

# Chief sustainability officers and corporate social (Ir) responsibility

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## Abstract

**Research Summary:** How will a chief sustainability officer (CSO) influence corporate social performance? Building upon the upper echelons perspective and the attention-based view, this study argues that while a CSO helps channel managerial attention to a firm's social domain, managerial attention is more likely to be directed to negative issues than to positive issues. In addition, such relationships are contingent on the focal firm's governance design and its industry culpability. Analysis of a sample of S&P 500 firms for the period of 2005–2014 largely renders support to our predictions.

**Managerial Summary:** While more and more firms start to put a chief sustainability officer (CSO) on its top management team (TMT), the implications for corporate social performance of CSO presence remain unclear. With a sample of S&P 500 firms, we find that the presence of a CSO increases the firm's socially responsible activities (CSR) and reduces its socially irresponsible activities (CSiR). Moreover, CSO presence has a greater effect on reducing CSiR than on increasing CSR. These relationships become stronger when the firm has a sustainability committee on the board and is in a culpable industry.

## KEY WORDS

attention-based view, chief sustainability officer, corporate social (ir) responsibility, top management team, upper echelons theory

## 1 | INTRODUCTION

Since the formal appointment of Linda Fisher as the first Chief Sustainability Officer (CSO) of DuPont in 2004, firms in different industries have been following suit to add this new position to

their top management team (TMT) or C-suite (Weinreb Group, 2011). Among these firms are industry leaders such as AT&T, UPS, Coca-Cola, and Kellogg's. Signaling the commitment to sustainability in contemporary firms, CSOs are senior executives in TMTs who are explicitly hired to manage a firm's corporate social performance (Matten & Moon, 2008). Typically, a CSO's core role is comprised of improving working conditions in the supply chain, creating better safety procedures, and reaping profits from products that address environmental and social problems (Forbes, 2014). Up to 2015, more than three dozen of the largest U.S. public companies had a CSO, and many more had a senior executive who was in charge of sustainability, corporate responsibility, or corporate citizenship (The Atlantic, 2015). This number has increased steadily over the past few years (Business Ethics, 2018). Such corporate enthusiasm demonstrates that "companies finally realize that sustainability and efficiency go hand in hand" (New York Time, 2007).

Despite the prevalence and importance of the CSO, the field is almost devoid of research on this relatively new TMT role and its implications for corporate social performance. The few exceptions are mainly focused on describing the CSO's emergence, role, and characteristics (Miller & Serafeim, 2014; Strand, 2013). However, to date, empirical research on how CSO presence affects a firm's social performance is scant. Addressing this gap is important because the purpose of setting up this new TMT position is to manage firms' social performance, which has become increasingly important nowadays for firms hoping to achieve and maintain their competitive advantages (Berman, Wicks, Kotha, & Jones, 1999; Lev, Petrovits, & Radhakrishnan, 2010; Muller & Kräussl, 2011; Waddock & Graves, 1997; Wang & Qian, 2011).

We explore the mechanism through which CSO presence affects corporate social performance by examining how it simultaneously affects a firm's engagement in socially *responsible* as well as socially *irresponsible* activities. Scholars in the field of corporate social performance have acknowledged the importance of decomposing this construct into its positive and negative components (Godfrey, Merrill, & Hansen, 2009; Kotchen & Moon, 2012; Muller & Kräussl, 2011; Strike, Gao, & Bansal, 2006). The former refers to voluntary corporate actions designed to improve social conditions (Mackey, Mackey, & Barney, 2007), whereas the latter pertains to "the set of corporate actions that negatively affects an identifiable social stakeholder's legitimate claims in the long run" (Strike et al., 2006: 852). Studying both the positive and negative components of corporate social performance would allow scholars to unveil new insights because a firm can engage in responsible behavior ("good deeds") and irresponsible behavior ("bad deeds") at the same time, and the two are conceptually distinct and subject to different dynamics (Lange & Washburn, 2012; Mattingly & Berman, 2006).

Grounded in the recent research on executives' role in corporate social performance (e.g., Chen, Crossland, & Huang, 2019; Chin, Hambrick, & Treviño, 2013; Tang, Qian, Chen, & Shen, 2015; Wong, Ormiston, & Tetlock, 2011) and the attention-based view of the firm (Barnett, 2008; Ocasio, 1997; Ocasio & Joseph, 2005), we postulate that CSO presence in the TMT both improves the firm's socially responsible performance (CSR) and reduces its socially irresponsible performance (CSiR).<sup>1</sup> These effects are mainly driven by the CSO as an attention carrier in firms who channels managerial attention to social issues. Furthermore, because the attention of decision-makers, as well as other stakeholders, is more likely to be directed to negative issues than to positive issues, the influence of CSO presence on corporate social performance is asymmetric: it has a greater effect on reducing CSiR (the CSO-CSiR relation) than on increasing CSR (the CSO-CSR relation). We further build on the argument that individual attention is contextually embedded and explore two contextual

<sup>1</sup>Unless indicated otherwise, CSR in our article denotes corporate responsible behavior ("good deeds") and CSiR denotes corporate irresponsible behavior ("bad deeds"). We use corporate social performance to include both CSR and CSiR.

conditions, sustainability committee and industry culpability, which may moderate these relationships. Analysis of a sample of S&P 500 firms for the period of 2005–2014 largely supports our theoretical arguments.

This study makes the following contributions to the literature. First, we advance upper echelons theory by augmenting our understanding of the role of specialized executives. A key proposition of upper echelons theory is that senior executives in general shape firm strategies and outcomes (Hambrick & Mason, 1984), and a series of follow-up studies have confirmed this proposition. A more fine-grained investigation would be to examine how executives with specific roles and functions shape decisions and outcomes in particular domains, such as chief operating officer, chief strategy officer or chief finance officer (Hambrick & Cannella, 2004; Menz & Scheef, 2014; Zhang, 2006). By linking upper echelons theory to the attention-based view, this study emphasizes the role of functional TMT members (the CSO in our setting) as attention carriers. Accordingly, our study offers the insight that the managerial attention given to different decision domains, as enabled by the specialized executives, serves as a critical driver of firm outcomes in those domains (Cho & Hambrick, 2006; Eggers & Kaplan, 2009; Yadav, Prabhu, & Chandy, 2007).

Second, given the increasing attention paid to corporate social activities, our focus on the relationship between CSO presence and corporate social performance joins and extends the recent discussion on how executives affect corporate social performance. We decompose the construct of corporate social performance into a socially responsible dimension and a socially irresponsible dimension and show that the influence of CSO presence on these two dimensions is asymmetric (Murphy & Schlegelmilch, 2013; Strike et al., 2006). Examining whether, how, and when CSO presence affects both CSR and CSiR can lead to a more thorough understanding of the executive effect on corporate social performance.

## 2 | RESEARCH SETTING

Our research setting consists of large U.S. publicly listed corporations. We define CSOs as those executives who take primary responsibility for corporate sustainability or issues related to corporate social performance (Strand, 2013, 2014). These executives may hold different titles such as CSO, chief ethics officer, and chief environmental officer. Similarly, the responsibilities of CSOs may also vary across industries, firms, and the stages of firm development. Despite these differences, most CSOs share a common core role in corporate social performance (Miller & Serafeim, 2014). For example, in the press release that announced the appointment of Linda Fisher, DuPont (2004) stated that its CSO was responsible for “advancing DuPont’s progress in achieving sustainable growth; DuPont environmental and health programs; the company’s product stewardship programs; and global regulatory affairs.” Fisher herself further summarized her responsibility in a later interview: “My responsibility has two parts, and they reflect the way DuPont has evolved. The first is keeping our operations in compliance and going beyond that to reduce our footprint. The second part is the growth piece, and that is about finding market opportunities that are going to present themselves because of evolving societal needs” (Fortune, 2009).

In general, CSOs formulate, execute and oversee the sustainability strategy of the firm. They review business practices, analyze social needs, and propose strategies that integrate profit growth and sustainable development. In addition, CSOs are often in charge of managing stakeholder relations, educating employees, and fostering a culture of sustainability within the firm (Miller & Serafeim, 2014).

People hold varying attitudes toward the CSO position and its prevalence. Some believe that the CSO position signals a firm's commitment to corporate sustainability. CEOs who created the position in their firms have stated that they did so mainly to incorporate sustainability into their business strategy (Strand, 2014). Strand (2013) has found that Scandinavian companies, which have demonstrated a stronger commitment to corporate social responsibility engagement than their U.S. counterparts, are more likely to set up a CSO position. However, others have suggested that hiring a CSO is simply the latest fad in corporate management. They argue that firms set up the CSO position to meet the expectations of customers, investors, and analysts, especially those who evaluate corporate efforts based on the explicit corporate social responsibility activities (Strand, 2014). Therefore, by hiring a CSO, what firms are really aiming for is an enhanced public image and stronger financial performance, rather than a substantial improvement in corporate social performance. These contrasting views on CSO presence have motivated researchers to explore the evolution and future of the CSO as a senior executive (e.g., Strand, 2013, 2014) and at the same time have made it imperative for researchers to understand better the social performance implications of CSO presence.

### 3 | THEORY AND HYPOTHESES

#### 3.1 | CSO presence and corporate social performance

We propose that appointing a CSO to the TMT will improve a firm's social performance, as reflected in both improved socially responsible activities and reduced socially irresponsible activities. We develop our reasoning by integrating upper echelons theory with the attention-based view of the firm. Upper echelons theory predicts that a firm's decisions largely reflect its senior executives' interpretation of the environment and the amount of attention they pay to it (Hambrick & Mason, 1984). Particularly, the "subteams" of the TMT influence the awareness and salience of issues within the organization (Hambrick, 2007). That is, the structural design of the TMT affects the way TMT members interact with each other and alters the attention allocation process (Menz, 2012). The emphasis on managerial attention in upper echelons theory is closely related to the central premise of the attention-based view, which suggests that a firm's behavior is the result of how it channels and distributes its attention (Ocasio, 1997, 2011). Accordingly, the more attention certain strategic issues receive, the more resources and managerial support will be allocated to them, leading to the desired outcomes for these issues. Existing research has shown that managerial attention plays an important role in the organization. For example, it is a critical driver of innovation (Yadav et al., 2007); it accelerates entry into new technological markets (Eggers & Kaplan, 2009); and it also contributes to strategic changes (Cho & Hambrick, 2006).

The allocation of managerial attention complies with three basic principles. First, given the limited attentional capacity and firm resources, decision-makers tend to narrow their focus on those issues that are of greater value or legitimacy (Bouquet & Birkinshaw, 2008; Haas, Criscuolo, & George, 2015; Hoffman & Ocasio, 2001). Second, firms evaluate the importance of an issue through the lens of its corresponding carrier, which formally refers to a unit or organizational structure that bridges firm attention and selective stimuli or responses (Ocasio, 2011). Finally, the context where the firm is situated influences the relevance of a specific issue to the firm and in turn, influences the amount of attention that the firm allocates to that issue (Ocasio, 1997, 2011).

Extending this line of inquiry, we argue that the CSO as a specialized top executive can serve as an attention carrier for all issues related to corporate social performance. Studies show that the existence of attention carriers and their proactive strategies influence the allocation and diffusion of

attention within organizations. For example, a social movement organization as an attention carrier can deliver stakeholders' demands to firms and raise the latter's attention to particular social issues (King, 2008); the subsidiaries of multinational enterprises as attention carriers can direct headquarters' attention to local markets through their proactive product strategies (Bouquet & Birkinshaw, 2008). Improving corporate social performance is financially costly (Barnett & Salomon, 2006; Wang, Choi, & Li, 2008), not to mention that at any one time multiple other strategic issues might be vying for the scarce managerial attention within firms (Cyert & March, 1963; March & Simon, 1958). Therefore, the improvement of corporate social performance critically depends on whether a firm has an attention carrier who can effectively direct managerial attention to the relevant issues. We propose that a CSO can fulfill the role of attention carrier by paying constant attention to corporate social performance. Via the CSO as an attention carrier, the salience of sustainability issues is increased and more managerial attention is devoted to corporate sustainability, which significantly enhance the associated decision-making and execution and improve corporate social performance accordingly.

A firm's corporate social performance can be evaluated along two aspects. The firm can increase its socially responsible activities and/or it can reduce its socially irresponsible activities (Lange & Washburn, 2012; Mattingly & Berman, 2006). "Doing good" and "doing no harm" are the two sides of the same coin but with different implications (Tang et al., 2015). How much a firm's corporate social performance is enhanced can be assessed by the extent to which the firm's CSR is improved and/or the extent to which its CSiR is reduced. By hiring a CSO, the firm's CSR will rise, while its CSiR will drop. Accordingly, we have the following main-effect hypotheses:

**Hypothesis 1a** *A positive relationship exists between CSO presence and firm engagement in socially responsible activities.*

**Hypothesis 1b** *A negative relationship exists between CSO presence and firm engagement in socially irresponsible activities.*

### 3.2 | Asymmetric effects of CSO on CSR versus CSiR

While the presence of a CSO on the TMT will enhance corporate social performance by improving CSR and reducing CSiR, we propose that these two influences are asymmetric. Specifically, as more managerial attention is normally allocated to negative issues than to positive issues, CSO presence tends to have a stronger influence on CSiR than on CSR.

Research in social psychology has consistently documented an attentional allocation bias toward negative information. Generally, negative stimuli draw more attention than positive stimuli. This phenomenon is known as the negativity bias in attention allocation (Smith et al., 2006). This greater emphasis on negative stimuli "may be one of the most basic and far-reaching psychological principles" (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001: 362) and manifests itself in both the attention allocation process (Fiske, 1980; Pratto & John, 1991; Smith et al., 2006) and the evaluation process (Kahneman & Tversky, 1984; Ito, Larsen, Smith, & Cacioppo, 1998). On average, people try harder to acquire negative information than they do positive information (Fiske, 1980; Graziano, Brothen, & Berscheid, 1980). Negative stimuli also tend to attract attention automatically (Hansen & Hansen, 1988). Moreover, in the evaluation process, people usually attach greater importance to

negative information and make more causal attributions for negative events (Peeters & Czapinski, 1990). As a result, decision-makers are often more aware of the negative impact of an issue, and their attention focus tends to be biased toward negative information. Similarly, the broader audience is more likely to evaluate the target based on its negative behavior, resulting in a wider dissemination and a stronger impact of negative information.

When applying this attention bias to the context of corporate social performance, we consider corporate responsible activities as “doing good” or the positive element of social engagement, and corporate irresponsible activities as “doing bad” or the negative element of social engagement (Strike et al., 2006; Tang et al., 2015). More specifically, engagement in CSR activities indicates the willingness of the firm to satisfy its stakeholders' request and generates positive externality to the society. In contrast, CSiR activities, such as labor law violation, product defects and large-scale recalls, undermine the legitimate interests of its stakeholders and violate widely accepted social norms. Accordingly, these two dimensions of corporate social performance are different in valence and can generate distinct stimuli for decision-makers and the broader audience (Crilly, Hansen, & Zollo, 2016; Groening & Kanuri, 2018). Given the influence of negative valence in the attention allocation process and the evaluation process, CSiR issues are likely to arouse more attention from the decision-makers spontaneously than CSR issues. Meanwhile, CSiR issues tend to provoke a stronger reaction from a firm's stakeholders, such as a large-scale boycott initiated by its customers and a significant sell-off among its shareholders, which motivates firms to attach greater importance to these negative issues.

Therefore, considering this negativity bias in attention allocation, decision-makers are more likely to direct attention to the negative facet of social performance. Accordingly, the CSO, as an attention carrier for corporate social activities, is likely to channel more managerial attention to fixing the “bad things” than to improving the “good things”. With such asymmetry in attention allocation, the improvement in corporate social performance will also be asymmetric for CSR versus CSiR and CSO presence will have a stronger impact on reducing CSiR than on increasing CSR. Therefore,

**Hypothesis 2** *The negative relationship between CSO presence and firm engagement in socially irresponsible activities is stronger than the positive relationship between CSO presence and firm engagement in socially responsible activities.*

### 3.3 | Moderating effects

If CSO presence indeed affects a firm's social performance, it is also important to understand how the effect may vary. Examining the boundary conditions can deepen our understanding of the mechanism underlying the main effect and help advance research on both upper echelons and corporate social performance.

We further build on the attention-based view's premise that managerial attention is contextually embedded, as “what issues and answers decision-makers focus on, and what they do, depends on the particular context or situation they find themselves in” (Ocasio, 1997: 188). The contextual factors that influence the attention allocation process of decision-makers will in turn affect CSOs' effectiveness as attention carriers. In this article, we explore the moderating effects of two contextual factors: sustainability committee and industry culpability.

### 3.3.1 | Sustainability committee

The board of directors is a group of individuals with fiduciary duties who are responsible for monitoring and approving top-level decisions that are important to firms and shareholders (Johnson, Daily, & Ellstrand, 1996). To facilitate the decision-making process, the board also creates committees focusing on different firm activities (Singh & Harianto, 1989). Particularly, firms may set up a board committee to focus on sustainability issues (Walls, Berrone, & Phan, 2012).

A firm that has set up a committee specifically for sustainability issues exposes its senior executives to more frequent discussion about the importance and urgency of improving the firm's social performance (Klein, 2002). The effectiveness of firm sustainability initiatives can be significantly improved with the advice and support of the specialized committee, thereby contributing to better social performance (Dalton, Daily, Ellstrand, & Johnson, 1998). More importantly, the role of the CSO as an attention carrier is augmented for a firm whose board has a sustainability committee. Specifically, the sustainability committee can draw top managers' attention to corporate social performance by exercising its power during board meetings to set strategic goals related to sustainability, and to approve or veto the CSR strategies proposed by the TMT. The existence of a sustainability committee thus creates a context where greater legitimacy is attached to sustainability and the key decision-makers in the organization, including the CSO, the CEO and other TMT members, are motivated to pay more attention to the social issues that the firm is facing (Greening & Gray, 1994). Therefore, it becomes easier for the CSOs of such firms to channel managerial attention, mobilize resources, and influence firm strategy. In sum, a sustainability committee will strengthen the effect of CSO presence on corporate social performance.

**H3a** *The positive relationship between CSO presence and firm engagement in socially responsible activities is stronger when the board of the firm has a sustainability committee.*

**H3b** *The negative relationship between CSO presence and firm engagement in socially irresponsible activities is stronger when the board of the firm has a sustainability committee.*

Moreover, as we have argued before, attention allocation has differential focus when individuals encounter positive versus negative information. Board members are also subject to the negativity bias in attention allocation and would perceive and interpret the firm's engagement in CSR and CSiR activities asymmetrically. The existing evidence has shown that the personal reputation of board members, especially those sitting on specialized committees, can be significantly influenced by corporate misconduct (Fich & Shivdasani, 2007; Srinivasan, 2005). Other research also suggests that board members can be highly sensitive to any negative information about their firms (Fahlenbrach, Low, & Stulz, 2017). As a result, the negative behavior of a firm can have a greater impact on the board members and thus would attract more of their attention. Accordingly, the sustainability committee would allocate more attention to firm CSiR activities, which are presented as negative stimuli (Smith et al., 2006). For example, committee members may devote more time to analyzing the CSiR activities and may offer more comments or suggestions to address the negative externality. As a result, although the sustainability committee emphasizes the significance of corporate social performance in general, the board will place a stronger emphasis on reducing CSiR activities and will weigh the related issues more heavily. Thus, we predict that the moderating effect of a sustainability committee as a contextual factor is stronger on the relationship between CSO presence and CSiR than on the relationship between CSO presence and CSR.

**H4** *The strengthening effect of a sustainability committee is stronger on the relationship between CSO presence and firm engagement in socially irresponsible activities than on the one between CSO presence and firm engagement in socially responsible activities.*

### 3.3.2 | Industry culpability

The nature of the industry in which a firm is operating also serves as an important contextual factor that generates stimuli relevant to corporate social performance. Certain industries, such as tobacco, gambling, and munitions, often face serious questioning about their social responsibility (Hudson, 2008). Firms in these industries are under more intense scrutiny and face more social pressure. For example, Hong and Kostovetsky (2012) found that investors who favored socially responsible firms tended not to invest in culpable industries. These industries also receive negative media coverage and poor social evaluation more often than others (Vergne, 2012). Due to these social pressures, firms in culpable industries are more sensitive about their social image. For instance, Luo, Zhang, and Marquis (2016) found that firms in such industries responded more quickly to calls for corporate donations.

Following this line of logic, we anticipate that firms in culpable industries would allocate more attention to the social domain. Stakeholders are particularly concerned about the social influence of these firms. Engagement in CSR and CSiR activities attracts greater attention from the society for these firms and has a greater influence on them than on firms in nonculpable industries (Jo & Na, 2012; Oh, Bae, & Kim, 2017). Thus firms in a culpable industry are likely to perceive a greater relevance of social performance to their operations and profitability (Cai, Jo, & Pan, 2012; Grougiou, Dedoulis, & Leventis, 2016; Luo et al., 2016). Therefore, the contextual environment of a culpable industry would suggest that the senior executives in these firms are more likely to pay attention to corporate social performance. In this regard, the CSO may find it easier to channel managerial attention and obtain other resources that he/she may need to improve social performance. Besides, considering that social responsibility is a more intractable problem in culpable industries (Oh et al., 2017), CSO presence will help relieve the attentional constraints on the other top executives to a greater extent. Accordingly, the relationship between CSO presence and corporate social performance is stronger for firms in culpable industries.

**H5a** *The positive relationship between CSO presence and firm engagement in socially responsible activities is stronger for firms operating in culpable industries.*

**H5b** *The negative relationship between CSO presence and firm engagement in socially irresponsible activities is stronger for firms operating in culpable industries.*

Moreover, similar to our earlier arguments, stakeholders such as journalists, analysts, and investors are also subject to the negativity bias and are often eager to evaluate the social performance of firms in culpable industries. They tend to put a larger weight on the CSiR activities in the evaluation process and may proactively search for information clues, such as irresponsible practices, that are consistent with the negative image of culpable firms (Frankel, Kothari, & Weber, 2006; Soroka, 2006). They would also rely more on these negative information clues when making inferences and causal attributions (Brown, Harlow, & Tinic, 1988; Conrad, Cornell, & Landsman, 2002; Veronesi,

1999). Some stakeholders such as journalists and analysts would even try to amplify the negative influence of CSiR activities by spreading related information to a wider audience. As a result, the value of CSO presence in reducing CSiR is greater than that in increasing CSR for firms in culpable industries. Accordingly, the relationship between CSO presence and CSiR is stronger than the relationship between CSO presence and CSR for such firms.

*H6: The strengthening effect of industry culpability is stronger for the relationship between CSO presence and firm engagement in socially irresponsible activities than for the one between CSO presence and firm engagement in socially responsible activities.*

## 3.4 | Method

### 3.4.1 | Data

Our hypotheses were tested with a sample of the large U.S. publicly listed firms (excluding financial services companies) in the S&P 500 index from 2005 to 2014. We retrieved the data from multiple reliable sources. First, the TMT and board member data were obtained from the BoardEx and ExecuComp databases, which record the composition and detailed information of the executives, directors and other senior managers in each firm. The BoardEx database also provides data related to a firm's board committees. Corporate social performance was provided by Kinder, Lydenberg, Domini & Co., Inc. (KLD), and financial information was obtained from the Compustat database. To reduce the estimation bias arising from the relatively short sample period, we required the sampled firms to have at least five observations in the data set (Lavie, 2007).<sup>2</sup> After excluding the observations with missing data, the final sample consists of 442 unique firms and 4,320 firm-year observations.

## 3.5 | Measures

### 3.5.1 | Corporate social performance

A firm's corporate social performance was measured by its engagement in socially responsible activities as well as socially irresponsible activities. Following prior research, we particularly focused on five dimensions: community, diversity, employee relations, environment, and product issues (Hillman & Keim, 2001). These social issues are of great interest to stakeholders and are considered the primary elements of a firm's social activities (Choi & Wang, 2009; Tang et al., 2015). For each of the five dimensions, the KLD database covers 12 strengths and 7 concerns on average and assesses a firm's corporate social performance by assigning a 1 or a 0 to each specific strength or concern. Following the convention in the literature (e.g., di Giuli & Kostovetsky, 2014; Koh, Qian, & Wang, 2014), we summed the standardized number of strengths across the five dimensions to generate a *CSR performance* variable, and used the total number of standardized concerns to measure *CSiR performance*. We further standardized the value of CSR performance and the value of CSiR performance to make them comparable when examining the asymmetric effect of CSO presence (Koh et al., 2014; Mattingly & Berman, 2006). Therefore, both the *CSR performance* variable and the *CSiR performance* variable have a mean of zero and a *SD* of one. To alleviate the concern of reverse causality, we measured CSR and CSiR at year  $t + 1$ .

<sup>2</sup>Different thresholds were applied, and the results were consistent.

### 3.5.2 | CSO presence

We used a dummy variable *CSO presence* to indicate whether or not a firm maintains a CSO position in each year. We obtained the relevant information from the BoardEx database, which compiles the full list of managers disclosed in a firm's proxy statements, Form 10-K, and Form 8-K. We followed a comprehensive approach (Menz & Scheef, 2014) to determine the presence of a CSO. First, information about all senior managers and executives reported by the sample firms was retrieved from the BoardEx database. Second, following the previous academic research and industrial reports (Strand, 2013, 2014; Weinreb Group, 2011), we identified those managers whose job titles contained the word "sustainability," "sustainable," "responsibility," "ethics," or "environment" as CSOs. Then, we manually scrutinized the role descriptions of the managers to ensure the validity of the identification approach. The online appendix S1 (Appendix S1) summarizes all the CSO titles considered in this study. Finally, we coded the firm-year observations with a CSO as "1" and those without as "0" for the *CSO presence* variable. In total, our sample has 556 firm-year observations involving 105 unique firms with a CSO.

### 3.5.3 | Sustainability committee

*Sustainability committee* is a dummy variable indicating whether the firm had a specialized board committee on the related issues in each year (coded as 1). Consistent with the approach for identifying CSO presence, we reviewed the names of all board committees of a firm in the BoardEx database. The committees that had the word "sustainability," "sustainable," "responsibility," "ethics," or "environment" in their names were coded as sustainability committees. The three most common names of the sustainability committees were "Public Responsibility Committee," "Corporate Responsibility Committee," and "Environmental Health and Safety Committee."

### 3.5.4 | Industry culpability

To measure industry culpability, we conducted a comprehensive review of the business activities of the firm by incorporating data from the Compustat and KLD databases (Hong & Kostovetsky, 2012). First, we identified the firms operating in the tobacco, arms, natural resources, and alcohol industries based on the SIC codes.<sup>3</sup> Second, we highlighted the firms that received a rating of 1 for the items related to "tobacco", "firearms", "military", "alcohol," or "gambling" in the KLD database. After combining the results of these two steps, we coded the variable of *industry culpability* as 1 if the observation met either of the two conditions, and 0 otherwise.

### 3.5.5 | Control variables

To rule out alternative explanations, we controlled for a list of firm-level characteristics that may influence a firm's corporate social performance. First, the decision to invest in social initiatives may depend on the firm's prior financial performance and the amount of available resources. Thus, we controlled for *Tobin's Q*, measured as the ratio of the market value of firm assets to their replacement value, *return on assets (ROA)*, measured as the ratio of net income to total assets, *firm leverage*, calculated as the ratio of long-term debt to equity, and *firm size*, measured as the natural logarithm of

<sup>3</sup>Tobacco industries are the ones with SIC codes 2,100–2,199; guns and defense industries are the ones with SIC codes 3,760–3,769, 3,795, 3,480–3,489; natural resources industries are the ones with SIC codes 0800–0899, 1,000–1,119, 1,400–1,499; and alcohol industries are the ones with SIC codes 2080, 2082–2085.

total assets. We also controlled for four governance-related attributes of the firm: *Number of board directors*, *Number of board committees*, *CEO duality*, and *Independent director ratio*. CEO duality was coded as 1 when the CEO also served as the board chairman of the firm. Independent director ratio was calculated as the ratio of the number of independent directors to the total number of directors on the board.

### 3.6 | Analytical approach

Despite the growing trend of creating a CSO position, we also observed instances where the CSO position was removed in our sample. Strand (2014) suggested that firms may remove the CSO position from the TMT once the principle of sustainability had become well integrated into the firm strategy. Therefore, we assume that every year firms must decide whether or not to maintain the CSO position (Menz & Scheef, 2014), resulting in within-firm variations in CSO presence over time.

To determine the appropriate estimation model, we first conducted a Hausman's (1978) test to evaluate the influence of unobserved heterogeneity. The results show that the estimations with fixed and random effects are systematically different ( $p < 0.001$  for the predictions for both CSR and CSiR), suggesting significant correlations between the regressors and the error terms. Therefore, we decided to apply a panel linear regression model with firm fixed effect to control for the time-invariant attributes and between-firm heterogeneity (Wooldridge, 2002).

Considering that the firm does not randomly set up a CSO position (for instance, a company with a stronger capability to improve its social performance may elect to create a CSO position), in addition to controlling for a firm's prior social performance, we employed an instrumental variable (IV) approach in the analyses (Kennedy, 2008; Semadeni, Withers, & Certo, 2014). Conceptually, institutional theory predicts that individual firms may follow their industry peers to set up similar executive positions in the TMT (DiMaggio & Powell, 1983), but this industry trend may not necessarily have a direct linkage to individual (focal) firms' social performance. Methodologically, prior studies have also suggested that the industry average of an independent variable can be an appropriate instrument to address the possible concern of endogeneity (Liu, Miletkov, Wei, & Yang, 2015; Zorn, Shropshire, Martin, Combs, & Ketchen Jr, 2017). Therefore, the number of firms with CSO presence in the same industry has a strong correlation with the likelihood that the focal firm adopts a CSO, but it is uncorrelated with the error term in the second-stage model. Accordingly, the instrumental variable we used was the number of firms in the same industry as the focal firm that had a CSO.

We determined the industry of a firm by its two-digit SIC code reported in Compustat. Following Flammer (2018), we regressed the likelihood of hiring a CSO on the instrumental and control variables in the first stage and used the fitted value of CSO presence as the predictor of corporate social performance in the second stage. The results of the first-stage model show that the industry trend of setting up a CSO position significantly predicts the likelihood of CSO presence in the focal firm ( $\beta = 0.188$ ,  $p = .000$ ; see Appendix A for details). The corresponding  $F$ -statistic is 19.03, which is well above the threshold for a "strong" instrument (Flammer, 2018; Stock, Wright, & Yogo, 2002).

## 4 | RESULTS

Table 1 presents the descriptive statistics of and the correlations among the variables. Tests reveal a maximum variance inflation factor (VIF) of 2.36 across the regression models, well below the suggested threshold of 10 for the risk of multicollinearity (Cohen, Cohen, West, & Aiken, 2003).

**TABLE 1** Descriptive statistics and correlations

		<b>Mean</b>	<b>SD</b>	<b>Minimum</b>	<b>Maximum</b>	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	CSR performance	0.00	1.00	-1.13	3.06												
2	CSIR performance	0.00	1.00	-0.93	3.31	0.29											
3	CSO presence	0.13	0.33	0.00	1.00	0.27	0.24										
4	Sustainability committee	0.15	0.36	0.00	1.00	0.15	0.19	0.15									
5	Industry culpability	0.14	0.35	0.00	1.00	0.11	0.13	0.06	0.07								
6	Tobin's Q	1.78	1.28	0.00	7.42	-0.06	-0.15	-0.07	-0.13	0.01							
7	ROA	0.07	0.06	-0.15	0.25	0.03	-0.07	-0.01	-0.05	0.06	0.52						
8	Firm leverage	0.21	0.15	0.00	0.68	-0.08	0.04	0.03	0.06	0.02	-0.16	-0.24					
9	Firm size	9.58	1.40	6.58	13.71	0.42	0.35	0.20	0.14	0.05	-0.42	-0.34	-0.06				
10	Number of board directors	11.27	2.31	6.00	18.00	0.30	0.21	0.14	0.14	0.04	-0.23	-0.17	-0.06	0.51			
11	Number of board committees	4.45	1.24	3.00	8.00	0.25	0.22	0.17	0.39	-0.00	-0.20	-0.15	0.04	0.37	0.35		
12	CEO duality	0.59	0.49	0.00	1.00	0.10	0.13	0.03	0.06	0.05	-0.07	-0.03	-0.01	0.14	0.05	0.12	
13	Independent director ratio	0.80	0.10	0.50	0.93	0.22	0.07	0.11	0.16	0.02	-0.14	-0.11	0.05	0.24	0.06	0.23	0.18

Note:  $n = 4,320$ . Correlations above |.03| are significant at the .05 level.

Table 2 presents the effects of CSO presence on corporate social performance. Models 1 and 2 examine the main effects of CSO presence on firm CSR and CSiR in the next year, respectively. In support of Hypotheses 1a and 1b, the results suggest that the presence of a CSO leads to an increase of 1.342 units in the firm's CSR ( $\beta = 1.342, p = .000$ ) and a decrease of 3.338 units in the firm's CSiR ( $\beta = -3.338, p = .000$ ), when other variables are kept constant at their mean level. A one-sided Wald test, which compares the absolute values of the two corresponding coefficients (Slangen & Beugelsdijk, 2010), further indicates that the positive influence of CSO presence on CSR is weaker than its negative influence on CSiR ( $z = -3.339, p = .000$ ). Therefore, Hypothesis 2 is also supported.

The moderating effects predicted in Hypotheses 3–6 are tested with Models 3–6 in Table 2. In Models 3 and 4, we added the interaction between CSO presence and sustainability committee. Contrary to our prediction in Hypothesis 3a, Model 3 shows that the existence of a sustainability committee in the firm actually *weakens* the effect of CSO presence on CSR ( $\beta = -0.850, p = .023$ ). In support of Hypothesis 3b, Model 4 shows that the existence of such a committee strengthens the negative effect of CSO presence on CSiR ( $\beta = -0.983, p = 0.005$ ). Moreover, these results jointly provide evidence to support Hypothesis 4: the strengthening effect of a sustainability committee is more salient in predicting CSiR.<sup>4</sup>

Models 5 and 6 add the interaction between CSO presence and industry culpability to test Hypotheses 5a, 5b, and 6. Results in Model 5 show that the coefficient of "CSO presence x industry culpability" is not significant ( $\beta = -0.250, p = .604$ ) in predicting CSR, thus we do not find support for Hypothesis 5a. However, the interaction term is negatively significant in Model 6 ( $\beta = -1.006, p = .026$ ) in predicting CSiR. In other words, the negative influence of CSO presence on CSiR is stronger in culpable industries. Therefore, Hypothesis 5b is supported. As the moderating effect of industry culpability is only significant for the CSO-CSiR relationship, these two sets of results jointly support what Hypothesis 6 predicts: the strengthening effect of industry culpability is more salient for irresponsible activities than for responsible activities.<sup>5</sup>

Model 7–8 present the full models that simultaneously include the two interaction terms. Consistent coefficient estimates are found for all the relationships of interest, including the main effect of CSO presence ( $\beta = 1.598, p = .000$  for CSR; and  $\beta = -2.977, p = .000$  for CSiR), the moderating effect of sustainability committee ( $\beta = -0.858, p = .022$  for CSR; and  $\beta = -1.011, p = .004$  for CSiR) and the moderating effect of industry culpability ( $\beta = -0.289, p = .550$  for CSR; and  $\beta = -1.052, p = .020$  for CSiR).

## 4.1 | Additional analyses

To gain a deeper understanding of our findings, we conducted a series of additional analyses (see Appendix B for details). First, as our main analyses were concerned with the level of CSR/CSiR, one may wonder whether CSO presence allows firms to restrict their attention to certain social domains or to broaden their social portfolio.<sup>6</sup> To address this question, we constructed two "variance" measures of social performance (CSR-Variance and CSiR-Variance) by calculating the *SDs* of firm

<sup>4</sup>We also compared the coefficient estimates using a one-sided Wald test. The results suggest that in comparison to its effect on the CSO-CSR relationship, sustainability committee strengthens the CSO-CSiR relationship to a greater extent ( $z = -3.063, p = .001$ ). We have a more detailed discussion on the H4 test in the online Appendix S2.

<sup>5</sup>We also compared the coefficient estimates using a one-sided Wald test. The results suggest that in comparison to its effect on the CSO-CSR relationship, industry culpability strengthens the CSO-CSiR relationship to a greater extent ( $z = -1.356, p = .088$ ). We have a more detailed discussion on the H6 test in the online Appendix S2.

<sup>6</sup>We thank our anonymous reviewers for this insightful suggestion.

**TABLE 2** CSO presence and corporate social performance

Dependent variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	CSR <sub>t+1</sub>	CSiR <sub>t+1</sub>	CSR <sub>t+1</sub>	CSiR <sub>t+1</sub>	CSR <sub>t+1</sub>	CSiR <sub>t+1</sub>	CSR <sub>t+1</sub>	CSiR <sub>t+1</sub>
Tobin's Q	-0.023 (0.065)	-0.034 (0.004)	-0.023 (0.070)	-0.033 (0.004)	-0.023 (0.064)	-0.034 (0.003)	-0.023 (0.069)	-0.034 (0.004)
ROA	-0.098 (0.658)	-0.378 (0.067)	-0.115 (0.603)	-0.398 (0.054)	-0.100 (0.651)	-0.387 (0.061)	-0.118 (0.594)	-0.408 (0.048)
Financial leverage	0.021 (0.868)	-0.199 (0.089)	0.023 (0.852)	-0.196 (0.093)	0.023 (0.855)	-0.190 (0.103)	0.026 (0.837)	-0.187 (0.109)
Firm size	0.029 (0.409)	0.078 (0.017)	0.019 (0.581)	0.067 (0.041)	0.029 (0.408)	0.078 (0.016)	0.019 (0.581)	0.067 (0.041)
Number of directors	-0.006 (0.449)	0.019 (0.006)	-0.006 (0.424)	0.019 (0.006)	-0.005 (0.456)	0.019 (0.005)	-0.006 (0.432)	0.019 (0.005)
Number of board committees	0.021 (0.245)	-0.095 (0.000)	0.019 (0.297)	-0.098 (0.000)	0.021 (0.247)	-0.095 (0.000)	0.019 (0.300)	-0.098 (0.000)
CEO duality	0.047 (0.079)	0.001 (0.953)	0.049 (0.064)	0.004 (0.860)	0.046 (0.081)	-0.000 (0.999)	0.049 (0.066)	0.003 (0.908)
Independent director ratio	0.309 (0.046)	-0.202 (0.164)	0.298 (0.054)	-0.214 (0.139)	0.307 (0.048)	-0.211 (0.145)	0.296 (0.057)	-0.224 (0.122)
CSR performance	0.434 (0.000)	-0.065 (0.000)	0.433 (0.000)	-0.067 (0.000)	0.434 (0.000)	-0.064 (0.000)	0.433 (0.000)	-0.066 (0.000)
CSiR performance	0.173 (0.000)	0.569 (0.000)	0.172 (0.000)	0.569 (0.000)	0.173 (0.000)	0.567 (0.000)	0.172 (0.000)	0.566 (0.000)
Sustainability committee	-0.004 (0.951)	-0.236 (0.000)	0.107 (0.183)	-0.108 (0.149)	-0.004 (0.954)	-0.235 (0.000)	0.108 (0.177)	-0.103 (0.168)
Industry culpability	-0.261 (0.000)	0.127 (0.013)	-0.266 (0.000)	0.121 (0.018)	-0.213 (0.045)	0.317 (0.001)	-0.211 (0.047)	0.320 (0.001)
<b>CSO presence</b>	<b>1.342</b> <b>(0.000)</b>	<b>-3.338</b> <b>(0.000)</b>	<b>1.572</b> <b>(0.000)</b>	<b>-3.071</b> <b>(0.000)</b>	<b>1.362</b> <b>(0.000)</b>	<b>-3.255</b> <b>(0.000)</b>	<b>1.598</b> <b>(0.000)</b>	<b>-2.977</b> <b>(0.000)</b>
<b>CSO presence</b>							<b>-0.858</b> <b>(0.022)</b>	<b>-1.011</b> <b>(0.004)</b>
<b>X Sustainability committee</b>					<b>(0.023)</b>	<b>(0.005)</b>		
<b>CSO presence</b>							<b>-0.250</b> <b>(0.604)</b>	<b>-1.006</b> <b>(0.026)</b>
<b>X Industry culpability</b>							<b>(0.550)</b>	<b>-0.289</b> <b>(0.020)</b>
Observations	4320	4320	4320	4320	4320	4320	4320	4320

Note: *p*-values in parentheses

performance across five domains (i.e., community, diversity, employee relations, environment, and product issues). While a lower variance score suggests more diverse social engagement, a higher variance score suggests that the firm is focused on specific domains. Our results show that CSO presence increases the variance in CSR ( $\beta = 0.904$ ,  $p = .000$ ), while decreasing the variance in CSiR

across different social domains ( $\beta = -1.082, p = .000$ ). These results suggest that CSO presence improves a firm's CSR by differentiating among its stakeholders and prioritizing the demand from significant groups. However, the CSO tends to spend equal amounts of effort on reducing CSiR across different social domains, regardless of which stakeholders these domains are associated with. These findings once again confirm that the effects of CSO presence on CSR versus CSiR are asymmetric.

Second, we categorized corporate social initiatives into institutional and technical ones (Flammer, 2018; Godfrey et al., 2009) and examined whether the effect of CSO presence is similar for these two types of social activities. Institutional and technical social initiatives are different in terms of the stakeholders they target: institutional initiatives target "a firm's secondary stakeholders or society at large" (Godfrey et al., 2009: 425), while technical initiatives target a firm's primary stakeholders such as its employees and customers. We followed prior studies to decompose the KLD index into these two sub-indices and found that CSO presence has a significant and negative influence on institutional CSiR ( $\beta = -1.391, p = .000$ ) and technical CSiR ( $\beta = -3.354, p = .000$ ). However, the positive effect of CSO presence on CSR is only significant for technical CSR ( $\beta = 1.720, p = .001$ ) but not for institutional CSR ( $\beta = 0.261, p = .499$ ). The results suggest that firms pay more attention to the stakeholders who are closer to their business, that is, the primary stakeholder. These findings again render support to our hypotheses that in general, CSO presence has a stronger influence on the negative aspects of firm social performance (i.e. CSiR) than on the positive aspects (i.e. CSR).

Third, we asked whether or not CSO presence has any financial performance implication. We answered this question by testing the effect of CSO presence on the focal firm's Tobin's Q in the year after bringing on board a CSO. By taking into consideration both the market value and replacement cost of firm assets, Tobin's Q is oriented toward the future and reflects the premium that the capital market is willing to pay for the firm, making it a commonly used measure of corporate long-term profitability (Huselid, Jackson, & Schuler, 1997; Richard, Murthi, & Ismail, 2007). We found that adding a CSO position to the TMT improves the firm's Tobin's Q at  $t + 1$  ( $\beta = 0.788, p = .043$ ). The result suggests that the market does react positively to the addition of a CSO and is optimistic about the firm's future profitability.

Lastly, we examined whether CSOs with different task foci influence corporate social performance differently.<sup>7</sup> In the subsample that includes only the observations with CSO presence, we found that the CSOs who have additional designation on product/operation safety lead to worse CSR performance (i.e., a lower CSR score), while the CSOs with an explicit focus on sustainability/responsibility contribute to better CSiR performance (i.e., a lower CSiR score). The results show that the effect of executive task foci may direct executive attention to different domains, and is also asymmetric among CSR and CSiR.

## 5 | DISCUSSION

Given the growing importance of social responsibility and sustainability in today's corporate world (McWilliams & Siegel, 2001), it is not surprising to see more firms appointing a CSO to their TMTs (Miller & Serafeim, 2014). However, we do not know whether the appointment of a CSO can really improve the firm's corporate social performance. This study tries to provide an answer. With a sample of S&P 500 firms for 2005–2014, we find that appointing a CSO can increase the firm's socially

<sup>7</sup>Detailed results are available upon request.

responsible activities (CSR) and reduce its socially irresponsible activities (CSiR). More interestingly, the influence of CSO presence on corporate social performance tends to be asymmetric for CSR versus CSiR: the effect of CSO on reducing CSiR is greater than its effect on increasing CSR, largely due to the negativity bias in attention allocation that drives individuals to channel more attention to the negative facet of an issue in question. We further explore the boundary conditions of these relationships and find that the CSO-CSiR relationship becomes stronger when the firm sets up a sustainability committee on the board and when the firm is operating in a culpable industry. Moreover, these moderating effects are more salient in reducing CSiR than in improving CSR, which once again confirms the asymmetric influences of CSO presence on CSR versus CSiR.

Contradictory to our initial prediction, the positive relationship between CSO presence and CSR actually becomes weaker when the firm has a sustainability committee. One possible reason is that executives and directors may have inconsistent evaluation criteria for the “good deeds” of firms (Berrone & Gomez-Mejia, 2009). CSOs and sustainability committees may compete with each other for limited corporate resources and support from other TMT members to promote different socially responsible activities. In this regard, CSOs and sustainability committees are actually *substitutive* in terms of their influence on CSR, resulting in a weakening moderating effect of sustainability committee on the relationship between CSO presence and CSR. By contrast, sustainability committees are more likely to align with CSOs in the CSiR area. One reason could be that, at the level of fiduciary responsibility, sustainability committees have strong commitment to reduce socially irresponsible activities. They are more likely to be motivated to help CSOs hew out new policies and strive for more resources in order to improve firm CSiR performance. Thus, CSOs and sustainability committees are *complementary* in terms of their influence on CSiR.

## 5.1 | Theoretical implications

Our findings have important implications to the relevant literature. First of all, we shed new light on upper echelons theory. The existing studies in this literature have predominantly focused on either the CEO (e.g., Crossland, Zyung, Hiller, & Hambrick, 2014; Tang et al., 2015) or the TMT as a whole (e.g., Hambrick, Humphrey, & Gupta, 2015; Qian, Cao, & Takeuchi, 2013), while the role of individual top executives other than the CEO has rarely been investigated. However, learning more about the role of other senior executives in charge of specific functions can be fruitful for upper echelons theory. Prior studies on the functional TMT members have pointed out that the presence of specialized senior executives may or may not improve firm performance (Menz, 2012). Therefore, the value of hiring additional functional TMT members is still debatable. Moreover, considering that the success of a firm depends on all of its senior executives satisfactorily accomplishing their respective jobs, it is meaningful to explore the consequence of functional TMT member presence in corresponding domains. By linking CSO presence to performance in the social domain, the study nicely illustrates the impact of CSO presence and the effectiveness of this new executive position. This study shows that a CSO can significantly improve corporate social performance via enhancing CSR and reducing CSiR. Our study thus inspires researchers to extend and enrich this investigation by examining the role of senior executives other than the CEO in various dimensions of firm performance as well as the respective mechanisms.

Second, the finding on the effect of CSO presence on corporate social performance has an implication for the research on symbolic versus substantive corporate social performance. There has been a lengthy debate on whether firms engage in socially responsible activities for symbolic or

substantive reasons (e.g., Luo et al., 2016; Marquis & Qian, 2013). Although answering this question is beyond the scope of our study, we have also explored the antecedents of CSO presence. Particularly, Appendix A shows that firm size ( $\beta = 0.035, p = .002$ ), number of board committees ( $\beta = -0.028, p = .000$ ), prior CSR performance ( $\beta = 0.013, p = 0.021$ ), prior CSiR performance ( $\beta = -0.013, p = .016$ ), industry culpability ( $\beta = 0.070, p = .000$ ), and the number of firms with the CSO position in the same industry ( $\beta = 0.019, p = .000$ ) significantly predict the likelihood of setting up a CSO position in the focal firm. The results suggest the presence of a CSO is positively correlated with the firm's corporate social performance, its financial constraints, and the broad institutional context. In addition, our additional analysis shows that CSO presence is positively related to a firm's Tobin's Q at  $t + 1$ . These findings collectively suggest that firms set up a CSO position not only to improve its legitimacy but also to elicit more favorable market reactions, supporting the view that firms "do good" for substantive reasons.

Note that the effect of CSO presence on corporate social performance is robust regardless of the firm's CSR motivations. Not only can the CSO relieve the attentional constraints faced by CEOs and other TMT members, he/she can also formulate high-quality sustainability strategy. Firms with a CSO pay more managerial attention to corporate socially irresponsible activities, consistent with the principle of negativity bias suggesting that negative stimuli attract more attention. In sum, our findings suggest that a firm can improve its social performance by creating a new CSO position.

Third, the asymmetric influences of CSO presence on socially responsible and socially irresponsible activities as well as their differentially moderating effects can inspire researchers to dig deeper into the distinct operating mechanisms of the two facets of corporate social performance. In general, our study implies that the two sides of the same coin can be subject to distinct organizational and environmental influences. Whereas the existing research tends to aggregate socially responsible and socially irresponsible activities into one single net score (e.g., Choi & Wang, 2009; Tang, Mack, & Chen, 2018), our findings suggest that it might be more fruitful to investigate the two types of activities separately.

## 5.2 | Managerial implications

Our findings also have important implications to managerial practice on TMT design, executive recruitment, and corporate social performance. First, although a growing number of firms have come to realize the importance of corporate social performance for their success in the market, they should know that hiring someone specifically in charge of their corporate social performance may not have the same effects on socially responsible activities and socially irresponsible activities. Specifically, a CSO tends to help more with "doing less bad" than with "doing more good". Therefore, even though giving sustainability an office may be a smart move for those firms aspiring to better social performance, they need to be clear about how this new C-suite officer can actually help.

Improving corporate social performance might not be easy. For example, such initiatives may face strong resistance and demand substantial resources (Berrone & Gomez-Mejia, 2009). Accordingly, the effectiveness of CSO presence in improving corporate social performance depends on what resources and support are available. The study shows that firms with a sustainability committee and firms in industries subjected to greater social scrutiny tend to be able to improve their social performance more by hiring a CSO, especially in terms of reducing irresponsible activities. In other words, to reap maximum benefits from hiring a CSO, firms also need to consider the conditions in which

this CSO can more effectively play his/her role. Specifically, firms might lend their CSOs a hand in accomplishing the sustainability mission by equipping their boards with a specific committee in charge of sustainability issues.

### 5.3 | Limitations and future research

As with any study, ours has limitations that in turn create opportunities for future research. First of all, this study has assumed that firms' social engagement activities fall into the CSO's job scope, but in fact these activities might be managed by the CEO or other senior executives in some firms. We left these firms out of our study. This is a regrettable circumstance that we are not able to overcome. Fortunately, excluding these firms biases our results downward by reducing the variance of our predictor, which only makes it more difficult for us to find support for our predictions. In this regard, our theory has been put to a stringent test (cf. Hambrick & Mason, 1984: p. 196). Nevertheless, future research should utilize other research designs including field interviews or lab experiments to reconfirm our theoretical arguments.

Second, we did not directly compare the influence of CSOs across industries, particularly their influence on each component (for instance, comparing community with employee relations) of CSR performance and CSiR performance. But different industries may face unique situations and they have their own strengths and concerns. For example, companies in the airline industry in general perform well in diversity but poorly in labor relations.<sup>8</sup> While the study is not focused on the industry influence, we have still provided preliminary evidence by considering the culpability of an industry. A fruitful future direction would be to explore the unique features of CSR and CSiR performance across different industries.

Third, the results in this study do not support the predicted moderating effects of sustainability committee and industry culpability on the relationship between CSO presence and socially responsible activities. But we cannot rule out other potential boundary conditions that may govern this relationship. The influence of CSO presence on socially responsible activities may be subject to moderating effects in other conditions. In addition, how the board itself is structured may also influence the likelihood of hiring a specific executive (a CSO in our context) in the firm. Future research should take these routes and investigate the circumstances in which appointing a CSO would best enhance the firm's corporate social performance.

Last but not least, it would be equally meaningful to replicate and extend our findings to other cultural and institutional contexts. Our results are rooted in large U.S. publicly listed firms. Publicly listed firms may behave differently from private firms. Our arguments may also work differently for firms operating in other cultural environments such as China and India (Chen, Chittoor, & Vissa, 2015; Chen, Dong, Tong, & Zhang, 2018; Tsui, 2007). For example, in Chinese state-owned enterprises, executives may have limited discretion and some of their corporate social responsibility decisions would likely cater to government demands. In this case, hiring a CSO may not produce the same results or benefits. Therefore, future research can take a cross-cultural and cross-institutional perspective to examine the impacts of CSO presence on corporate social performance in other cultural contexts and in emergent economies.

<sup>8</sup>We thank one anonymous reviewer for this comment.

## 6 | CONCLUSIONS

This study underlines the firms that have expanded its top management team and the role of specialized executives. Particularly, we examine the influence of CSO presence on corporate social performance. Our results suggest that CSO presence leads to more engagement in CSR activities and less in CSiR activities. In addition, such effects are asymmetrical as the decrease in CSiR is greater than the increase in CSR. We also document that these relations are influenced by the focal firm's governance design and its industry culpability. In conclusion, if this article could contain only one message, we would like to emphasize that the influence of CSOs is asymmetric for CSR versus CSiR, highlighting that the CSR and CSiR could be two distinct aspects of corporate social performance.

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## SUPPORTING INFORMATION

Additional supporting information may be found online in the Supporting Information section at the end of this article.

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## APPENDIX

**TABLE A1** First-stage model predicting the likelihood of CSO presence

	CSO presence
Tobin's Q	-0.002 (0.639)
ROA	-0.044 (0.616)
Firm leverage	-0.021 (0.676)
Firm size	0.035 (0.002)
Number of directors	0.004 (0.163)
Number of board committees	-0.028 (0.000)
CEO duality	-0.008 (0.469)
Independent director ratio	0.059 (0.327)
CSR performance	0.013 (0.021)
CSiR performance	-0.013 (0.016)
Sustainability committee	-0.022 (0.382)
Industry culpability	0.070 (0.000)
<b>Number of firms with CSO position in the same industry</b>	<b>0.019</b> <b>(0.000)</b>
Observations	4320

*Note:* *p*-values in parentheses

## APPENDIX

**TABLE B1** Additional analyses of the effect of CSO presence

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Variation in CSR <sub>t+1</sub>	Variation in CSiR <sub>t+1</sub>	Institutional CSR <sub>t+1</sub>	Institutional CSiR <sub>t+1</sub>	Technical CSR <sub>t+1</sub>	Technical CSiR <sub>t+1</sub>	Tobin's Q <sub>t+1</sub>
Tobin's Q	0.004 (0.581)	-0.029 (0.000)	-0.018 (0.201)	-0.026 (0.065)	-0.026 (0.157)	-0.043 (0.003)	0.474 (0.000)
ROA	-0.076 (0.592)	-0.313 (0.033)	-0.842 (0.001)	-0.230 (0.351)	1.129 (0.000)	-0.538 (0.032)	0.193 (0.433)
Financial leverage	-0.007 (0.935)	-0.100 (0.227)	0.021 (0.879)	-0.192 (0.166)	-0.077 (0.670)	-0.112 (0.427)	0.032 (0.820)
Firm size	0.076 (0.001)	-0.057 (0.014)	-0.110 (0.004)	0.009 (0.824)	0.259 (0.000)	0.019 (0.626)	-0.114 (0.003)
Number of directors	0.001 (0.869)	0.006 (0.250)	0.008 (0.334)	0.005 (0.552)	-0.025 (0.019)	0.020 (0.016)	-0.009 (0.282)
Number of board committees	0.009 (0.456)	-0.033 (0.007)	-0.023 (0.257)	-0.044 (0.032)	0.066 (0.013)	-0.101 (0.000)	0.018 (0.378)
CEO duality	0.004 (0.820)	0.021 (0.241)	0.044 (0.133)	0.013 (0.663)	0.014 (0.722)	0.012 (0.689)	-0.009 (0.757)
Independent director ratio	0.246 (0.014)	-0.330 (0.001)	0.031 (0.856)	-0.428 (0.013)	0.677 (0.003)	-0.080 (0.650)	0.013 (0.939)
CSR performance	0.139 (0.000)	-0.032 (0.003)	0.342 (0.000)	-0.029 (0.105)	0.396 (0.000)	-0.088 (0.000)	-0.006 (0.747)
CSiR performance	0.025 (0.015)	0.251 (0.000)	0.276 (0.000)	0.490 (0.000)	-0.049 (0.035)	0.490 (0.000)	-0.035 (0.047)
Sustainability committee	0.004 (0.917)	-0.050 (0.237)	-0.021 (0.769)	-0.204 (0.004)	-0.025 (0.787)	-0.120 (0.097)	-0.001 (0.988)
Industry culpability	-0.041 (0.246)	0.039 (0.280)	-0.308 (0.000)	-0.117 (0.055)	-0.125 (0.112)	0.238 (0.000)	-0.021 (0.734)
<b>CSO presence</b>	<b>0.904 (0.000)</b>	<b>-1.082 (0.000)</b>	<b>0.261 (0.499)</b>	<b>-1.391 (0.000)</b>	<b>1.720 (0.001)</b>	<b>-3.354 (0.000)</b>	<b>0.788 (0.043)</b>
Observations	4320	4320	4320	4320	4320	4320	4320

Note: *p*-values in parentheses

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