

Prosocial CEOs increase company value, stakeholder satisfaction

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Companies with prosocial CEOs see lower executive subordinate turnover, more employee-friendly policies, higher customer satisfaction and increased engagement in socially responsible activities. Credit: Pixabay

From Twitter under Elon Musk to the layoffs at technology companies, chief executive officers are more visible than ever. Their choices are

publicized and scrutinized, affecting employees, customers and society at large.

The wide-ranging impact of CEOs inspired new research from the University of Washington that examines their decision-making tendencies.

The study, forthcoming in the *Review of Accounting Studies*, found that CEOs who engage in [prosocial behavior](#)—activities that primarily help others—are more likely to make decisions that benefit people and increase company value. Compared to companies with non-prosocial CEOs, those with prosocial CEOs see lower executive subordinate turnover, more employee-friendly policies, higher customer satisfaction and increased engagement in socially responsible activities.

"How do prosocial individuals act on the job? To what extent do your personal values match your on-the-job behavior? These are broad question for all of us," said Weili Ge, author of the study and professor of accounting in the UW Foster School of Business.

"But CEOs are very visible, and they have interactions with a wide range of stakeholders. Given their significant role and visibility in society, it's important to look at and examine this issue. The prosocial tendency of CEOs has a big impact on their on-the-job decisions."

To identify prosocial CEOs, researchers obtained data from [BoardEx](#) on extracurricular activities, including involvement with foundations and charities. For this study, CEOs were labeled prosocial if they were involved with at least one organization classified as charitable by the Internal Revenue Service.

"We considered how to measure a CEO as a person and not at the corporate level," Ge said. "We looked at CEOs' involvement with

charitable organizations, but then we needed to question their level of involvement. CEOs often serve as directors on charity boards, so that means their involvement is significant. They see this as a priority in their busy schedules. They devote time to it."

Researchers then validated the prosocial and non-prosocial classifications by examining how CEOs utilized personal pronouns during conference calls. Previous studies have revealed that self-centered individuals are more likely to take credit for good outcomes and blame others for bad outcomes. In this study, CEOs labeled as prosocial were less likely to use first person-singular pronouns when announcing positive news. The opposite was true for negative announcements.

Results of the study showed that in companies with prosocial CEOs, executive subordinates, such as chief financial officers and chief operating officers, were less likely to leave the company. Further, results showed that prosocial CEOs are more likely to implement policies that consider employee welfare.

Using a company's overall corporate social responsibility score as measured by the study—based on initiatives involving community, diversity, employee relations, [environmental policies](#) and product—the authors found that prosocial CEOs adopted more socially responsible policies. Results also showed that companies with prosocial CEOs achieve higher customer satisfaction.

Prosocial CEOs take a stewardship view, which prioritizes the welfare of others. Hiring a prosocial CEO is a kind of insurance policy, Ge said, since they are likely to reduce risk through building goodwill with stakeholders.

"For example, if things go bad, maybe your supplier won't abandon you and your customers will still buy your product," Ge said. "You have this

cushion against downward or negative shocks. A board of directors might want to consider individual characteristics, such as potential prosocial tendency, when making hiring decisions."

Provided by University of Washington

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