor CEO* dummy: firms with routine donor CEOs (*routine donor CEO* = 1) and firms with non-routine donor CEOs (*routine donor CEO* = 0). As shown in Panel B of Table 2, the mean CSR score is 0.49 for firms with routine donor CEOs and it is only 0.11 for firms with non-routine donor CEOs. The univariate test results in Panel A of Table 2

indicate that the mean difference in CSR scores between these two subsamples is statistically significant at a 1% significance level (*t-statistic* = 6.66) and the mean CSR score for firms with routine donor CEOs is higher than those with non-routine donor CEOs (mean difference = 0.38). For firm characteristics, we notice that firms with routine donor CEOs tend to be larger than firms with non-routine donor CEOs and the mean difference of firm sizes between these two subsamples is statistically significant at the 1% significance level (*t-statistic* = 13.02). Although the mean difference of return on assets for the two subsamples is not statistically significant (*t-statistic* = -1.04), the mean difference of stock return volatility is statistically significant at the 1% significance level (*t-statistic* = -6.47). Specifically, stock returns for firms with routine donor CEOs tend to be less volatile than those for firms with non-routine donor CEOs. The mean market-to-book ratios for the two subsamples are significantly different with a *t-statistic* of -5.72, and the mean book leverages for these two subsamples are also significantly different at the 5% significance level with a *t-statistic* of 2.71. For variables on CEO characteristics, the mean differences in CEO tenure (t-statistic=-5.04), CEO age (t-statistic=6.42), and CEO compensation (t-statistic=9.03) are all statistically significant with the 1% significance level. On the other hand, the mean differences in CEO gender and CEO ownership are not statistically significant (t-statistics are 0.72 and -1.63, respectively). The mean differences in CEO duality (t-statistic=3.9) are statistically significant for the two subsamples. We investigate the relationship between CEO's donating behavior and CSR engagement in a multivariate setting in the next subsection.

4.2 Donating CEO and CSR Ratings

To further test our basic findings on the difference in CSR scores for firms with different types of CEOs in the univariate analysis, in this section, we employ the ordinary least squares (OLS) panel regressions to analyze the above question. We present the OLS regression results in Table 3. Results in column 1 of Table 3 indicate that firms with donor CEOs tend to have a statistically significantly (5% significance level with t-statistic at 2.54) higher CSR score relative to firms with non-donor CEOs. In other words, firms with donor CEOs tend to have better social performance on average relative to firms without a donor CEO. We further distinguish donor CEOs between routine donors and non-routine donors. By doing this, we aim to minimize the effect of strategic donations from CEOs on firms' CSR engagement. Column 2 and 3 of Table 3 show the effects of a routine donor CEO on a firm's CSR score. Specifically, in column 2 of Table 3, we run our regression using the full sample and show that relative to other firms, firms with routine donor CEOs have a higher CSR score. The coefficient is still statistically significantly positive with the coefficient being 0.293 and t-statistic being 2.82. In column 3 of Table 3, we exclude non-routine donor CEOs and compare routine donor CEOs with non-donor CEOs. Column 3 shows the effect of having a routine donor CEO on firm CSR scores relative to non-donor CEOs is positive and statistically significant with the coefficient being 0.323 and t-statistic being 2.88. In column4 of Table 3, we compare routine donor CEOs with non-routine donor CEOs. We find that the coefficient on routine donor CEO is positive and statistically significant with the coefficient being 0.244 and t-statistic being 2.17. In column 5 and 6, we compare non-routine donor CEOs with non-donor CEOs and find no significant difference between these two, which justifies our construction of routine donor CEO

variable. The regression results in Table 3 are consistent with our main hypothesis, which is that Donating CEOs have a positive effect on firms' CSR engagement.

4.3 Donating CEOs and CSR Ratings Components

In the above analysis, we document that firms with donor CEOs tend to have better social performance and this effect is mainly from routine donor CEOs. In this section, we investigate which specific component of CSR routine donor CEOs have impact on . Table 4 presents our regression results of the effects of routine donor CEO on six CSR categories' ratings. Results in Table 4 show that relative to firms without routine donor CEOs (these firms either have non-routine donor CEOs or have non-donor CEOs), firms with routine donor CEOs tend to focus more on the Diversity and Community components in the CSR six categories. When Diversity is the dependent variable, column 3 of Table 4 shows that firms with routine donor CEOs tend to have higher diversity score relative to firms without such CEOs. The coefficient on routine donor CEO dummy variable is 0.173 with t-statistic being 3.42 in column 3 of Table 4. In column 4, we show that firms with routine donor CEOs tend to have higher Community score relative to firms without a routine donor CEO. The coefficient on routine donor CEO is 0.082 with the t-statistic being 3.44.

4.4 Donating CEOs, CEO Power, and CSR Engagement

Up to now, we have documented that firms with routine donor CEOs tend to have higher CSR scores. In this section, we examine the relationship between routine donor CEO and CSR engagement conditional on CEO's power. In our analysis, we first use a dummy variable CEO duality to indicate whether the CEO is also the chairman of the board

of directors. If the CEO is also the chairman of the board, she is believed to have more influence on varies corporate decisions including CSR investments.

Table 5 presents our regression results. If donating CEOs indeed cause higher engagement in CSR activities, we expect the effect to be stronger when CEOs have more influence over corporate decisions. In column 1 of Table 5, we use our full sample to analyze the above question. The variable of interest in column 1 is the interaction term between the *routine donor CEO* and *CEO duality*. Specifically, we find that the coefficient on this interaction term is positive and statistically significant at the 1% significance level. The coefficient equals 0.484 with a t-statistic being 2.96. This tells us that when a CEO has higher influence on corporate decisions, (being the chairman of the board of directors), routine donor CEO would engage more in CSR activities. In column 2 and 3 of Table 5, we use subsamples to further test the effects from CEO power. Specifically, in column 2 of Table 5, we test this hypothesis by excluding non-routine donor CEOs, and thus we are comparing firms with routine donor CEOs with firms with non-donor CEOs. The coefficient on the interaction is still positive and statistically significant at the 1% significance level. In column 3 of Table 5, we test our hypothesis about CEO power by excluding non-donor CEOs, and thus we are comparing firms with routine donor CEOs with firms with non-routine donor CEOs. The coefficient on the interaction term is again positive and statistically significant at the 1% significance level. As a robustness check, in column 4 of Table 5, we exclude firms with routine donor CEOs, and thus we are comparing firms with non-routine donor CEOs with firms with non-donor CEOs. The coefficient on the interaction term between the Routine donor CEO dummy and the CEO duality dummy becomes insignificant.

The existing literature has shown that when a higher portion of the directors on a firm's board is outsiders, CEOs are more strictly monitored. In other words, CEOs are less powerful when the board is more independent. In Table 6, we use board independence as an alternative measure for CEO power to test if donating CEOs would impose their personal preferences on firm's CSR engagement when the governance of the firm is weaker. We subset our sample into three subsamples. Column 1 includes observations when a firm's board independence is in the bottom quarter of the same industry in the same year. Column 2 includes observations when a firm's board independence is in the second and third quarter of the same industry in the same year. Column 3 includes observations when a firm's board independence is in the top quarter of the same industry in the same year. We perform our main regressions as in the previous sections. We find that when the board of a firm is more independent, the coefficient on our Routine donor CEO dummy variable is not significant. However, the coefficient is significant in columns 1 and 2, where the independence of boards is higher. We perform the seemingly unrelated estimation and find that the coefficient on Routine donor CEO in column 1 and in column 3 are statistically different. These results show that when CEOs are less powerful, they are less likely to impose their personal preference on firms' CSR investment.

5. Identification Strategies

5.1 Exogenous CEO Turnover and CSR Engagement

Our first identification strategy to draw causality between having a routine donor CEO and CSR engagement is to examine CEO turnovers in cases when a CEO is replaced

for plausibly exogenous reasons. We utilize data from Eisfeldt and Kuhnen (2013) who classify CEO turnovers from 1992 to 2006 as either being exogenous, forced or unclassified. Eisfeldt and Kuhnen (2013) identify a CEO turnover event as exogenous if the CEO's departure is not forced and was announced at least six months before the anticipated succession date or was caused by a well-specified health problem. We augment this dataset following the same procedure. We do not use forced CEO turnovers or unclassified CEO turnovers because these events are highly endogenous. We merge their dataset with ours and focus only on the exogenous CEO turnovers. We are able to identify a set of treated turnovers, defined as turnovers in which a non-routine donor CEO or non-donor CEO is replaced by a routine donor CEO (that is, from Routine donor CEO = 0 to Routine donor CEO = 1). We then carefully construct a control group of turnovers that are matched by time and industry in which a non-routine donor CEO or non-donor CEO is replaced by another non-routine donor CEO or non-donor CEO.

We are able to identify 74 turnovers in our treatment group and 99 turnovers in our control group. We use a difference-in-differences approach to analyze the changes in CSR engagement around exogenous CEO turnovers in the treated group relative to the control group. The estimation model is as follows:

$$CSR_{i,t+n} = \alpha_i + \beta * Treat_{i,t} + \gamma * CEO\ Turnover_{i,t} +$$

$$\delta * Treat * CEO\ Turnover + \epsilon_{i,t}$$

Treat is a dummy variable that equals 1 (both in pre- and post-turnover periods) if the firm has experienced a CEO transition from a non-donor CEO or non-routine donor CEO to a routine donor CEO and 0 otherwise (that is for our control firms). CEO Turnover

is a dummy variable taking the value one in periods following an exogenous turnover and zero for the pre-turnover period. The difference-in-differences coefficient *Treat*CEO Turnover* captures the differential effects. A causal effect of routine donor CEOs on corporate social performance would manifest in a positive coefficient on the interaction term since an exogenous change from a non-donor CEO or non-routine donor CEO to a routine donor CEO should cause an increase in CSR performance. We report the results of the regressions in Table 7.

In column 1 of Table 7, we find that the interaction term *Treat*CEO Turnover* is positive and statistically significant with the coefficient being 0.813. The interaction term is statistically significant at the 5% significance level. Results in column 1 of Table 7 confirm our hypothesis that socially responsible CEOs also invest more in corporate level social responsible activities. In other words, the personal preference of CEOs is a determinant of firm level CSR engagement.

In column 2 of Table 7, we perform a similar regression as in column 1. Specifically, we focus on exogenous CEO turnovers, where a routine donor CEO is replaced by a non-routine donor CEO or a non-donor CEO. We argue that if bringing in a routine donor CEO would cause firms to invest more in CSR activities, the opposite should be expected if a routine donor CEO is replaced with a non-routine donor CEO or non-donor CEO. Using the similar matching procedure, we are able to identify 53 cases where a routine donor CEO is replaced by a non-routine donor CEO or non-donor CEO, and 26 events that a routine donor CEO is replaced with another routine donor CEO. Column 2 of Table 7 presents our regression results. In column 2, *Treat* is a dummy variable which equals one if a routine donor CEO is replaced by a non-routine donor CEO or non-donor CEO and

zero if a routine donor CEO is replaced with another routine donor CEO. *Turnover* is similarly defined as in column 1. We find that the interaction term between Treat and CEO turnover is negative and statistically significant with the coefficient being -1.051 and the t-statistic being -1.85. That is, when a routine donor CEO is replaced by a non-routine donor CEO or non-donor CEO, firm's CSR engagement decreases, consistent with our hypothesis.

5.2 Quasi-Natural Experiment – the Deepwater Horizon Oil Spill Disaster

The Deepwater Horizon oil spill (also referred to as the BP oil disaster) happened on April 20, 2010, in the Gulf of Mexico on the BP-operated Macondo Prospect. This man-made disaster is considered to be the largest marine oil spill in the history and had a severe environmental impact. The U.S. government estimated the total discharge at 4.9 million barrels (210 million U.S. gallons, or 780,000 m^3), which directly polluted 68,000 square miles (180,000 km^2) of ocean and had a devastating effect on marine life in the Gulf.

As this disaster is a shock for environmental concerns, we compare firms' engagement in CSR with and without a routine donor CEO after the oil spill. In table 8, we perform a difference-in-differences estimation where the variable *Treat* equals one if the firm has a routine donor CEO three years before and after the year of oil spill (2010) and zero otherwise. Post 2010 is a dummy variable equals one after year 2010 and zero otherwise. We hypothesize that after the oil spill, routine donor CEO could engage more in CSR activities and especially for the environment category. Consistent with our expectation, we find a positive and statistically significant coefficient on the interaction term between Treat and Post 2010 on CSR score and Environment category score in both Panel A and Panel B of Table 8. For a placebo test, we randomly pick a year without significant disasters as the placebo year (in our case, year 2003). *Treat* is similarly defined

and Post placebo 2003 equals one after year 2003 and zero otherwise for three years before and after 2003. We do not find significant results using 2003, further confirming a causal interpretation of the effect of routine donor CEOs on firms' CSR investment.

5.3 Two Stage Least Squares Estimation

To further address the endogeneity issues here, we utilize the two stage least squares (2SLS) regressions in this subsection. We construct our instrumental variable as the proportion of donor CEOs (donor CEO dummy = 1) within the same zip codes of the company's headquarters in each year. The instrument measures the potential CEO candidate pool for each firm, since the candidate pool itself is less likely to be related to a firm's CSR performance. Table 9 shows our two stage least squares estimation results. In the first stage, we regress our main variable *routine donor CEO* on the instrumental variable. Results in column (1) show that the coefficient on the instrument variable is positive (coefficient = 0.507) and also statistically significant at the 1% significance level (*t-statistic* = 33.62). In column (2), we perform the second stage IV regressions with the dependent variables being CSR scores on the instrumented routine donor CEO variable. In column (2), the coefficient on the *Instrumented routine donor CEO* dummy variable is positive (coefficient = 0.439) and also statistically significant at the 1% significance level (t-statistic = 2.63). By performing the 2SLS regressions, we further confirm that our results are robust to this potential endogeneity problem and conclude that CEO's donating behavior is a determinant of a firm's CSR engagement.

6. Additional Analysis

In Table 10, we instead include firm fixed effects to account for unobserved firm characteristics in our main analysis of the effects of routine donor CEOs on firms' CSR engagement. We find similar results to those in our main tests. Column 1 of Table 9 uses total CSR score as the dependent variable. Column 2 through column 7 use the six components of CSR activities as the dependent variables. Specifically, in column 1 of Table 10, the coefficient on *Routine donor CEO* is positive and statistically significant with the coefficient being 0.257 with a t-statistic equaling 2.22, which means even controlling for the unobserved firm characteristics our main results that routine donor CEOs engagement more in CSR activities continue to hold. For the six CSR sub-categories, we find similar results to previous analysis.

7. Concluding Remarks

In this article, we investigate the relationship between the CEO's donating behavior and the firm's CSR engagement. We find that firms with donor CEOs tend to perform better with regard to corporate social responsibilities. Moreover, we further show that the higher CSR engagement is solely from routine donor CEOs. We also find that this relation between CEO personal social responsible behavior and corporate level social responsible activities is stronger when CEO is more powerful, that is, when a CEO has higher influence on firm policies. We also examine the CSR improvement brought by donor CEOs by investigating exogenous CEO turnover events. We find that when a non-routine-donor CEO or non-donor CEO is replaced by a routine donor CEO, the firm's CSR performance improves. Conversely, when a routine donor CEO is replaced by a non-routine donor CEO or non-donor CEO, the firm's CSR performance deteriorates. Moreover, we use Deepwater

Horizon Oil Spill as a shock to CSR and find that routine donor CEOs respond more to such event.

Our results have possible implication for both academic and practical world. we add another potential determinant for corporate social responsibilities engagement: CEO personal preference. By doing so, we reconfirm the importance of CEO for a firm's success on corporate social performance around upper echelon theory.

Appendix

Variables	Definition and Sources of Data
Donor CEO	Dummy variable equaling one if the CEO donates money to charities in the year.
Routine donor CEO	Dummy variable which equals one when the ratio of the number of charitable donations made by the CEO to her appearing years in our sample is larger than the 75th percentile.
Non-routine donor CEO	Dummy variable which equals one if Routine donor CEO = 0 and Donor CEO = 1.
Firm characteristics:	
Firm Size	Natural logarithm of total assets. From: Compustat
Volatility	Standard deviation of monthly stock returns for the most recent three years. From: CRSP
ROA	Return on assets as net income divided by total assets at the beginning of the year. From: Compustat
Leverage	Book leverage as long-term debt plus debt in current liabilities scaled by total asset. From: Compustat
Market-to-book	(total assets – book equity + market value of equity)/total assets. From: Compustat
Volatility	Monthly stock return volatility in the past three years. From: CRSP
CEO characteristics:	
CEO ownership	Percentage of common shares held by the CEO. From: ExecuComp
CEO duality	Dummy variable equaling one if the CEO is the chairman of the board. From: ISS
Female CEO	Dummy variable equaling one if the CEO is female. From: ExecuComp
Ln CEO tenure	Natural logarithm of CEO tenure. From: ExecuComp
CEO age	Age of the CEO. From: ExecuComp
Ln compensation	Natural logarithm of CEO total compensation. From: ExecuComp
Governance:	
Board independence	Number of independent directors divided by the number of directors. From: ISS

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Table 1 Sample Statistics

Panel A

This table presents descriptive statistics of firms who's CEO donates money to charities in the year and firms who's CEO do not donate. The sample consists of the S&P 1500 firms from fiscal year 2000 to 2014. All variables are described in the Appendix.

	count	mean	sd	p50
Donor = 1				
CSR score	10527	0.254	2.767	0
Firm size	10527	8.153	1.657	8.031
Volatility	10527	10.95	5.515	9.718
ROA	10527	0.0463	0.0792	0.0465
Leverage	10527	0.208	0.175	0.185
Market-to-book	10527	1.834	1.058	1.476
CEO Duality	10527	0.231	0.421	0
Female CEO	10527	0.0216	0.145	0
Ln CEO tenure	10527	1.685	0.581	1.792
CEO age	10527	56.09	7.233	56
Ln compensation	10527	8.231	1.098	8.302
Donor = 0				
CSR score	3801	-0.355	2.025	-1
Firm size	3801	7.259	1.488	7.150
Volatility	3801	12.16	5.707	10.84
ROA	3801	0.0431	0.0892	0.0475
Leverage	3801	0.181	0.177	0.147
Market-to-book	3801	1.832	1.030	1.505
CEO Duality	3801	0.153	0.360	0
Female CEO	3801	0.0226	0.149	0
Ln CEO tenure	3801	1.538	0.558	1.609
CEO age	3801	55.13	7.231	55
Ln compensation	3801	7.851	1.038	7.868
Total				
CSR score	14328	0.0923	2.605	0
Firm size	14328	7.916	1.661	7.795
Volatility	14328	11.27	5.592	10.03
ROA	14328	0.0454	0.0820	0.0468
Leverage	14328	0.201	0.176	0.176
Market-to-book	14328	1.834	1.051	1.484
CEO Duality	14328	0.210	0.407	0
Female CEO	14328	0.0218	0.146	0
Ln CEO tenure	14328	1.646	0.579	1.609
CEO age	14328	55.83	7.244	56
Ln compensation	14328	8.130	1.095	8.183
Observations	14328			

Panel B

This table presents descriptive statistics of firms whose CEO donates money to charities in the year and also has donated in all of the past three years (routine donor CEO = 1) and firms whose CEO donates otherwise (donor CEO = 1 & routine donor CEO = 0). The sample consists of the S&P 1500 firms from fiscal year 2000 to 2014. All variables are described in the Appendix.

	count	mean	sd	p50
Non routine donor CEO = 1				
CSR score	6597	0.111	2.638	0
Firm size	6597	7.991	1.625	7.913
Volatility	6597	11.21	5.511	10.01
ROA	6597	0.0469	0.0821	0.0471
Leverage	6597	0.204	0.176	0.179
Market-to-book	6597	1.879	1.085	1.513
CEO Duality	6597	0.218	0.413	0
Female CEO	6597	0.0208	0.143	0
Ln CEO tenure	6597	1.707	0.585	1.792
CEO age	6597	55.74	7.179	56
Ln compensation	6597	8.158	1.126	8.243
Routine donor CEO = 1				
CSR score	3930	0.493	2.956	0
Firm size	3930	8.426	1.675	8.232
Volatility	3930	10.50	5.493	9.202
ROA	3930	0.0453	0.0741	0.0448
Leverage	3930	0.214	0.174	0.193
Market-to-book	3930	1.759	1.008	1.418
CEO Duality	3930	0.252	0.434	0
Female CEO	3930	0.0229	0.150	0
Ln CEO tenure	3930	1.648	0.573	1.609
CEO age	3930	56.68	7.285	56
Ln compensation	3930	8.353	1.038	8.395
Total donor sample				
CSR score	10527	0.254	2.767	0
Firm size	10527	8.153	1.657	8.031
Volatility	10527	10.95	5.515	9.718
ROA	10527	0.0463	0.0792	0.0465
Leverage	10527	0.208	0.175	0.185
Market-to-book	10527	1.834	1.058	1.476
CEO Duality	10527	0.231	0.421	0
Female CEO	10527	0.0216	0.145	0
Ln CEO tenure	10527	1.685	0.581	1.792
CEO age	10527	56.09	7.233	56
Ln compensation	10527	8.231	1.098	8.302
Observations	10527			

Table 2 Univariate Tests

Panel A

Univariate test of CSR score for donor CEO and non donor CEO firms.

					Mean (1) – (3)	
	mean	sd	mean	sd	b	t
CSR score	0.25	2.77	-0.36	2.02	0.61***	(14.33)
Firm size	8.15	1.66	7.26	1.49	0.89***	(30.79)
Volatility	10.95	5.52	12.16	5.71	-1.21***	(-11.35)
ROA	0.05	0.08	0.04	0.09	0.00	(1.94)
Leverage	0.21	0.18	0.18	0.18	0.03***	(8.05)
Market-to-book	1.83	1.06	1.83	1.03	0.00	(0.12)
CEO Duality	0.23	0.42	0.15	0.36	0.08***	(10.82)
Female CEO	0.02	0.15	0.02	0.15	-0.00	(-0.38)
Ln CEO tenure	1.69	0.58	1.54	0.56	0.15***	(13.77)
CEO age	56.09	7.23	55.13	7.23	0.96***	(7.01)
CEO ownership	1.53	4.15	1.53	3.98	-0.00	(-0.01)
Ln compensation	8.23	1.10	7.85	1.04	0.38***	(19.05)
Observations	10527		3801		14328	

Panel B

Univariate test of CSR score for routine donor CEO and non routine donor CEO.

	mean	sd	mean	sd	b	t
CSR score	0.49	2.96	0.11	2.64	0.38***	(6.66)
Firm size	8.43	1.68	7.99	1.62	0.43***	(13.02)
Volatility	10.50	5.49	11.21	5.51	-0.72***	(-6.47)
ROA	0.05	0.07	0.05	0.08	-0.00	(-1.04)
Leverage	0.21	0.17	0.20	0.18	0.01**	(2.71)
Market-to-book	1.76	1.01	1.88	1.08	-0.12***	(-5.72)
CEO Duality	0.25	0.43	0.22	0.41	0.03***	(3.90)
Female CEO	0.02	0.15	0.02	0.14	0.00	(0.72)
Ln CEO tenure	1.65	0.57	1.71	0.58	-0.06***	(-5.04)
CEO age	56.68	7.28	55.74	7.18	0.94***	(6.42)
CEO ownership	1.44	3.98	1.58	4.24	-0.14	(-1.63)
Ln compensation	8.35	1.04	8.16	1.13	0.20***	(9.03)
Observations	3930		6597		10527	

Table 3 Does CEO Donating Behavior Affect CSR Engagement?

This table reports estimated coefficients from OLS regressions of firm CSR score on different donor CEO dummy variables. Donor CEO equals one if the CEO made charitable donation for at least once. Routine donor CEO equals one if the CEO has donated more times than 75th percentile of all CEOs in our sample. Non routine donor CEO equals one if the CEO has donated fewer times than 75th percentile of all CEOs in our sample but at least once. The CSR score is measured as total strength minus total concerns. All other variables are described in the Appendix. Model 1 and 2 include all observations. Model 3 excludes non routine donor CEOs (excludes observations if donor CEO =1 & routine donor CEO = 0). Model 4 excludes non donor CEOs (excludes observations if donor CEO = 0). Model 5 excludes routine donor CEOs (excludes observations if routine donor CEO = 1). All models include year fixed effects and industry fixed effects. Standard errors are clustered at the firm level and t-statistics are shown in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated by ***, **, and *, respectively.

VARIABLES	(1) CSR score	(2) CSR score	(3) CSR score	(4) CSR score	(5) CSR score	(6) CSR score
Donor CEO	0.200**					
	(2.54)					
Routine donor CEO		0.293***	0.323***	0.244**		
		(2.82)	(2.88)	(2.17)		
Non routine donor CEO					0.139	-0.244**
					(1.64)	(-2.17)
Firm size	0.502***	0.501***	0.551***	0.510***	0.440***	0.510***
	(9.82)	(9.89)	(8.31)	(8.73)	(7.86)	(8.73)
ROA	0.573	0.562	0.753*	0.737	0.263	0.737
	(1.63)	(1.60)	(1.72)	(1.57)	(0.73)	(1.57)
Leverage	-0.812***	-0.804***	-0.831***	-0.789**	-0.820***	-0.789**
	(-3.15)	(-3.13)	(-2.86)	(-2.44)	(-2.86)	(-2.44)
Market-to-book	0.247***	0.252***	0.253***	0.248***	0.245***	0.248***
	(6.29)	(6.41)	(5.25)	(5.12)	(5.77)	(5.12)
Volatility	-0.017**	-0.016**	-0.015*	-0.019**	-0.014*	-0.019**
	(-2.49)	(-2.48)	(-1.83)	(-2.22)	(-1.95)	(-2.22)
CEO ownership	-0.032***	-0.031***	-0.026***	-0.036***	-0.030***	-0.036***
	(-4.35)	(-4.27)	(-3.17)	(-4.16)	(-3.39)	(-4.16)
CEO Duality	0.429***	0.432***	0.577***	0.411***	0.312***	0.411***
	(4.66)	(4.70)	(4.74)	(3.68)	(3.03)	(3.68)
Female CEO	1.311***	1.306***	1.516***	1.159***	1.267***	1.159***
	(4.32)	(4.37)	(3.38)	(2.88)	(4.73)	(2.88)
Ln CEO tenure	-0.045	-0.029	-0.041	-0.055	-0.027	-0.055
	(-1.13)	(-0.72)	(-0.82)	(-1.11)	(-0.60)	(-1.11)
CEO age	-0.010*	-0.010*	-0.010*	-0.010	-0.011*	-0.010
	(-1.79)	(-1.90)	(-1.69)	(-1.42)	(-1.77)	(-1.42)
Ln compensation	0.016	0.015	-0.005	0.034	0.010	0.034
	(0.36)	(0.35)	(-0.09)	(0.64)	(0.21)	(0.64)
Intercept	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	14,328	14,328	7,731	10,527	10,398	10,527
Adjusted R-squared	0.2225	0.2238	0.2524	0.2312	0.2033	0.2312

Table 4 How Does CEO Donating Behavior Affect CSR's Each Component?

This table reports estimated coefficients from OLS regressions of six CSR component scores on routine donor CEO dummy (which equals one if the CEO has donated more times than 75th percentile of all CEOs in our sample.). The CSR component scores are measured as each component's strength minus each component's concerns. All other variables are described in the Appendix. All models include year fixed effects and industry fixed effects. Standard errors are clustered at the firm level and t-statistics are shown in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated by ***, **, and *, respectively.

VARIABLES	(1) Environment	(2) Product	(3) Diversity	(4) Community	(5) Employee relation	(6) Human rights
Routine donor CEO	0.049	-0.018	0.173***	0.082***	0.010	-0.003
	(1.54)	(-0.68)	(3.42)	(3.44)	(0.26)	(-0.27)
Firm size	0.036**	-0.160***	0.476***	0.097***	0.091***	-0.040***
	(2.31)	(-11.30)	(21.51)	(7.79)	(5.53)	(-6.49)
Volatility	-0.008***	-0.004**	0.002	-0.002	-0.004	-0.001
	(-3.53)	(-2.28)	(0.63)	(-1.51)	(-1.57)	(-0.74)
ROA	0.121	0.028	-0.163	0.049	0.531***	-0.004
	(1.17)	(0.29)	(-0.92)	(0.60)	(3.58)	(-0.11)
Leverage	0.066	0.192***	-0.618***	-0.152***	-0.354***	0.063**
	(0.84)	(2.74)	(-4.62)	(-2.79)	(-3.69)	(2.47)
Market-to-book	0.035***	0.014	0.100***	0.028***	0.081***	-0.006
	(3.42)	(1.43)	(4.68)	(3.01)	(5.68)	(-1.50)
CEO ownership	-0.010***	-0.003	-0.010**	-0.002	-0.007**	-0.000
	(-5.03)	(-1.58)	(-2.36)	(-1.19)	(-2.47)	(-0.68)
CEO Duality	0.150***	0.040**	0.212***	0.053***	-0.036	0.013
	(5.00)	(1.99)	(5.03)	(2.92)	(-1.10)	(1.43)
Female CEO	-0.001	0.058	1.190***	0.029	0.016	0.015
	(-0.02)	(1.21)	(8.67)	(0.53)	(0.15)	(0.71)
Ln CEO tenure	0.008	-0.005	-0.020	-0.004	-0.010	0.002
	(0.67)	(-0.40)	(-1.00)	(-0.43)	(-0.63)	(0.43)
CEO age	-0.003	0.001	-0.005*	-0.002**	0.000	-0.001***
	(-1.60)	(0.89)	(-1.70)	(-2.52)	(0.07)	(-2.63)
Ln compensation	0.000	-0.008	0.044*	0.006	-0.029*	0.002
	(0.03)	(-0.60)	(1.85)	(0.58)	(-1.72)	(0.39)
Intercept	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	14,328	14,328	14,328	14,328	14,328	14,328
Adjusted R-squared	0.2027	0.2251	0.3789	0.1375	0.1539	0.1094

Table 5 CEO Duality and CSR Engagement

This table presents our regression results of CSR score on the interaction terms between varies donor CEO dummy variables and CEO power. Routine donor CEO equals one if the CEO has donated more times than 75th percentile of all CEOs in our sample. Non routine donor CEO equals one if the CEO has donated fewer times than 75th percentile of all CEOs in our sample but at least once. CEO power is measured by a dummy variable CEO duality equaling one if the CEO is also the chairman of the board. All models include year fixed effects and industry fixed effects. All other variables are defined in the Appendix. Standard errors are clustered at the firm level and t-statistics are shown in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated by ***, **, and *, respectively.

VARIABLES	(1) CSR score (full sample)	(2) CSR score (excludes non routine donor CEO)	(3) CSR score (excludes non donor CEO)	(4) CSR score (excludes routine donor CEO)
CEO Duality	0.281***	0.239*	0.222*	0.253*
	(2.83)	(1.76)	(1.75)	(1.87)
Routine donor CEO	0.181*	0.218*	0.133	
	(1.68)	(1.91)	(1.13)	
Non routine donor CEO				0.125
				(1.50)
Routine donor CEO = 1 * CEO duality	0.484***	0.572***	0.472***	
	(2.96)	(3.08)	(2.68)	
Non routine donor CEO = 1 * CEO duality				0.086
				(0.52)
Firm size	0.499***	0.546***	0.509***	0.439***
	(9.85)	(8.18)	(8.72)	(7.83)
Volatility	-0.017**	-0.016**	-0.019**	-0.014**
	(-2.53)	(-1.96)	(-2.23)	(-1.96)
ROA	0.577*	0.778*	0.756	0.264
	(1.65)	(1.77)	(1.61)	(0.73)
Leverage	-0.798***	-0.807***	-0.790**	-0.817***
	(-3.11)	(-2.77)	(-2.45)	(-2.84)
Market-to-book	0.253***	0.253***	0.247***	0.245***
	(6.43)	(5.25)	(5.13)	(5.76)
CEO ownership	-0.030***	-0.025***	-0.036***	-0.030***
	(-4.15)	(-2.99)	(-4.06)	(-3.38)
Female CEO	1.305***	1.522***	1.156***	1.269***
	(4.34)	(3.38)	(2.85)	(4.73)
Ln CEO tenure	-0.027	-0.038	-0.054	-0.027
	(-0.68)	(-0.77)	(-1.10)	(-0.59)
CEO age	-0.010*	-0.011*	-0.009	-0.011*
	(-1.89)	(-1.71)	(-1.40)	(-1.78)
Ln compensation	0.016	-0.006	0.035	0.010
	(0.36)	(-0.11)	(0.65)	(0.21)
Intercept	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	14,328	7,731	10,527	10,398
Adjusted R-squared	0.2249	0.2542	0.2323	0.2033

Table 6 Board Independence, Routine Donor CEO, and CSR

This table reports regression results from an OLS estimation using three sub-samples. Column 1 includes observations when the independence of the board is in the bottom quarter in the industry-year group. Column 2 includes observations when the independence of the board is in the second and third quarter in the same industry-year group. Column 3 includes observations when the independence of the board is in the top quarter in the same industry-year group. The dependent variables in all three columns are CSR score from KLD database. All models include both year fixed effects and industry fixed effects. . Standard errors are clustered at the firm level and t-statistics are shown in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated by ***, **, and *, respectively.

	(1)	(2)	(3)
VARIABLES	CSR score (Bottom Quarter independence)	CSR score (Middle Quarter Independence)	CSR score (Top Quarter Independence)
Routine donor CEO	0.533***	0.336**	0.042
	(3.19)	(2.23)	(0.20)
Firm size	0.195***	0.612***	0.687***
	(2.77)	(8.09)	(6.96)
Volatility	-0.012	-0.001	-0.023
	(-1.01)	(-0.06)	(-1.28)
ROA	0.865	0.807	0.553
	(1.45)	(1.35)	(0.54)
Leverage	-0.985**	-0.854**	-0.956*
	(-2.37)	(-2.23)	(-1.71)
Market-to-book	0.122**	0.304***	0.436***
	(2.29)	(5.13)	(3.78)
CEO ownership	-0.012	-0.020	-0.088**
	(-1.18)	(-1.52)	(-2.05)
CEO Duality	0.022	0.069	0.615***
	(0.13)	(0.53)	(3.12)
Female CEO	0.953**	1.661***	1.442**
	(2.23)	(4.99)	(2.15)
Ln CEO tenure	0.025	-0.081	0.037
	(0.41)	(-1.28)	(0.38)
CEO age	-0.004	-0.012	-0.020
	(-0.49)	(-1.41)	(-1.28)
Ln compensation	0.019	0.016	0.013
	(0.32)	(0.21)	(0.10)
Intercept	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
Observations	3,457	6,107	2,412
Adjusted R-squared	0.1715	0.2434	0.2925
		Diff (1) – (3)	
Difference		0.491*	

Table 7 Exogenous CEO Turnover and CSR

This table reports the regressions results from a difference-in-differences specification. The dependent variable is CSR score. In column 1, Treat is a dummy variable that takes the value 1 (both in pre- and post-turnover periods) if the firm has experienced an exogenous CEO transition from a non-donor CEO or non-routine donor CEO to a routine donor CEO or 0 otherwise (that is for our control firms). In column 2, Treat is a dummy variable that takes the value 1 (both in pre- and post-turnover periods) if the firm has experienced an exogenous CEO transition from a routine donor CEO to a non-donor CEO or non-routine donor CEO and 0 otherwise. CEO Turnover is a dummy variable taking the value one in periods following an exogenous turnover and zero for the pre-turnover period. We use three years for both the pre- and after- periods. The difference-in-differences coefficient Treated*CEO Turnover is the effect from a routine donor CEO. All models in this table include year and firm fixed effects. Standard errors are clustered at the firm level and t-statistics are shown in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated by ***, **, and *, respectively.

VARIABLES	(1) CSR score	(2) CSR score
CEO Turnover	-0.153	0.766
	(-0.57)	(1.52)
Treat * CEO Turnover	0.813**	-1.051*
	(2.31)	(-1.85)
Firm size	-0.254	0.488
	(-0.60)	(0.91)
Volatility	-0.018	-0.031
	(-0.68)	(-1.24)
ROA	-0.284	3.073
	(-0.31)	(1.56)
Leverage	1.513*	4.102**
	(1.68)	(2.34)
Market-to-book	0.015	-0.445***
	(0.09)	(-2.90)
CEO ownership	0.027	0.005
	(1.50)	(0.30)
CEO Duality	0.432*	0.590**
	(1.87)	(2.41)
Female CEO	-0.247	-1.497***
	(-0.43)	(-3.08)
Ln CEO tenure	0.009	0.090
	(0.08)	(0.61)
CEO age	-0.008	0.001
	(-0.54)	(0.06)
Ln compensation	-0.106	-0.367*
	(-0.93)	(-1.73)
Intercept	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	980	457
Adjusted R-squared	0.6334	0.6620

Table 8 Quasi-Natural Experiment with Routine Donor CEO on CSR

This table reports the difference-in-differences regression results using the Deepwater Horizon Oil Spill Disaster as a quasi-natural experiment and also a placebo year as a comparison. Treat equals one if the firm has a routine donor CEO three years before and after the year of oil spill happened (2010). Post in Panel A equals one for years after 2010 and 0 for years before 2010. We use three years before and after. Post in Panel B equals one for years after 2003 and 0 for years before 2003. We use three years before and after. All other variables are defined in the Appendix. Standard errors are clustered at the firm level and t-statistics are shown in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated by ***, **, and *, respectively.

Deepwater Horizon Oil Spill Disaster	(1) CSR score	(2) Environment	(3) Product	(4) Diversity	(5) Community	(6) Employee relation	(7) Human rights
Treat	-0.064	-0.125**	-0.087**	0.123*	0.006	0.038	-0.020
	(-0.41)	(-2.51)	(-2.11)	(1.66)	(0.16)	(0.60)	(-1.08)
Treat * Post 2010	0.591***	0.246***	0.125***	0.143**	0.100**	-0.049	0.028
	(3.64)	(4.04)	(3.13)	(2.21)	(2.49)	(-0.79)	(1.29)
Adjusted R-squared	0.2623	0.2308	0.2195	0.4063	0.1518	0.1649	0.0635
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Treat * Post 2010	0.574***	0.222***	0.133***	0.139**	0.105***	-0.053	0.029
	(3.55)	(3.57)	(3.37)	(2.19)	(2.68)	(-0.85)	(1.31)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8,206	8,206	8,206	8,206	8,206	8,206	8,206
Adjusted R-squared	0.6585	0.5440	0.5848	0.7515	0.5474	0.4511	0.3495
Placebo	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Treat	0.429*	0.096	-0.004	0.227**	0.109	-0.008	0.009
	(1.76)	(1.24)	(-0.06)	(1.96)	(1.46)	(-0.08)	(0.26)
Treat * Post placebo 2003	-0.015	-0.051	0.011	-0.036	-0.045	0.099	0.006
	(-0.08)	(-0.83)	(0.18)	(-0.36)	(-0.73)	(1.10)	(0.23)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.2134	0.2423	0.2822	0.3452	0.1449	0.1123	0.1869

Treat * Post placebo 2003	0.185	0.013	0.041	0.007	-0.034	0.129	0.029
	(1.00)	(0.22)	(0.68)	(0.07)	(-0.57)	(1.39)	(1.20)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6,720	6,720	6,720	6,720	6,720	6,720	6,720
Adjusted R-squared	0.7819	0.7646	0.7523	0.8154	0.6928	0.6176	0.6551

Table 9 2SLS Regressions

This table reports results from the 2SLS regressions. Column 1 shows first stage regression results of our routine donor CEO dummy variable on our instrumental variable. Instrumental variable is the proportion donor CEOs within the same zip codes of the respective company's headquarter. Column 2 reports second stage regression results using instrumented routine donor CEO as the main independent variable. The dependent variable is CSR score. All models include year fixed effects and industry fixed effects. Standard errors are clustered at the firm level and t-statistics are shown in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated by ***, **, and *, respectively.

VARIABLES	(1) Routine donor CEO	(2) CSR score
Instrument	0.507***	
	(33.62)	
Routine donor CEO		0.439***
		(2.63)
Firm size	0.021***	0.494***
	(2.81)	(9.63)
Volatility	-0.000	-0.016**
	(-0.01)	(-2.48)
ROA	-0.032	0.569
	(-0.52)	(1.63)
Leverage	-0.008	-0.803***
	(-0.16)	(-3.14)
Market-to-book	0.000	0.251***
	(0.06)	(6.39)
CEO ownership	0.000	-0.031***
	(0.13)	(-4.29)
CEO Duality	0.018	0.427***
	(1.16)	(4.68)
Female CEO	0.008	1.302***
	(0.15)	(4.39)
Ln CEO tenure	-0.008	-0.029
	(-1.17)	(-0.71)
CEO age	0.001	-0.011**
	(1.39)	(-1.97)
Ln compensation	0.008	0.013
	(1.00)	(0.30)
Intercept	Yes	Yes
Year	Yes	Yes
Industry FE	Yes	Yes
Observations	14,328	14,328
Adjusted R-squared	0.2680	0.2232

Table 10 Robustness Test – Firm Fixed Effects

This table reports regression results using a similar specification as in Table 3 and Table 4 above. Column 1 uses total CSR score as the dependent variable. Column 2 to 7 use the six components of CSR score as the dependent variables. Routine donor CEO is defined as in Table 3. All models include both year fixed effects and firm fixed effects. Standard errors are clustered at the firm level and t-statistics are shown in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated by ***, **, and *, respectively.

VARIABLES	(1) CSR score	(2) Environment	(3) Product	(4) Diversity	(5) Community	(6) Employee relation	(7) Human rights
Routine donor CEO	0.257**	0.075	0.026	0.162***	0.066**	-0.079	0.007
	(2.22)	(1.58)	(0.79)	(3.03)	(2.23)	(-1.50)	(0.37)
Firm size	-0.239**	-0.200***	-0.056*	0.052	-0.009	-0.003	-0.022
	(-2.51)	(-5.31)	(-1.80)	(1.25)	(-0.45)	(-0.09)	(-1.56)
Volatility	-0.031***	-0.010***	0.001	-0.006*	-0.005***	-0.009***	-0.001
	(-4.69)	(-3.92)	(0.31)	(-1.77)	(-3.18)	(-3.36)	(-0.90)
ROA	0.424	0.140	0.075	-0.132	-0.034	0.406***	-0.031
	(1.55)	(1.40)	(1.11)	(-1.04)	(-0.59)	(3.15)	(-0.89)
Leverage	0.451*	0.285***	-0.039	0.180	0.114*	-0.087	-0.002
	(1.76)	(2.88)	(-0.57)	(1.42)	(1.80)	(-0.75)	(-0.07)
Market-to-book	-0.105***	-0.051***	0.009	0.004	-0.018*	-0.038**	-0.011**
	(-2.74)	(-3.24)	(0.69)	(0.21)	(-1.90)	(-2.30)	(-1.99)
CEO ownership	0.015**	0.002	0.002	0.007**	0.002*	0.002	0.001
	(1.96)	(0.50)	(1.24)	(1.97)	(1.90)	(0.56)	(0.40)
CEO Duality	0.377***	0.211***	0.038**	0.118***	0.026	-0.024	0.009
	(5.15)	(6.99)	(2.11)	(3.65)	(1.44)	(-0.79)	(0.89)
Female CEO	-0.016	-0.034	0.129	0.218	-0.056	-0.326**	0.052
	(-0.06)	(-0.26)	(1.46)	(1.37)	(-0.73)	(-1.97)	(1.39)
Ln CEO tenure	-0.013	0.012	-0.019**	0.019	0.005	-0.029**	-0.001
	(-0.46)	(1.20)	(-2.45)	(1.39)	(0.76)	(-2.08)	(-0.27)
CEO age	-0.015***	-0.003	-0.001	-0.005**	-0.001	-0.004	-0.001*
	(-2.63)	(-1.11)	(-0.84)	(-2.02)	(-0.60)	(-1.55)	(-1.81)
Ln compensation	-0.040	-0.014	0.001	-0.018	0.002	-0.015	0.003
	(-1.21)	(-1.01)	(0.11)	(-0.98)	(0.29)	(-0.97)	(0.59)
Intercept	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	14,328	14,328	14,328	14,328	14,328	14,328	14,328
Adjusted R-squared	0.6138	0.5110	0.5825	0.7178	0.5277	0.4421	0.3861