# Study: US presidents play surprising role in driving corporate social responsibility

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A new study by San Francisco State University Assistant Professor of Management Nara Jeong suggests that CEOs look to the White House for leadership on social responsibility—but not the way you might expect. It turns out that corporate leaders are less likely to act on their values when they're in agreement with the president. And their social responsibility efforts increase when they don't agree with the leadership of the commander in chief.

Jeong studies CEO behavior and corporate social responsibility, which is defined in her latest research—examining a decade of behavior starting in the mid 1990s—as actions that "further some social good, beyond the interests of the firm and that which is required by law." She and the study's co-author found that liberal CEOs invest more in socially conscious activities, such as diversity initiatives and environmental conservation, when they feel those values are threatened.

"Republican presidents aren't as interested in those values, so business leaders think, 'We need to do more to promote and protect these values,'"Jeong said.

Conversely, when business leaders shared the same political beliefs as the president, support for socially conscious initiatives dropped. For left-leaning CEOs, who are more likely to engage in socially responsible activities, those efforts fell by an average of 18 percent, Jeong says.

Business leaders with the same political orientation as the president may have an expectation that the government "will deliver on the social values they hold dear," the study reported. As a result, these executives may feel empowered to focus more on their companies' financial performance, Jeong adds.

Jeong and her collaborator went a step further and tested whether politics encouraged companies to act irresponsibly. Examples could include increasing pollution, lowering emission standards or doing away with policies that protect minority employees. Yet Jeong found no evidence that firms engaged in such activities based on whether their politics were aligned or misaligned with the president.

To conduct their study, Jeong looked to Kinder, Lydenberg and Domini (KLD)—an index that rates the social investments companies make. Categories KLD measures include environment, community involvement, product safety, excessive compensation of executives and diversity. They examined the activities of 752 CEOs between 1994 and 2005.

Next, they turned to the Federal Elections Commission to track the CEOs' political donations over 10 years, a period that covers two presidential elections and several congressional election cycles. This helped them determine the political tendencies of the CEO. They also tracked whether the president was a Democrat or a Republican.

Jeong was surprised by her findings. "You think that the people who are committed to social responsibility will stay committed regardless of the context," she said. "[CEOs] may change their stance if the context changes."

Jeong wrote "The effects of political orientation on corporate social (ir)responsibility" with Lehman College Assistant Professor of Business and Economics Nari Kim. The study appeared in the journal *Management Decision* in November.

**More information:** Nara Jeong et al, The effects of political orientation on corporate social (ir)responsibility, *Management Decision* (2019). DOI: 10.1108/MD-06-2019-0713

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