

高階主管工作經驗及短視行為如何影響企業 社會責任之參與？

How Does CEO Work Experience and Myopic Behavior Influence CSR Engagement?

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摘要：目前雖然已有許多文獻在探討企業社會責任投入良窳對於公司績效之影響，文獻上仍然忽略高階主管在企業社會責任中扮演的角色，為了彌補此缺口，本研究以人工收集資料的方式收集 2003 至 2012 年間美國標準普爾 1,500 企業高階主管工作經驗，分析高階主管工作經驗如何影響企業社會責任的參與，以及進一步檢測管理者短視近利行為，亦即分析高階主管面臨無法達成分析師盈餘預測水準情境時，高階主管工作經驗如何影響他們從事企業社會責任的行為。實證結果指出，高階主管國際化經驗越豐富，對於企業社會責任投入越重視；相反地，支援功能背景出身的高階主管，對於企業社會責任投入越不重視。此外，國際化經驗越豐富的高階主管，就算面臨無法達成分析師盈餘預測，他們仍然會將企業資源投入於企業社會責任活動；相反地，支援功能背景出身的高階主管，面臨公司無法達成分析師盈餘預測時，他們傾向減少企業社會責任的投入，以達成分析師盈餘預測門檻。本研究除了能補充現有企業社會責任文獻外，也對於管理實務深具意涵。

關鍵詞：企業社會責任、高階主管工作經驗、短視近利行為、分析師盈餘預測

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本研究係科技部專題研究計劃研究成果之一 (#MOST 103-2410-H-018-003)。作者由衷感謝企業倫理、社會責任與永續發展專刊兩位匿名評審委員提供的寶貴意見，使本文論證更加嚴謹，疏漏得以修正，文中不足之處，均由作者自行負責。

Abstract: While there is a growing body of studies examining both the differences between firms that perform strongly and poorly with regard to corporate social responsibility (CSR), most have ignored the important role of the CEO in formulating and implementing CSR initiatives, especially with regard to CEO work experience. The sample is based on data from the US S&P 1,500 firms for the period from 2003 to 2012, from which we manually collect data on the CEOs' prior work experience. Thus, this study explores the impact of a CEO's prior work experience on CSR. In a further examination of myopic behavior, this study attempts to uncover the circumstances under which CEO's prior work experience is related to CSR. This study finds that CEOs with international experience have more incentive to invest in CSR, but those with throughput-function work experience have less incentive to do so. In addition, this work finds that CEOs with international experience are more likely to engage in CSR activities even if they face earnings forecast pressure from analysts. However, CEOs with throughput-function work experience are more likely to cut CSR expenditures in order to increase short-term earnings when they are faced with earnings forecast pressure. The findings of this study will extend the existing CSR studies, with important implications for management practice.

Keywords: Corporate Social Responsibility, CEO Work Experience, Myopic Behavior, Analysts' Earnings Forecast

1. Introduction

An increasing number of studies have examined the issue of corporate social responsibility (hereafter CSR) in the context of business management, government policy and society in general (Baron, 2010). In 2004, about 90% of the Fortune 500 companies had explicit CSR initiatives (Kotler and Lee, 2004), and such activities are rapidly becoming an integral part of mainstream business culture. Indeed, by 2010 almost all of the Fortune 500 companies, and even many smaller ones, had adopted explicit CSR policies (Cheney, 2010). In general, firms with better CSR have a smaller information gap with regard to stakeholders, and thus a lower cost of capital (Dhaliwal *et al.*, 2011) and greater firm value (Margolis and Walsh, 2003; Orlitzky *et al.*, 2003; Peng and Yang, 2014). In addition, previous studies have suggested a number of factors that are associated with the best CSR practices, such as the effects of environmental munificence and environmental dynamics (Goll and Rasheed, 2004), compensation plans (Deckop *et al.*, 2006; Manner, 2010; McGuire *et al.*,

2003), high customer awareness (Servaes and Tamayo, 2013), and high stakeholder concerns (Figue and Hahn, 2013; Rodrigue *et al.*, 2013). However, the current CSR literature has ignored the role of CEOs in formulating and implementing CSR policies (Waldman and Siegel, 2008). The upper-echelon literature relates CEO demographics to various organizational processes and outcomes, such as R&D innovation (Barker and Mueller, 2002), corporate financial disclosure (Bamber *et al.*, 2010) and firm performance (Weinzimmer, 1997). However, there is no evidence suggesting relevant managerial variables affecting CSR performance (Angus-Leppan *et al.*, 2010; Waldman *et al.*, 2006). A CEO is a key decision-maker charged with the responsibilities of formulating and implementing corporate strategy and choices, and his or her values and beliefs definitely play a crucial role in promoting the image of the firm through social responsibility (Waldman *et al.*, 2006). The differences in CEOs' experience can thus be associated with differences in important personal values and cognitive styles, such as honesty and tolerance of ambiguity, which can lead to different managerial choices. This study attempts to fill this literature void by exploring how CEO work experience affects CSR performance.

Recent studies support the claim that executive work experience is one of the preeminent drivers of managerial behavior (Datta *et al.*, 2005; Sturman, 2003; Taras *et al.*, 2010) and is one of the most salient demographic characteristics in studies on management research (Dokko *et al.*, 2009; Ng and Feldman, 2010). It has been suggested that it will also shape how executives perceive their cognitive processes, skills, and strategic choices (Herrmann and Datta, 2006; Ng and Feldman, 2010). In fact, Loch and Buhay (2011) note that a survey among consumers and Fortune 1,000 CEOs indicated that the majority (88%) of business leaders claim that their companies were making efforts to become greener. However, only 29% of the CEOs and 17% of consumers stated that they believed a majority of businesses are committed to taking action to become more environmentally sustainable. It is thus clear that there is a gap between the stated beliefs of CEOs and their CSR actions, and more work is needed to explore this issue. This paper thus extends the existing literature by examining how a CEO's prior work experience (i.e., *CEO international experience* and *CEO functional work experience*) influences a firm's decision to engage in CSR.

Although a relationship between CEO's prior work experiences and CSR may generally occur, an important factor that has not yet been considered is the moderating effect of managerial myopic behavior. Bhojraj and Libby (2005) suggest that the term managerial myopia is associated with greater managerial opportunism. In other words, myopic investment behavior (or managerial myopia) refers to under-investment in long-term, intangible projects such as R&D, advertising, and

employee training for the purposes of meeting short-term goals (Porter, 1992). The theory regarding managerial myopic behavior is based on signaling models as first introduced by Spence (1973) and provides a theoretical framework that demonstrates how myopic outcomes can occur. Bebchuk and Stole (1993) and Bizjak *et al.* (1993), Trueman (1986), for example, develop such models. In a signaling framework, firms face either good or bad prospects that are unobservable by the market, and firms with good prospects want the stock market to know about their better prospects because this will improve expectations related to their future performance and firm valuation. Thus, the specifications of signaling models can yield situations where myopic behavior incentives lead to under-investment of a particular project type. In fact, Graham *et al.* (2005) survey and interview more than 400 executives and document that 78% of executives will forgo a long-term value project if the project will cause them to miss short-term earnings targets.

Previous research on myopic manager behavior has tended to focus on trade-offs due to long-term investments, particularly if those investments involve current discretionary expenses, such as discretionary R&D, employee training and marketing expenses that reduce current earnings while creating future intangible assets that are difficult for investors to measure (Stein, 1989). In these situations, myopic CEOs can easily increase current earnings by reducing investments in future intangible assets (e.g., Bushee, 1998; David *et al.*, 2001). Some characteristics of CSR investment are similar to those of R&D investment, as they are also unlikely to have positive effects on short-term financial performance (Chien and Peng, 2012; Mahapatra, 1984; Short, 2004) and suffer from high information asymmetry and low programmability (Deckop *et al.*, 2006), as well as high levels of uncertainty (Mansfield, 1968). Thus, this study focus on the moderating effect of myopic behavior on CSR expenditures.

In addition, Narayanan (1985) predict that managerial myopic incentive is inversely related to experience. This is because the more experience managers have, the more precise the shareholders' estimate of the capability associated with experience will be; hence there will be less incentive for managers to make decision yielding short-term gains. CEOs can respond to earnings pressure in multiple ways, such as ignoring it (King, 2004), managing expectations (earnings guidance) by communicating more effectively with capital market agents (Bernhardt and Campello, 2007), managing discretionary accruals (Degeorge *et al.*, 1999), or making business decisions to accommodate the pressure (Graham *et al.*, 2005). This study argues that some CEOs will engage in myopic behavior by cutting discretionary CSR expenditures in order to meet short-term earnings targets. For example, CEOs with a financial background have already learned to value and pay

attention to market indicators and other traditional measures of short-term financial performance, and thus they may have greater incentive to meet short-term earnings targets by cutting discretionary CSR. However, there may still be some CEOs who will engage in CSR based on their preferences. This study is thus an attempt to extend the existing literature by examining how myopic behavior impacts the association between different levels of CEO work experience and CSR.

This study contributes to the literature in the following two ways: First, while there is a growing body of research examining the differences among firms with regard to their social performance, these studies typically treat the firm itself as the agent (Hemingway and Mclagan, 2004). In fact, it is the leaders of these firms who must ultimately decide on what strategic approach to take with respect to social issues in general. Integrating the upper-echelons perspective (Hambrick and Mason, 1984) into stakeholder theory, Freeman (1984) suggest that a CEO's attributes may affect their strategic choices (Barker and Muller, 2002; Manner, 2010). Although prior research suggests that CEO educational background, gender and compensation drive changes in CSR investment (Manner, 2010), it remains unclear what roles various levels of CEO work experience play in CSR activities since work experience data is not easy to capture from a database. Therefore, for the purposes of this study, details of the experience of the CEOs of the 1,500 largest firms in the US were selected from their biographies on the *BusinessWeek* website in order to investigate the association between CEO work experience and CSR. Thus, this study hand-collected details of the work experience of the CEOs in the US S&P 1,500 firms (including S&P 500, S&P Mid Cap 400, and S&P Small Cap 600 companies), which together represent approximately 90% of the U.S. equity market.

Second, from a strategic management perspective, a major concern is whether earnings pressure leads to changes in business decision making. So far, the debate has mainly built on anecdotal evidence (Porter, 1992), simple surveys for managers (Graham *et al.*, 2005) or classroom experiments (Bhojraj and Libby, 2005). There is no systematic direct evidence of earnings pressure effects on individual CEO behavior. In fact, the personal background and amount of work experience will affect the perceptions, recognition, values and behavior of top managers, and these factors will indeed affect their understanding of the corporate environment and further affect the performance of the organization (Hambrick and Mason, 1984; Herrmann, 2002; Miller *et al.*, 1982; Thomas and Simerly, 1994). Prior signaling studies tell us little about how individual CEO work experience affects their CSR behavior when they face greater myopic behavior situations. This study is an attempt to fill this gap.

The rest of this paper is organized as follows: The second section presents the hypotheses, while the third describes the research method. The fourth section then presents the empirical results, and the conclusions of this work are given in the fifth section.

2. Hypotheses

2.1 CEO Work Experience and CSR

Over the past decade, there has been a surge of interest in the international assignment backgrounds of CEOs (Finkelstein *et al.*, 2008). This is because such experience is a valuable source of information and expertise about foreign markets, cultures, business practices and the performance of different firms (Athanassiou and Nigh, 2000; Billing *et al.*, 2010; Daily *et al.*, 2000; Sambharya, 1996). International experience may also be inimitable and non-substitutable, since such experience provides individuals with skills that are not easily developed through other means (e.g., Sambharya, 1996; Sullivan, 1994). For example, Daily *et al.* (2000) suggest that international experience provides CEOs with inimitable knowledge, a worldview, and professional ties that help them better manage international operations. In the same vein, Athanassiou and Nigh (2000) claim that a CEO's international experience facilitates greater access to international networks. These arguments are consistent with the view that successful exposure to international markets requires unique strategic leadership capabilities (e.g., Daily and Schwenk, 1996). Thus, it evidences that international assignment experience provides CEOs with greater ability to process complex global issues, and these valuable resources may be used to influence their firm's CSR policy.

The experience of living and working in a foreign country may also influence the cognitive orientation of executives (Hermann and Datta, 2006). Executives often report that their international assignment experience has lasting impacts on their worldviews and on how they manage their firms (Carpenter *et al.*, 2000; Gregersen *et al.*, 1998). In fact, research suggests that when CEOs have international experience, their perceptions and personality take on a more international orientation resulting in a global mindset as a result of exposure to different value systems and institutional environments (Gunz and Jalland, 1996; Sambharya, 1996). CEOs with international assignments often assume a much greater breadth of responsibilities than is seen among those whose careers have been more focused on domestic activities (Suutari and Makela, 2007). In contrast, a lack of international assignment experience sometimes creates an insurmountable barrier to understanding multinational foreign employees, competitors, and customers. Thus, CEOs with international

assignment experience may be aware of a broader set of stakeholders.

Based on the above reasons, CEOs with international assignment experience may have enhanced ability to process complex global issues, and they be aware of a broader set of stakeholders, thus leading to the following hypothesis.

H1-1: More international experience on the part of CEOs will be positively associated with firm CSR performance.

Additionally, Dearborn and Simon (1958) found that CEOs perceive and interpret information in ways that suit and reinforce their functional training, and thus managers with differing histories of functional experience differ in their attitudes, knowledge, and perspectives and, consequently, make different strategic choices. For example, Chaganti and Sambharya (1987) and Govindarajan (1989) note the associations between top managers' functional backgrounds and the orientation of their firms' competitive strategies. Similarly, Smith and White (1987) observe significant relationships between new CEOs' functional backgrounds and their firms' diversification strategies.

Building on the work of Dearborn and Simon (1958) and others, Hambrick and Mason (1984) propose an upper-echelons perspective and state that there are two functional categories: output functions (e.g., marketing, sales, and R&D) and throughput functions (e.g., production, process engineering, and finance). They found that top managers consider their own interests of primary importance in organizational decision-making based on their functional work experience. Basically, throughput functional experience has been associated with a proclivity toward control and operational efficiency (Hambrick and Mason, 1984), and such CEOs will be more task-oriented (Thomas and Simerly, 1994). These CEOs might give less priority to the demands of constituencies outside the organization (Simerly, 2003), which should result in a lower perceived importance of CSR.

In contrast, output functional experience has been associated with a preference for innovation and strategies involving aggressive quests for greater market share (Gupta and Govindarajan, 1984). Vilanova *et al.* (2009) support the premise that most innovative firms have a strong commitment to CSR through sustainability reports or environmentally-friendly policies. For example, Vilanova *et al.* (2009) report that the most innovative companies, including Google, Microsoft, 3M and Sony, claim to have a strong commitment to CSR through sustainability reports, codes of conduct, governance issues and environmental policies. Thus, output-functional CEOs might have higher level of CSR and tend to be more sensitive to stakeholders than throughput-function CEOs.

Based on the above reasons, it is expected that CEOs with throughput experience will be less

sensitive to the needs of stakeholders than those with output experience. This leads to the following hypothesis:

H1-2: More throughput functional work experience on the part of CEOs will be negatively associated with firm CSR performance.

2.2 CEO International Experience and CSR under Myopic Behavior

Organizational studies suggest that CEOs with international experience have the potential ability to carry out global strategic initiatives. In other words, CEOs with sufficient international experience may have greater ability to build and maintain relationships with host country stakeholders (Dowling *et al.*, 1999). In contrast, CEOs without sufficient international experience bear consider costs, including loss of self-confidence and reputation (Dowling *et al.*, 1999). Moreover, the network benefits of CEO international assignment experience may also contribute to inter- and intrafirm reputation and trust, factors that have been associated with firm performance in the capabilities and resource-based views, respectively (Barney, 1992; Teece *et al.*, 1997). For instance, recent prescriptions of multinationals have emphasized the importance of strategic alliances and inter-subsidary cooperation (Bartlett and Ghoshal, 1989; Gupta and Govindarajan, 1991). This cooperation is facilitated by contacts and trust between managers at a firm's headquarters and among those in overseas operations as well as strategic partners (Kim and Mauborgne, 1993), and the networks accompanying international assignment experience may contribute to these contacts and to the level of trust. International assignments allow executives to live and work long enough in another part of the world that they likely develop an understanding of the relationships among worldwide operations and capabilities (Kobrin, 1988; Lublin, 1996). Based on the above reasons, it is expected that international assignment experience on the part of CEOs enhances their firm reputation.

In addition, economic theory suggests that managers with significant reputations at stake will not indulge in opportunistic rent-seeking behavior (e.g., Fama, 1980; Kreps *et al.*, 1982; Kreps, 1990). In a reputation context, this "efficient contracting" perspective predicts that reputed firms or CEOs are less likely to take actions that result in poor discretionary quality reporting for two reasons. First, reputed CEOs have more to lose in terms of their own human capital if they make accounting and disclosure choices that result in poor discretionary quality. Second, given prior evidence that firms with good quality earnings are associated with lower costs of capital, reputed CEOs, to the extent that they are more knowledgeable than CEOs without established reputations, avoid actions

that result in higher costs of capital for their firms (unless such actions bring commensurate increases in returns). Hence, the efficient contracting hypothesis predicts that firms managed by reputed CEOs have better discretionary earnings quality.

Engaging in socially responsible activities not only improves stakeholder satisfaction, but also has a positive effect on corporate reputation. Disclosure of information about corporate behavior and outcomes regarding social responsibility may help build a positive image among stakeholders (Orlitzky *et al.*, 2003). This positive image may help firms to establish community ties and build reputation capital, in turn improving their ability to negotiate more attractive contracts with suppliers and governments, to charge premium prices for goods and services, and to reduce their cost of capital (Fombrun *et al.*, 2000). Therefore, by resorting to CSR practices, firms are able to gain support from their various stakeholder groups.

Taking the above three arguments together, while CEO reputation is obviously important in signaling credibility, CEOs with international experience will have better reputations, and highly reputed CEOs will have better discretionary earnings quality and greater incentive to engage in CSR. Based on the positive image or corporate reputation considerations, it is expected that CEOs with international experience will also have greater incentive to engage in CSR even when faced with analyst forecast earnings threshold pressure. This leads to the following hypothesis:

H2: CEOs with more international experience will engage in CSR for firms that are just able to exceed financial analysts' earnings benchmarks as compared to other firms.

2.3 CEO functional work experience and CSR under Myopic Behavior

Both Hall and Gingerich (2009) and Hayes and Abernathy (1980) assert that throughput-function managers face more intense pressure related to financial issues than output-function managers. As such, myopic investment behavior is a type of earnings management that is most likely to occur when throughput managers face a trade-off between meeting analysts' earnings targets and maintaining CSR investments. Managers with a throughput background may adopt a conservative disclosure stance since they are considered less tolerant of ambiguity (Holland, 1997). When a negative earnings surprise occurs, investors must determine how much to update their prior beliefs about future earnings. For example, Skinner and Sloan (2002) found that unexpectedly missing earnings forecasts by 1 percent could lead to a negative abnormal stock market return of 15 percent for growth stocks and 5 percent for value stocks. Considering the risk of failing to meet analysts' earnings targets, CEOs with throughput-function degrees such as

accounting or finance degrees are likely to be more aware of the penalties the market exacts when firms fail to meet their earnings forecasts (Chen, 2004; McCabe *et al.*, 2006). In contrast, the tasks of CEOs with output function are often associated with risk and uncertainty. CEOs with output backgrounds are more attuned to the dynamics of the market and stakeholder requirements, such as those impacting sustainability (Galbreath, 2010). As a result, level of work experience on the part of a CEO can be viewed as a signal for an executive's risk propensity or willingness to take risk.

In addition, Datta and Rajagopalan (1998) and Hambrick and Mason (1984) find that CEOs with output-oriented functional backgrounds are preferred in organizations pursuing innovation strategies or prospector strategies. On the contrary, CEOs with a throughput-oriented functional background will be favored in organizations pursuing efficiency-oriented strategies or defender strategies (Datta and Rajagopalan, 1998). Generally, defender firms employ short-term financial performance measures to align their performance to the near-term financial strategy of the firm (Govindarajan and Fisher, 1990; Simons, 1987). Thus, CEOs with throughput-oriented functional backgrounds are likely to have a higher expectation of immediate financial performance. These firms might cut discretionary CSR expenditures in order to meet short-term analyst forecast earnings, thus signaling success or profitability. Based on the above two reasons, the following hypothesis is proposed:

H3: CEOs with more throughput-function work experience have less incentive to engage in CSR for firms that are just able to exceed financial analysts' earnings benchmark as compared to other firms.

3. Research Method

3.1 Sample

The CSR sample was drawn from all the US companies in the *KLD* (Kinder, Lindenberg, and Domini) database during the period from 2003 to 2012, since this database has been used in previous studies (Graves and Waddock, 1994; Hillman and Keim, 2001; Johnson and Greening, 1999). Data on the CEOs' prior international experience and functional work experience was hand-collected from *Business Week's Corporate Elite*, with this data having been used by a number of earlier researchers (Guthrie and Datta, 1997; Ward *et al.*, 1995). In addition, all other financial data were obtained from the *Compustat* database. Analyst forecast data were obtained from the *I/B/E/S* summary files. Financial industry indicates firms with primary SIC codes ranging

from 6000–6799, while public administration industry indicates firms with primary SIC codes ranging from 9100–9999, and firms in these two industries are not examined in this work. This study also only uses those observations with complete data for all variables. This screening process left us with 1,524 firm-year observations.

To remove the effect of outliers, all variable distributions were truncated at the 1st and 99th percentiles. Panel A of Table 1 presents the sample distribution by industry and year. The majority of the observations come from the manufacturing industry (SIC=20~39), which accounted for 37.80% of the total sample. Panel B of Table 1 shows that the sample size increases over time, with 2012 having the largest sample, at about 22.38% of the total.

3.2 Empirical Model

The empirical regression model (1) used in this work is as follows:

$$\begin{aligned}
 \text{CSR} = & \beta_0 + \beta_1 \text{CEO_INTEL} + \beta_2 \text{CEO_PUT} + \beta_3 \text{ANALYST} + \beta_4 \text{CEO_INTEL} \times \text{ANALYST} \\
 & + \beta_5 \text{CEO_PUT} \times \text{ANALYST} + \beta_i \text{Control_Variables} + \varepsilon
 \end{aligned}
 \tag{1}$$

Table 1 Sample Industry Distribution

Part A: Sample Distributions by Industry											
SIC Code	Industries		Observations	Percentages							
01~09	Agriculture, Forestry, And Fishing Industry		12	0.79%							
10~14	Mining Industry		51	3.35%							
15~17	Construction Industry		22	1.44%							
20~39	Manufacturing Industry		576	37.80%							
40~49	Transportation, Communications, Electric, Gas, And Sanitary Services Industry		180	11.81%							
50~51	Wholesale Trade Industry		47	3.08%							
52~59	Retail Trade Industry		62	4.07%							
70~89	Services Industry		574	37.66%							
Total			1,524	100.00%							
Part B: All Firm Sample Distribution by Year											
Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Obs.	12	24	44	80	125	160	197	244	297	341	1,524
%	0.79%	1.57%	2.89%	5.25%	8.20%	10.50%	12.93%	16.01%	19.49%	22.38%	100%

Hypothesis 1-1 predicts the coefficient of *CEO_INTEL* to be positive, indicating that CEOs with more international experience will engage in CSR. Hypothesis 1-2 predicts that the coefficient of *CEO_PUT* will be negative, indicating that CEOs with throughput functional work experience will not engage in CSR. Hypothesis 2 predicts that the coefficient of *CEO_INTEL* × *ANALYST* will be positive, indicating that CEOs with more international work experience will also engage in CSR when they face greater earnings forecast pressure. This is consistent with Hypothesis 3 and expectations that the interactive variable of *CEO_PUT* × *ANALYST* will be negatively associated with CSR, indicating CEOs with throughput functional work experience will not engage in CSR when faced with greater earnings forecast pressure.

3.3 Variables

KLD rates companies on a number of CSR indicators in twelve major areas (corporate governance, community relations, diversity, employee relations, human rights, environment, product, alcohol, gambling, military contracting, nuclear power, and tobacco). Each major area contains a set of “strength” and “concern” ratings, with the former often used to represent exemplary social performance, and the latter to represent poor CSR (McGuire *et al.*, 2003). Many academic studies that use *KLD* ratings as a proxy for CSR aggregate the individual scores into one net social performance measure by subtracting concerns from strengths (Deckop *et al.*, 2006; Graves and Waddock, 1994; Kim *et al.*, 2012; Thomas and Simerly 1994). Following Kim *et al.* (2012), the last five dimensions are exclusionary screening categories (i.e., alcohol, gambling, military contracting, nuclear power, and tobacco). As a result, a net score for each dimension was calculated by subtracting total concerns from total strengths, and then the net scores from each dimension were added together for a grand total.

This study considers two different types of CEO work experience. First, previous studies use a categorical variable indicating whether or not the CEO has spent time working on international assignments (Sambharya, 1996). However, this only assesses whether an individual has had an international assignment or not. In fact, some CEOs may have had two or more different international assignments, and this categorical variable cannot differentiate these from other, less experienced CEOs. Therefore, this study measures a CEO’s international experience (*CEO_INTEL*) as the number of international assignments prior to being appointed as a CEO (Daily *et al.*, 2000; Sambharya, 1996; Sullivan, 1994). To remove the effects of extreme observations, this variable is naturally bounded or transformed using the log function. Second, following Hambrick and Mason

(1984), this study sets a value of 1 if a CEO's functional work experience (*CEO_PUT*) is dominated by throughput functions (e.g., production, process engineering, and finance), and a value of 0 if it is dominated by output functions (e.g., marketing, sales, and R&D).

In addition, the term managerial myopia is associated with greater managerial opportunism. In other words, myopic investment behavior (or managerial myopia) refers to under-investment in long-term, intangible projects such as R&D, advertising, and employee training for the purposes of meeting short-term goals (Bhojraj and Libby, 2005; Porter, 1992). In fact, when financial resources are abundant (such as when profits are high), firms are more likely to conclude that CSR is a discretionary expense that they can afford and so will pursue more social engagement (Adams and Hardwick, 1998; Carroll, 1991; Preston and O'Bannon, 1997; Seifert *et al.*, 2004). Prior studies also suggest myopic investment behavior is a type of earnings management that is most likely to occur when firms face a trade-off between meeting earnings targets and maintaining discretionary expenditures such as R&D (Baber, 1991; Burgstahler and Dichev, 1997). The market rewards firms that meet or beat earnings thresholds, with benefits such as higher price-earnings multiples (Barth *et al.*, 1999), higher returns (Brown and Caylor, 2005; Kasznik and McNichols, 2002) and a lower cost of debt (Jiang, 2008). To capture this contest, managerial myopia where firms opportunistically reduce discretionary CSR expenditures to inflate reported earnings in order to achieve analyst forecast earnings target is investigated. Consistent with Roychowdhury (2006) and Cohen *et al.* (2008), this study classifies observations in the *ANALYST* group when the analysts' forecast error (*FE*) is one cent per share or less ($\$0.00 \leq EPS - \text{Consensus forecast} \leq \0.01), and 0 otherwise.

Based on prior studies (Graves and Waddock, 1994; Hillman and Keim, 2001; Johnson and Greening, 1999; Manner, 2010; McGuire *et al.*, 1988; McGuire *et al.*, 2003; McWilliams *et al.*, 2006; Thomas and Simerly, 1994), this work includes five control variables: prior financial performance (*ROA_{t-1}*), firm size (*SIZE*), firm risk (*LEV*), firm growth opportunity (*MTB*), industry effect (*INDU*), and year effect (*YEAR*), since these have been found to be associated with the level of CSR. Prior financial performance (*ROA_{t-1}*) is defined as prior year returns on assets. Firm size (*SIZE*) is the natural log of a firm's sales. Firms with better prior financial performance or larger size will have a greater ability to engage in CSR, and thus it is expected that *SIZE* and *ROA_{t-1}* will be positively related to CSR. Firm risk (*LEV*) is defined as the ratio of debt to total assets. Slack-resource theory implies that since a high level of debt makes it difficult for a firm to continue to satisfy multiple stakeholders' expectations, it discourages managers from committing to long-term-focused CSR and forces them to concentrate on increasing current profits. Firms with

greater leverage levels might have less incentive to explore diverse socially responsible activities. Firm growth opportunity (*MTB*) is the ratio of a firm's market value of equity to its book value of equity. Firms with high levels of intangible assets (innovation capability, brand strength) may have greater incentive to engage in CSR. Industry effect is defined as a categorical variable using the four-digit SIC codes. Year effect is defined as a categorical variable using sample firm year. This study does not make any predictions for these variables. Table 2 summarizes the definitions of the key variables employed in this work.

Table 2 Definitions of Variables

Variables	Definition
Dependent variable	
<i>CSR</i>	<i>CSR</i> is measured by a net score for each dimension by subtracting total concerns from total strengths and then summing the net scores from each dimension for a grand total in the <i>KLD</i> database.
Independent variables	
<i>CEO_INTEL</i>	A CEO's international experience (<i>CEO_INTEL</i>) is measured as his or her number of prior international working assignments. To remove the effects of extreme observations, this variable is naturally bounded or transformed using the log function.
<i>CEO_PUT</i>	This study set a value of 1 if the CEO's functional work experience was in throughput functions (e.g., production, process engineering, and finance), and a value of 0 if it was in output functions (e.g., marketing, sales, and R&D).
<i>ANALYST</i>	Meeting analysts' forecasts (<i>ANALYST</i>) is includes as an observation in the <i>ANALYST_SUSPECT</i> group when the analysts' forecast error (FE) is one cent per share or less ($\$0.00 \leq \text{EPS} - \text{Consensus forecast} \leq \0.01), and in the <i>NON-SUSPECT</i> group otherwise.
<i>ROA_{t-1}</i>	<i>ROA_{t-1}</i> is firm's prior performance, and is defined as the prior year's returns on assets.
<i>SIZE</i>	<i>SIZE</i> is the natural logarithm of a firm's sales.
<i>LEV</i>	<i>LEV</i> is the ratio of total debt to total assets.
<i>MTB</i>	<i>MTB</i> is the ratio of a firm's market value of equity to its book value of equity.
<i>Industry Dummies</i>	Industry effect is defined as a categorical variable using the four-digit SIC codes.
<i>Year Dummies</i>	Year effect is defined as a categorical variable using sample firm year.

4. Empirical Results

4.1 Descriptive Statistics

Table 3 presents the descriptive statistics for this study. First, average CSR is -0.064, which indicates that most of a firm's total weaknesses with regard to CSR are greater than their total strengths. Second, regarding the CEO work experience variable, the average of variable CEO's international experience (*CEO_INTEL*) is 0.371. The average of the indicator variable (*CEO_PUT*) CEO with prior throughput functional experience (e.g., production, process engineering, and finance) was 0.542, indicating more than half of the sample firms are led by CEO's with throughput experience. Third, the average of the indicator variable analyst forecast earnings threshold (*ANALYST*) was 0.075. Finally, the means of *ROA_{t-1}*, *SIZE*, *LEV* and *MTB* were 0.052, 7.588, 0.576, and 3.004, respectively.

4.2 Regression Results

The pooled dataset in this study raises concerns regarding heteroskedasticity and sample dependence, and thus Huber-White robust standard errors (Rogers, 1993), clustered by firm, were used in the significance tests to avoid cross-sectional and time-series correlation effects on the standard errors of the regression estimates. Table 4 reports the coefficient estimates and Huber-White t-statistics, clustered by firm, from a regression of CSR on the *CEO_INTEL* and *CEO_PUT* variables, as well as the control variables. Columns (1) and (2) of Table 4 show the

Table 3 Descriptive Statistics and Pearson Correlations

Variables	Mean	Std. dev	CSR	CEO_ INTEL	CEO_ PUT	ANALYST	ROA _{t-1}	SIZE	LEV	MTB
CSR	-0.064	0.459								
CEO_INTEL	0.371	1.029	0.084 ^a							
CEO_PUT	0.542	0.498	-0.081 ^a	-0.185						
ANALYST	0.075	0.263	-0.053 ^b	-0.011	0.027					
ROA _{t-1}	0.052	0.075	0.046	0.064 ^b	-0.101 ^a	0.083 ^b				
SIZE	7.588	1.572	0.240 ^a	0.320 ^a	0.022	0.011	0.059 ^b			
LEV	0.576	0.213	0.087 ^a	0.056 ^b	0.227 ^a	0.001	-0.279 ^a	0.330 ^a		
MTB	3.004	4.560	0.011	0.063 ^b	-0.091 ^a	0.045	0.278 ^a	-0.021	0.099 ^a	

Note: Definitions of the variables appear in Table 2. The sample includes 1,524 firm-year observations. ^a and ^b represent significance at the 1% and 5% levels using the two-tailed test, respectively.

results for empirical models 1.1 and 1.2, which only include CEOs with international work experience (*CEO_INTEL*) and the CEOs prior functional work experience indicator variable (*CEO_PUT*), respectively. Column (3) of Table 4 (i.e., *Empirical Model 1.3*) shows the results for the empirical model that includes these two CEO work experience variables together.

Column (1) of Table 4 shows the coefficient of *CEO_INTEL* to be 0.033 ($t=2.69$; $p < 0.01$), suggesting that an increase in the magnitude of CSR investment is associated with CEOs that have international work experience. Regarding Hypothesis 1-1, the results support the argument that CEOs with more international work experience have more incentive to engage in CSR activities than those with less international experience. Column (2) of Table 4 shows the coefficient of *CEO_PUT* to be -0.077 ($t=-3.36$; $p < 0.01$), suggesting a decrease in the magnitude of CSR investment is associated with the CEOs' prior functional work experience indicator variable. This result supports Hypothesis 1-2, which states that CEOs with more throughput- work experience are less interested in CSR investments. Column (3) of Table 4 shows the coefficients of *CEO_INTEL* and *PUT* to be 0.027 and -0.070, and both are significant at the 5% level ($t=2.22$, $t=-2.99$).

Table 4 The relationship between CEO Work Experience and CSR

Dependent variable: <i>Corporate Social Responsibility</i>							
<i>Empirical Model</i>		<i>Model 1.1</i>		<i>Model 1.2</i>		<i>Model 1.3</i>	
Independent variable	Predic t Sign	Parameter Estimates	t-value	Parameter Estimates	t-value	Parameter Estimates	t-value
<i>Intercept</i>	?	-0.267**	-4.30	-0.273**	-4.48	-0.243**	-3.89
<i>CEO_INTEL</i>	+	0.033**	2.69			0.027*	2.22
<i>CEO_PUT</i>	-			-0.077**	-3.36	-0.070**	-2.99
<i>ROA_{t-1}</i>	+	-0.001	-0.01	-0.013	-0.09	-0.021	-0.15
<i>SIZE</i>	+	0.070**	8.70	0.078**	10.01	0.073**	8.97
<i>LEV</i>	-	-0.089	-1.61	-0.071	-1.29	-0.077	-1.39
<i>MTB</i>	+	0.003	1.93	0.004*	2.08	0.003*	1.97
<i>Industry Dummies</i>	?	YES		YES		YES	
<i>Year Dummies</i>	?	YES		YES		YES	
Adjusted R ²		18.83%		19.05%		19.26%	
F-statistic		17.82**		18.06**		17.51**	
(p-value)		(p<0.01)		(p<0.01)		(p<0.01)	

Note: Definitions of the variables appear in Table 2. The sample includes 1,524 firm-year observations. ** and * represent significance at the 1% and 5% levels using the two-tailed test, respectively. The maximum VIF is 1.61. The t-values in parentheses are based on Huber-White robust standard errors that are robust to both serial correlation and heteroscedasticity (Rogers, 1993).

The empirical results are consistent with column (1) and column (2) of Table 4 and support the view that CEOs with more international work experience have more incentive to engage in CSR and that those with throughput work experience have less incentive to engage in CSR. In addition, Table 4 also shows the coefficients of *SIZE* to be 0.070, 0.078 and 0.073, significant at the 1% level ($t=8.70$, $t=10.01$, $t=8.97$). These findings are consistent with existing theoretical frameworks. For example, the institution-legitimacy perspective (e.g. Stanwick and Stanwick, 1998) indicates that institutional pressures often drive larger firms to engage in CSR activities more actively than smaller firms.

This section reports the results of testing the second hypothesis, and thus whether the relation between CEO work experience and CSR investment is stronger (or less) for a subset of firms that are more likely to have managed earnings to meet analysts' forecasts. Utilizing a moderated regression analysis, this study determines whether CEO work experience has differential effects across *ANALYST* and *NON-ANALYST* firms, and Table 5 reports the results. First, regarding Hypothesis 2, this study finds significantly stronger evidence of CSR investment for CEOs with international work experience. As shown in column (1) of Table 5 (i.e., *Empirical Model 2.1*), there is evidence of statistically significant and positive coefficients on *CEO_INTEL* for firms that "just" managed to meet analysts' forecasts (coefficient= 0.115; $t= 1.97$; $p < 0.05$), which is consistent with Hypothesis 2, indicating a significant increase in CSR activities for CEOs with international work experience at firms that are less likely to meet short-term analysts' forecasts.

Second, regarding Hypothesis 3, this study finds significantly stronger evidence of under-investment in CSR for CEOs with more throughput work experience in the three samples of firms that are suspected to have managed earnings to achieve meeting analyst forecasts. As shown in column (2) of Table 5 (i.e., *Empirical Model 2.2*), this study finds evidence of statistically significant and negative coefficients on *CEO_PUT* for firms that are suspected to have managed earnings to meet analyst forecasts (coefficient= -0.168; $t= -2.32$; $p < 0.05$), indicating a significant decrease in CSR activities for CEOs with more throughput work experience at firms that are likely to have greater incentives to meet analyst forecasts. Columns (3) of Table 5 (i.e., *Empirical Model 2.3*) show the interaction variables for *CEO_INTEL* × *ANALYST* and *CEO_PUT* × *ANALYST* together. The coefficient for *CEO_INTEL* × *ANALYST* is 0.118 ($t=2.03$; $p < 0.05$), and the coefficient for *CEO_PUT* × *SUSPECT* is -0.168 ($t=-2.32$; $p < 0.05$). The empirical results thus support Hypothesis 2 and Hypothesis 3.

Overall, the above findings are consistent with Hypothesis 2, which posits that the effects of CEO international experience regarding CSR investment are greater for firms suspected to have

Table 5 CEO Work Experience and CSR under Myopic Behavior

Dependent variable: <i>Corporate Social Responsibility</i>							
<i>Empirical Model</i>		<i>Model 2.1</i>		<i>Model 2.2</i>		<i>Model 2.3</i>	
Independent variable	Predic t Sign	Parameter Estimates	t-valu e	Parameter Estimates	t-valu e	Parameter Estimates	t-valu e
<i>Intercept</i>	?	-0.331**	-5.82	-0.354**	-6.38	-0.321**	-5.67
<i>CEO_INTEL</i>	+	0.030**	2.80			0.022*	1.99
<i>CEO_INTEL</i> × <i>ANALYST</i>	+	0.115*	1.97			0.118*	2.03
<i>CEO_PUT</i>	—			-0.082**	-3.96	-0.073**	-3.48
<i>CEO_PUT</i> × <i>ANALYST</i>	—			-0.168*	-2.32	-0.168*	-2.32
<i>ANALYST</i>	—	-0.047	-1.61	-0.025	-0.86	-0.032	-1.08
<i>ROA_{t-1}</i>	+	-0.032	-0.23	-0.041	-0.30	-0.060	-0.43
<i>SIZE</i>	+	0.069**	9.53	0.076**	11.23	0.070**	9.84
<i>LEV</i>	—	-0.016	-0.34	0.014	0.28	0.015	0.30
<i>MTB</i>	+	0.002	1.14	0.002	1.31	0.002	1.19
<i>Industry Dummies</i>	?	YES		YES		YES	
<i>Year Dummies</i>	?	YES		YES		YES	
Adjusted R ²		17.30%		18.01%		18.49%	
F-statistic		17.34**		18.16**		16.75**	
(p-value)		(p<0.01)		(p<0.01)		(p<0.01)	

Note: Definitions of the variables appear in Table 2. The sample includes 1,524 firm-year observations. ** and * represent significance at the 1% and 5% levels using the two-tailed test, respectively. The maximum VIF is 1.71. The t-values in parentheses are based on Huber-White robust standard errors that are robust to both serial correlation and heteroscedasticity (Rogers, 1993).

managed earnings to achieve financial analysts' reporting benchmarks than for other companies. This finding is consistent with the argument that CEOs with international experience are more likely to see the importance of long-term CSR investments. The results also support Hypothesis 3, indicating that CEOs with work experience dominated by throughput functions (e.g., production, process engineering, and finance) will have a greater incentive to show their abilities via their companies' financial reports, and so are more likely to opportunistically cut CSR spending in order to avoid missing analyst forecasts.

4.3 Robustness Tests

Both Cho *et al.* (2013) and McGuire *et al.* (2003) argued that the CSR variables in the *KLD*

database that encourage exemplary CSR performance may differ from those that discourage poor social performance. In other words, existing studies tell us little about the factors that encourage exemplary social performance, or the implications of these. This study thus also examines hypotheses including both concerns (socially dubious or risky behavior) and strengths (exemplary social performance) with regard to social performance.

First, Table 6 shows the empirical results, where the coefficient of *CEO_INTEL* is 0.090 (i.e., Empirical Model 3.1), which is significant at the 1% ($t=8.31$) level for *CSR Strength*. The coefficient of *CEO_PUT* is 0.036 (i.e., *Empirical Model 3.2*), which is significant at the 5% ($t=2.38$) level for *CSR Concerns*. These empirical results support the prior findings regarding Hypothesis 1-1 and Hypothesis 1-2. In addition, these results are generally consistent with those of prior findings, while the result for the *CEO_INTEL* × *ANALYST* interactive variable is positive and significant for *CSR Strength* (i.e., *Empirical Model 3.1*) for firms that manage their earnings to meet analysts' forecasts (coefficient=0.296, $p<0.01$). Second, the coefficient for *CEO_PUT* × *SUSPECT* is positive and significant for *CSR Concerns* (i.e., *Empirical Model 3.2*) for firms that manage their earnings to meet analyst forecasts (coefficient=0.152, $p\text{-value}<0.05$). These results are thus consistent with the predictions of Hypothesis 2 and Hypothesis 3. In addition, it is also worth noting that the variable *ANALYST* in Table 6 is statistically significant in the negative direction for empirical test 3.1 in Table 6, which means firm have less incentive to engage in strong CSR activities when they are attempting to boost earnings to beat analyst forecast earnings. This is not the case for the net effect of CSR. Thus, this result supports the assertion that short-term analyst's earnings forecast pressure leads to myopic investment behavior by corporate managers, who in turn discourage their firms from investing strongly in CSR. The model for CSR strengths (concerns) has an r-square of 46.06% (38.79%). The higher explanatory power of this model supports the argument that CEO work experience and the moderating effect of myopic behavior have a strong relationship with CSR strength. Indeed, it may be possible for firms to exhibit both strong and weak social performance. A firm may exhibit CSR strengths along one or more dimensions, for example, environmental concerns, but may show CSR concerns along others, for example labor and employee relations. The net effect of CSR could produce misleading information regarding firm CSR engagement. This argument is support that the model for net effect of CSR has little explanatory power, with an adjusted r-square of 16.75%.

In addition, previous studies also assert that there is a positive relationship between CEO age and ethical behavior. For example, psychology-based studies generally support a positive

Table 6 Additional Tests

Tests		Test 1: Strength and Concerns of CSR				Test 2: Additional control variables	
Independent variables	Predict Sign	<i>Empirical Model 3.1</i>		<i>Empirical Model 3.2</i>		<i>Empirical Model 3.3</i>	
		Dependent variable: <i>CSR_Strength</i>		Dependent variable: <i>CSR_Concern</i>		Dependent variable: <i>CSR</i>	
		Parameter Estimates	t-value	Parameter Estimates	t-value	Parameter Estimates	t-value
<i>Intercept</i>	?	-0.876**	-15.67	-0.547**	-13.35	-0.574	-1.61
<i>CEO_INTEL</i>	+	0.090**	8.31	0.028	0.85	0.024*	2.21
<i>CEO_INTEL</i> × <i>ANALYST</i>	+	0.296**	5.16	0.079	0.50	0.116*	1.99
<i>CEO_PUT</i>	—	-0.034	-1.64	0.036*	2.38	-0.067**	-3.21
<i>CEO_PUT</i> × <i>ANALYST</i>	—	-0.072	-1.00	0.152*	2.10	-0.169*	-2.33
<i>ANALYST</i>	—	-0.059*	-2.01	-0.074	-1.34	-0.035	-1.18
<i>ROA_{t-1}</i>	+	-0.108	-0.78	-0.058	-0.58	-0.060	-0.43
<i>SIZE</i>	+	0.163**	23.01	0.091**	17.59	0.072**	9.61
<i>LEV</i>	—	-0.073	-1.52	-0.089**	-2.55	0.020	0.41
<i>MTB</i>	+	0.001	0.81	-0.001	-0.61	0.002	1.23
<i>AGE</i>	?					0.089	0.98
<i>Short-term Compensation</i>	—					-0.018**	-2.06
<i>Industry Dummies</i>	?	YES		YES		YES	
<i>Year Dummies</i>	?	YES		YES		YES	
Adjusted R ²		46.06%		38.79%		18.70%	
F-statistic		60.29		40.60		15.39	
(p-value)		(p<0.01)		(p<0.01)		(p<0.01)	

Note: The sample includes 1,524 firm-year observations. *CSR Strength* is measured by a net score for each dimension by total strengths in the *KLD* database. *CSR Concern* is measured by a net score for each dimension by total concern in the *KLD* database. Definitions of the variables appear in Table 2. ** and * represent significance at the 1% and 5% levels using the two-tailed test, respectively. The maximum VIF is 3.13. The t-values in parentheses are based on Huber-White robust standard errors that are robust to both serial correlation and heteroscedasticity (Rogers, 1993).

relationship between these because older CEOs tend to have a higher standard of ethical beliefs (Dawson, 1997; Peterson *et al.*, 2001), better moral judgment (Wimalasiri, 2001), and tend to place more emphasis on traditional culture and customs (Mudrack, 1989). On the other hand, Manner (2010) suggest that short-term compensation concerns can lead to decreases in CSR investments.

Therefore, this study also includes CEO age and short-term compensation variables as additional control variables. Table 6 (i.e., *Empirical Model 3.3*) shows that there is no significant relationship between CEO age and CSR. However, there is a significant and negative relationship between short-term compensation and CSR (coefficient=-0.018, p-value <0.05). Overall, after controlling for the effects of this variable, the empirical results are also consistent with those of prior findings.

5. Conclusions

Although prior studies have widely investigated the association between CSR and financial performance (Aguinis and Glavas, 2012; Morgeson *et al.*, 2013), little is known about how CEO work experience and the agency problem affect CSR engagement. Using a large sample of US S&P 1,500 firms (including S&P 500, S&P Mid Cap 400, and S&P Small Cap 600 companies) for the period 2003-2012, the results of this study suggest that CEOs with more international work experience have greater incentive to engage in CSR activities. In contrast, CEOs with throughput work experience have less incentive to engage in such activities. In addition, the agency problem was also investigated in this context and it was found that CEOs with more international work experience engage in less myopic loss aversion behavior. Those with throughput work experience engage in more myopic behavior and have less incentive to engage in CSR, as they are more likely to meet analysts' earnings forecast thresholds.

This study has the following implications for both academic research and business practice: First, upper echelons theory suggests that managers' demographic characteristics are the appropriate starting point for exploring reasons for differences in individual managerial styles. Prior studies have argued that observable attributes of CEOs influence their firms' strategic outcomes (Herrmann and Datta, 2006), including R&D engagement (Barker and Mueller 2002). The stakeholder theory suggests that managerial cognitive preferences shape the way managers attend to various stakeholder demands. In contributing to upper-echelons and stakeholder theories, the results of this study highlight the importance of including CEO prior working experience characteristics in models predicting CSR, even after controlling for organizational factors identified as influential by other researchers. Second, this paper also finds strong moderating effects for myopic behavior of CEOs caused by earnings threshold pressure. While the explanation for the connection between CEO work experience and CSR is rather simple, it is important to gain an understanding of how myopic behavior on the part of CEOs may affect their attitudes toward CSR. This study contributes to both upper echelons (Barker and Mueller, 2002; Hambrick and Mason, 1984; Herrmann and Datta, 2006)

and signals studies (Bushee, 1998; David *et al.*, 2001; Hoskisson *et al.*, 2002; Porter, 1992; Stein, 1989) in regard to the fact that short-term analyst' earnings pressure exert an economically significant influence on the association between CEO work experience and firm CSR choices. This study indicates that different CEO individual work experiences affect their CSR behavior as they are faced with situations that evoke more myopic behavior.

Third, this study finds that international assignment experience on the part of CEOs is positively related to total CSR and CSR strengths. In contrast, the current study finds that throughput work experience is indeed negatively related to total CSR and positively related to the CSR weakness. The above findings have important practical implications with regard to CEO selection. If firms want benefits to be balanced against the higher costs associated with CSR, they might consider sending their CEOs on international assignments as part of their professional development because such firms aim to pursue value creation through CSR activities. That is, firms might anticipate a benefit from these actions, which might include reputation enhancement, the ability to charge a premium price for their output, or the use of CSR to recruit and retain high quality workers. In addition, the findings of this study also support the argument that managers with internally-oriented backgrounds (e.g. production, process engineering, and finance) will be more task-oriented and not as sensitive to the needs of stakeholders. If firms expect CSR to be an important part of firm policy, firms may consider grooming a potential inside successor with an output functional background. A firm might also send executives with throughput functional background on output functional sector assignments as part of their professional development.

Finally, managerial myopia usually refers to under-investment in long-term, intangible projects, such as research and development, advertising, and employee training, for the purposes of meeting short-term goals (Porter, 1992), and this study indicates that CEOs with throughput work experience are more likely to have managerial myopia, and thus to engage less in corporate social responsibility when faced with short-term earnings pressure. In contrast, international experience has the greatest impact on CEOs by enhancing their global perspective and enabling them to better assess the long-term firm value of CSR, even if faced with short-term earnings pressure. The findings of this work are consistent with the view that U.S capital markets have a short-term accounting number focus that creates pressure on managers to sacrifice discretionary expenditures in order to achieve short-term earnings targets (Drucker, 1986; Porter, 1992). The above findings have important two implications for management practice. First, investors should be cautious when evaluating the quality of firm financial statements. This is because firms who have CEOs with throughput function

work experience also care about achievements and have a greater incentive to opportunistically cut CSR spending to signal to external stakeholders that their firm has superior performance. However, this is not the case for CEOs with international backgrounds. Second, methods that boards can employ to control managerial incentives to engage in CSR include the use of non-financial measures in their internal performance measurement systems.

The implications of this paper as discussed above should be made with the following caveats: First, the increasing focus on CSR has made it critical for both market participants and regulators to understand how specific CEO attributes may help or hinder CSR goals. This study thus identifies what aspects of CEOs' work experience prompt them to pay more or less attention to CSR, and how CEO myopia adversely influence CSR activities under conditions of greater financial reporting pressure. Future studies might consider the kind of governance that could alleviate such agency problems. Regulatory agencies could thus use the results of this work to assess, reframe and improve CSR policies in terms of their efficiency and effectiveness. Second, this study focuses on individual level factors, such as CEOs' international experience and prior functional work experience, and future research might investigate how top managerial team experience affects firm CSR engagement. For example, shared team-specific experience in a top managerial team refers to the accumulated knowledge that each member has of each other's skills, and the idiosyncratic habits of team members are very important factors in determining a firm's CSR. Finally, the results of this study may not be generalizable to other countries. It is thus necessary to use cross-country data to investigate whether various forms of firm- and national-level corporate governance mechanisms can mitigate opportunism regarding the relationship between CEO work experience and CSR investment.

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