Study: CEOs who invest less in corporate social responsibility undermine their organization's resilience

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Organizations led by more greedy CEOs—that is, CEOs that are driven by the pursuit of excessive or extraordinary material wealth—before the

global financial crisis of 2008 suffered more severe consequences of that systemic shock. That is one of the main conclusions by a team of organization scientists from Antwerp and Tilburg based on a recent study that will be published in the *Journal of Management*.

The authors used a sample of 301 CEOs of large, publicly traded, US organizations to study greed among CEOs and its implications on corporate social responsibility (CSR). The researchers also investigated how CEO greed and (the lack of) CSR affected these organizations' resilience to the 2008 global financial crisis.

Societal interests versus self-interest

In essence, CSR is about finding a balance between the interests of the organization (and CEO) and those of the other stakeholders, such as employees and customers, but also society at large. Organizations usually see investing in CSR as a strategy that might be costly in the short term, but will pay off in the long term, as tending for stakeholders' interest will increase these stakeholders' engagement to the organization.

Greed is related to an excessive form of self-interest, which explains the researchers' finding that more greedy CEOs invested less in CSR. This negative effect became even stronger when it coincided with compensation policies that encouraged short-term financial results (bonuses).

Vulnerable

The researchers also found that CEO greed and the lack of stakeholder engagement (because of not investing in CSR) made organizations more vulnerable to external shocks, such as the global financial crisis of 2008. As a result of a lack of support from stakeholders, as well as the

depletion of resources and internal buffers, organizations led by more greedy CEOs took longer to recover from the crisis, and get their share prices back the level of before the crisis.

More information: Miha Sajko et al. CEO Greed, Corporate Social Responsibility, and Organizational Resilience to Systemic Shocks, *Journal of Management* (2020). DOI: 10.1177/0149206320902528

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