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경영학 석사학위논문

Do CEO Characteristics Matter in Corporate Philanthropy?

**: The relationship between CEO characteristics and
corporate donations in Korean firms**

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ABSTRACT

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Prior research on corporate philanthropy has largely been done at the organizational and external level. Moreover, the focus has been concentrated on the link between corporate donations and financial performance. While CEOs have been asserted to be the main determinant of corporate philanthropy as it is a discretionary expenditure, little has been explored with regard to the effect of top managers. This paper directly addresses this issue by using the upper echelons theory and empirically examines the relationship between CEO characteristics and corporate donations. Using a sample of 133 large, publicly traded Korean firms, the study finds that observable

demographic traits of CEOs serve to explain the variations in corporate donations, even when firm and industry characteristics are controlled for. MBA education, level of education, and breadth of neutral/general management functional experience is shown to have a positive, significant effect on the level of corporate giving, while the CEO tenure does not show a significant effect.

Keywords: Corporate Social Responsibility; Corporate Donations; CEO; Upper Echelons Theory

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I. INTRODUCTION

Corporate Social Responsibility (CSR) has received growing interest from both scholars and business practitioners in recent years. Companies are increasingly interested in “doing well by doing good”, as they face high societal expectations to act responsibly and contribute to the public good, along with their conventional role of achieving superior financial performance, which leaves them a complex dynamic to operate within. A survey conducted by the McKinsey Quarterly found that 84 percent of corporate executives around the world believes that the society’s expectation of businesses to fulfill social responsibilities is bigger than that that of five years ago. It was also found that such societal expectations were expected to only continue over the next five years.

Amidst such heightened societal expectations, corporate philanthropy -a component of CSR- attracts the attention of both opponents and proponents. Milton Friedman, the most commonly mentioned opponent of CSR, asserts that "there is one and only one social responsibility of business--to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game..." (Friedman, 1970). Another critique of corporate philanthropy stems from the agency theory’s stance, which states that it is a manifest of a misuse of shareholder’s money

in pursuit of the CEO's self-interest such as to enhance top managers' personal reputation or to further their political and career agendas (Haley, 1991). On the other hand, proponents of corporate philanthropy assert that corporations bear the social responsibility as they are powerful institutions that have the capacity to do great harm as well as great good (Buhl, 1996). Moreover, proponents focus on the potential strategic role of corporate philanthropy as it may increase employee commitment (Bartel, 2001) or allow the firm to better deal with various stakeholders (Porter & Kramer, 2002).

With such various perspectives towards corporate philanthropy as stated above, one may naturally expect to see greatly differing giving behaviors of firms. Accordingly, scholars began to unpack the determinants of such variations such as financial performance (Griffin & Mahon, 1997), firm resources (Buchholtz, Amason, & Rutherford, 1999), firm size (Amato & Amato 2007), industry sector (Useem, 1991), and much more. However, prior studies have not yet systematically addressed the issue of how internal actors and characteristics could influence corporate philanthropy (Marquis & Lee, 2011). In other words, the unit of analysis of aforementioned studies has been predominantly the firm while individual level factors may serve to greatly influence corporate philanthropy.

Many studies have presented the CEO as the most important

determinant of corporate giving (Siegfried et al., 1983; Useem & Kutner, 1986; Merenda, 1981) through surveys and case studies. The UN Global Compact Annual Review of 2007 also presents that 71% of the firms answered that “CSR policies and practices are developed and managed by the CEO.” Despite the myriad evidence that CEOs are the ones who ultimately have the most say in the process of making corporate donations, there has been little research in examining the effect of firm leaders on corporate social performances (Manner, 2010). It has been noted that it is “somewhat surprising that there has been virtually no systematic theoretical or empirical analysis of the relationship between characteristics of CEO leadership and CSR” (Waldman et al., 2006).

Therefore, this study attempts to overcome such issues by focusing on the CEO effect on corporate philanthropy. Drawing upon Hambrick & Mason’s (Hambrick & Mason, 1984) upper echelon’s theory which asserts that organization outcomes are reflections of the values and cognitions of top managers, of which observable managerial characteristics are reasonable proxies, this study empirically examines the various characteristics of CEOs and demonstrate how CEO attributes serve to explain the differing giving patterns of different companies. It is a cross-level research that involves individual level constructs (CEO characteristics) and organizational level outcome (corporate giving). The research questions for this study are as

follows:

- Do CEO characteristics matter in corporate philanthropy of Korean firms?
- How do CEO characteristics affect the level of corporate donations?
- Among the many CEO characteristics, which ones serve to explain the differing giving behaviors?

The research questions are tested in the Korean context. Using a sample of large Korean from the KOSPI 200 firms, this study finds that CEO characteristics do matter in corporate philanthropy. Four demographic variables of executives - MBA education, level of education, functional background, and CEO tenure were chosen for this study. Empirical results find an MBA degree, level of education, and breadth of neutral/general management functional experience have a positive and significant effect on corporate giving. CEO tenure did not show a significant effect.

In the following section, the literature is examined in order to discuss the theoretical background and to develop the hypotheses. Next, the methodology, results, and summary are presented.

II. THEORY

1. CSR & Corporate Philanthropy

Stakeholders are defined as “any group or individual who can affect or is affected by the achievements of the firm’s objectives”, which includes customers, employees, suppliers, government, creditor, and public interest groups (Freeman, 1984). With regard to such stakeholders, stakeholder approach to management refers to the approach that takes the external environment into account. Ansoff (1965) provided the term “stakeholder theory” which mainly asserts that the main objective of the firm is to satisfy the conflicting demands of its stakeholders. The stakeholder theory could serve to be useful in exploring issues related to corporate social responsibility.

The terms CSR, corporate social performance (CSP), and corporate philanthropy may seem to be notions geared towards similar directions of explaining social responsibility and clear distinctions are hard to make. However, some differentiations among the concepts are able to be made reflecting on previous studies: CSR can be deemed as a conceptual idea that serves as a so-to-say ‘theme’, whereas CSP is the ‘outcome’ of such CSR, and corporate philanthropy is a ‘component’ of CSR (Chung & Pyo, 2013).

Corporate social responsibility (CSR) has been the topic of academic

study for several decades, but there is not one universal definition that fits all contexts. Nonetheless, one of the most widely accepted definitions of CSR is that of Carroll, which states that the social responsibility of business embraces the economic, legal, ethical, and discretionary expectations of the society (Carroll, 1979). Another classic definition by Davis states that it is “the firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm ... (to) accomplish social benefits along with the traditional economic gains which the firm seeks.” (Davis, 1973)

Similarly, Wood defined CSP as “a business organization’s configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm’s societal relationships.” (Wood, 1991) In other words, if CSR is a concept of what a business should be, the CSP is the evaluation or assessment of a company’s CSR efforts and its relevant outcome (Manner, 2010).

Lastly, corporate philanthropy is a component of the larger domain of CSR (Carroll 1979). To articulate, it refers to gifts or monetary giving by corporations to social and charitable causes. (Seifert, Morris, & Bartkus, 2003; Wang, Choi, & Li, 2008) Out of Carroll’s (1979) four-part categorization of CSR, the discretionary responsibility has been rated as the

lowest of importance since it is a voluntary responsibility - not required, but rather desired by its nature. In this context, corporate philanthropy can be deemed to fit in the discretionary category of social responsibility as opposed to legal responsibilities which are obligatory, and thus decisions concerning corporate philanthropy are often at the management's discretion.

The focus of this paper lies on corporate philanthropy and more specifically, corporate donations for the following reasons. Firstly, corporate philanthropy fits in the discretionary category of CSR which implies that the extent of endorsement is most likely to be determined by the discretion of the management, hence adequate for this study which examines its relationship with CEO characteristics. Secondly, corporate philanthropy has been used as a composite measure for CSR or CSP in previous studies. In the case of Korea, corporate donations accounts for a significant portion of CSR expenditure: 52.9% according to the Corporate Community Relations White Book 2005. Therefore, although the option of analyzing CSR reports may also be a significant indicator, corporate donations, from the perspective of companies may serve to demonstrate the expense directly spent on CSR initiatives (Kang & Chun, 2011).

2. CEO as the Determinant of Corporate Philanthropy

The choice of whether or not to engage in socially responsible initiatives and the extent of engagement is not led by vague players of the company, but by corporate managers who possess discretion (Wood, 1991). For discretionary activities such as corporate donations, the major decision makers of the firm are likely to be the ones determining the level of giving. Similarly, the fact that the CEO is the most important decision maker of corporate philanthropy has been found in various surveys (Siegfried et al., 1983; Useem and Kutner, 1986; Merenda, 1981). In a study by Siegfried et al. (1983), which was a survey of 229 major companies in 1980, factors identified by company managers as influencing the level of corporate contributions, the “discretion of the CEO” was the most crucial factor influencing corporate philanthropy with 67.7% of the managers rated it as “very important”, followed by the size of previous years earning. In a recent study by The UN Global Compact Annual Review of 2007, it is also presents that 71% of the firms answered that “CSR policies and practices are developed and managed by the CEO.” The dominant role of CEOs may be attributable to the nature of corporate philanthropy as it bears the “discretionary” character. Moreover, according to the theory of managerial discretion (Hambrick & Finkelstein, 1987), leaders are likely to have more discretion in situations where the means-end link is

not able to be clearly determined, which is the case of philanthropy-performance link.

Empirical research linking business and society has largely been concentrated in looking into the relationship between corporate social performance (CSP) and corporate financial performance (CFP) (Margolis & Walsh, 2003). Moreover, according to the work of Margolis & Walsh (2003), which reviewed the literature of the association between CSP and CFP during 1972 - 2002, it was revealed that out of 127 studies only 18 studies treated the CSP as the dependent variable. In addition to the fact that most of the theoretical research has been centered on the CSR-CFP link, it is also worth noticing that, although the majority implies a positive relationship, the relationship still remains inconclusive. Also, the emphasis on the CSP- CFP relationship demonstrates that the attention was focused on the outcomes of CSR (not to mention of corporate philanthropy, which is a part of CSR), rather than the determinant.

Prior studies have delved into the question of why firms' philanthropic behaviors vary while being exposed under identical objective circumstances. Various determinants have been identified other than financial performance, such as industry sector (Useem, 1988), which showed that firms from industries with high levels of public contact such as retailing give more donations; firm size (Amato & Amato, 2007), that there is a cubic

relationship between firm size and corporate giving; board composition (Wang & Coffey, 1992), that the ratio of insiders and outsiders, insider stock ownership, and proportion of female board members are positively associated with corporate philanthropy; and firm resources (Buchholtz, Amason, & Rutherford, 1999), which has a positive effect on philanthropy.

The literature on corporate philanthropy is largely done at the organizational and external level. There is a gap in the sense that little has been studied at the individual and internal level. Despite the significant influence of CEOs on corporate philanthropy as mentioned above, there is a lack of research on managerial variables directly related to CSR actions (Thomas & Simerly, 1995). This overlooked importance of CEOs has been brought up by many recent studies. It was noted that even though top executives were obviously influential in the formulation and execution of CSR policies, empirical studies of CSR have ignored the role of corporate leaders (Waldman & Siegel, 2008) and that “it is somewhat surprising that there has been virtually no systematic theoretical or empirical analysis of the relationship between characteristics of CEO leadership and CSR” (Waldman, Siegel, & Javidan, 2006). Thus, this is the issue this paper is attempting to deal with by empirically testing the relationship between CEO characteristics and corporate philanthropy.

3. Upper Echelons Perspective

The strategic choices of CEOs are based on the CEO's own interpretations based on one's personal paradigm, which is a function of past experiences, values, and personality (Hambrick, 2007). The upper echelons perspective, first proposed by Hambrick & Mason (1984) is based on the idea that complex and uncertain contexts are not able to be known completely, but rather interpretable - in other words, it assumes bounded rationality (Cyert & March, 1963). As a result, demographic characteristics are used as a predictor of the managers' strategic choice, since they may be a valid proxy of one's cognitive bias and personal values which act as a filter in interpreting external situations.

According to Carpenter et al. (2004) it is asserted that the validity of the upper echelons perspective has been tested and supported in many strategic questions and business performance metrics. Such myriad support that has been found has freed the researchers from the burden of validating the theoretical justifications and as a result, calls for its use in other kinds of strategic issues, including CSR and ethics. One may question if CSR is a strategic action. However, many acknowledge that CSR can be treated as a differentiation strategy that enhances a firm's reputation, which can serve as an incentive to be socially responsible (McWilliams & Siegel, 2001).

4. What existing research on the CEO-CSR relationship lacks

There have been some prior studies that worked on filling this gap in the literature by exploring the influence of CEO values or type of leadership on CSR. According to the review of the CSR literature based on 588 journal articles and 102 books (Aguinis & Glavas 2012), the literature of studies on the predictors of CSR that were related to the top management have seen top management equity (Johnson & Greening, 1999), CEO pay structure (Deckop, Merriman, & Gupta, 2006), management commitment (Weaver et al., 1999), management awareness of CSR guidelines (Weaver et al, 1999), CEO values (Agle et al., 1999; Sully de Luque et al., 2008), CEO intellectual stimulation (Waldman et al., 2006), and CEO embeddedness in community (Galaskiewicz, 1997).

Reflecting on the literature review of Aguinis & Glavas (2012), it can be inferred that not only do studies that examine the CEO as the determinant account for only a small portion, but also that out of the ones that do, little has been explored on the individual CEO characteristics despite their significant influence on corporate philanthropic decisions., which according to the upper-echelons perspective serves to explain the strategic choices made. CEO values were mostly measured by surveys and the upper

echelons perspective has barely been applied in examining the relationship between CEO and corporate philanthropy.

There are three studies that are most similar to the current study in the sense that the upper echelons perspective has been applied to CSR related variables. First of all, the study by Thomas & Simerly (1994) found that high CSP firms had CEOs with output function backgrounds (i.e. marketing) and longer tenures while low CSP firms had CEOs with throughput functions and shorter tenures. Second, Simerly (2003) found a negative relationship between the CEO and top management team's throughput functional background and CSP, and a positive relationship with the top management team (TMT)'s tenure. Lastly, the study most similar to the current study was conducted by Manner (2010) which explored a wider range of CEO characteristics and found that strong CSP was positively related to the CEO having a bachelor's degree in humanities, wide breadth of career experience and being female, and negatively related to the CEO having a bachelor's degree in economics and the level of short-term compensation.

The analysis for Thomas & Simerly (1994) was conducted by dividing the sample into high CSP and low CSP groups, and used the multivariate analysis of variance to test if functional background and tenure differed between the two groups. As mentioned in the article, this study was not able to identify any causal relationships. Moreover, the sample was

chosen from the Fortune's survey of America's most admired corporations which might hint sampling bias issues. CSP was measured as the Fortune rating of the "community and environmental responsibility", which only covers a part of the CSR. With the same independent variables -tenure and functional background- Simerly (2003) included to see the TMT as well as the CEO and conducted a regression analysis to demonstrate a causal relationship. In addition, the CSP was measured as the KLD ratings, which is the most widely used measure of CSP (Chatterji, Levine, & Toffel, 2007). The sample for this study was in a way, limited, as it set the sample to companies in the four industries specified by the researcher.

Thus, the purpose of this study is to overcome the limitations of aforementioned studies and to apply it in the Korean context. Utilizing Thomas & Simerly's study (1994) as a starting point as it identified the 'pattern of linkages', this study will add to the findings of Thomas & Simerly (1994) and Simerly (2003) in the sense that the analysis will be conducted to infer a 'causal relationship' without dividing them to low or high CSP companies, nor limiting them to certain industries. The current study aims to examine solely the CEO effect, hence the industry effect and firm effect will be controlled for. Moreover, as suggested by Thomas & Simerly (1994), the focus will be set on examining a more "fine-grained" issue of CSR, corporate philanthropy. Lastly, the empirical test will be conducted with

corporate donation as the dependent variable, as it is most solely decided by the CEOs as mentioned above, and in the Korean context to see if significant differences or similarities are found vis-à-vis the American context from Manner's study (2010).

III. HYPOTHESES

The hypotheses below are based on three assumptions. First, it is assumed that corporate donation spending is an expense where CEOs have the *discretion* to control. Since the donation-performance link is not able to be clearly determined, it is the case where CEOs will have more discretion (Hambrick & Finkelstein, 1987). Second, it is assumed that CEOs are in a position to make major strategic decisions with the greatest organizational *power* to determine the level of corporate donations (Zahra and Pearce, 1989). Moreover such influence of power can be considered even greater for Korean firms due to the culture that reflects Confucianism, where the organization's dependency on the CEO is significantly great (Shin, 1984). Lastly, it is assumed that the level of corporate philanthropy expenditure is associated with observable CEO characteristics such as education, functional experience, tenure, etc. This is built upon the upper-echelons perspective by Hambrick & Mason (1984).

Education

As education influences one's knowledge and skill base, the manager's educational background is asserted and empirically proved to act as an indicator of his/her values and cognitive traits. It has been showed by many

studies that the area of study people choose to study corresponds to their personality and attitudes (Bantel&Jackson, 1989). Similarly, differing educational background leads to differing cognitive preferences, which ultimately results in differing strategic choices (Wiersema & Bantel, 1992). Following this stream of research, the educational background variable has been widely examined, but considerably with regard to innovation (Hambrick & Mason, 1984). Therefore, building on the finding that there exists a linkage between education and corporate social performance (Manner, 2010), the type of formal education (MBA in particular) and the level of education will be examined in this study.

1. Educational Type - MBA

A study on the impact of undergraduate education has shown that a firm's level of CSP is negatively related with the CEO having majored in economics (Manner, 2010). It explained that students who took economics courses were less likely to cooperate or less expected cooperative behaviors from others. In other words, economics students were more inclined to focus on profits and self-interest. Along the same line, the impact of business education may be applicable on the preference of social responsibility issues.

Research shows that the decisions made by CEOs with MBAs and

those without MBAs are different due to both selection and training (Finkelstein et al., 2009). The effect of MBA education on CSR is controversial (Manner, 2010). Ghoshal (2005) has criticized the MBA education system for its over-emphasis on profits-first only mindset. While asserting that “business schools have actively freed their students from any sense of moral responsibility,” he also pointed out that our overwhelming application of economic logic to the management scene such as the agency theory is problematic since economics-based courses leads to more free-riding (Marwell & Ames, 1981) and selfish behavior (Carter & Irons, 1991) just to name a few empirical results. In sum, critiques of MBA education contend that a profits-only mentality is enforced with less consideration of social responsibility.

On the other hand, an alternative explanation of the impact of MBA on CSR exists as well. Despite the fact that most MBA programs have ethics courses as mere electives (Evans & Roberston, 2003) and that CSR related courses are not comprehensively included in most MBA programs (Benn & Durphy, 2009), and despite the fact that “virtually everything in our MBA course contents is justified by, tied to, or infused with the financial bottom line”, there might be explanations available for the possible positive relationship between MBA degree and corporate philanthropy. CEOs with MBA education are asserted to possess more skills in strategic decision

making and to better seek, capture, and take advantage of any business opportunity that adds to the competitive advantage of the firm (Geletkanycz & Black, 2001). Thus, even though MBA graduates might have developed a profits-first mentality with financial motives, they may be better able to see the business case in acting socially responsibly since smart, selective choice of social issues a firm chooses to engage in may open up possibilities for the company and the society at the same time, creating shared value (Porter & Kramer, 2006).

It has been empirically proved that there exists a positive relationship between MBA education and enhanced corporate environmental performance (CEP) (Slater & Dixon-Fowler, 2010; Lewis et al., 2013), which can be considered a socially responsible behavior. It was argued that CEOs with MBAs will perceive the increased demand for the disclosure of CEP as a business opportunity such as enhanced reputation and legitimacy since they are “more responsive to clear-cut trends in the environment as they are vigilant observers of their institutional environments.” (Finkelstein et al., 2009)

In addition, there may exist additional implications of MBA education for CEOs of Korea in terms of institutional pressure. For Korean CEOs, pursuing an MBA degree generally means going abroad to the US (the great majority of CEOs with MBA education in the sample were US

business schools). A foreign MBA degree, which in Korea is generally considered a measure of “competence” (Kim et al, 2009), increases the visibility of CEOs and makes them subject to evaluation by institutional forces, such as the media. Such increased visibility may serve to act as an enforcement mechanism to engage in corporate philanthropy to avoid being known as a manager that does not do “good” business. The institutional analysis literature and corporate governance literature mention that the way CEOs are viewed by the world affect how the firms are run by them and that such ways of thinking are learned through business school educations and professional publications like business press, trade journals (Campbell, 2007). Moreover, the CEO is likely to be influenced by the constant interaction with other CEOs from networks built through MBA education and particularly, networks built through foreign MBA may have impact on the perception of CSR since the western business world is in general more advanced in the domain of CSR activities. Therefore, the following hypothesis is developed:

Hypothesis 1. The CEO having an MBA degree will be positively associated with corporate donations

2. Educational Level

The level of education has been shown to reflect a person’s cognitive ability and skills (Wiersema & Bantel, 1992). Previous research has examined the

link between the level of education and cognitive orientation and revealed that high educational level, which means greater cognitive complexity, allows greater knowledge, skill, information processing capacity and openness to change (Datta & Rajagopalan, 1998; Wiersema & Bantel, 1992; Schroder et al., 1967). Furthermore, the level of education was associated with greater tolerance of ambiguity and the ability for “integrative complexity” (Dollinger, 1984). Therefore, executives with high level of education can be expected to possess greater tolerance for ambiguity, be better at systematically spotting new opportunities resulting from better information processing ability, absorb new ideas, be flexible and be able to simultaneously evaluate various decision alternatives.

In this context, decisions related to corporate philanthropy may be regarded as an activity where the CEO’s greater cognitive ability can be advantageous. Greater amount of knowledge allows the CEOs to be aware of societal stakeholders’ needs. Most importantly, engaging in corporate philanthropic activities requires the ability to meet the conflicting demands of various stakeholders. Coming up with the choice that satisfies both the needs of various societal stakeholders and achieving superior financial performance -namely the needs of shareholders- definitely calls for the capacity to simultaneously process complex information (Slater & Dixon-Fowler, 2008). In addition to the translation of great level of cognitive ability

to CSP, the CEOs who are better able to tolerate ambiguity will engage more in corporate philanthropy. This is due to the inherent ambiguity in the donation-financial performance link; hence leading CEOs to go through the process of evaluating complex set of ambiguous circumstances. Lastly, since cognitive complexity allows greater ability to absorb new ideas (Barker & Mueller, 2002), higher level of education is expected to lead to greater ability to see the business case for CSR initiatives and propensity to identify and evaluate new and exploratory activities such as philanthropy. Therefore, this leads to the following hypothesis.

Hypothesis 2. The educational level of the CEO will be positively associated with corporate donations.

3. Functional Background

The influence of a CEO's career experience on the strategic choices made has been studied over the past 35 years, of which much of the study was started by Dearborn and Simon (1958). They asserted that executives developed their perception and interpretation of business situations in light of their functional background. For instance, with the attempt to experiment such "selective perception", when they told managers to read a case and identify the main problem, managers often answered from their respective functional background's perspective; marketing executives tended to cite

marketing problems. This is because with experience in a particular function, managers develop specific models, techniques and perceptions that best suit and which are most common in their functional area. In a similar sense, March and Simon (1991) argued that ideas that do not align with the executive's way of thinking which is developed by past functional experience, are filtered out or interpreted in their own perspective.

The most widely used functional background classification framework is that of Hambrick & Mason (1984), where functional experience is divided into throughput and output functions. Throughput background refers to functions like production, process R&D, accounting, and finance while output background includes functions such as marketing, sales, merchandising, product R&D, and entrepreneurship. Output functions are related to growth and search for new domain opportunities whereas throughput functions are related to improving efficiency of operations.

A similar yet different classification scheme has been proposed by Manner (2010) in order to apply the functional career experience on corporate social performance. Manner divided the functions based on the degree of its focus on shareholders, stakeholders or both. Shareholder functions were those that had a focus on financial returns to the shareholders, like finance and accounting. Stakeholder functions were those that had a focus on non-shareholder stakeholders. It included HR (employees), PR

(community), marketing and sales (customer), operations and R&D (product, customer). Neutral functions were those that focused evenly between shareholders and stakeholders and which were responsible for the overall financial performance of the firm, hence having a neutral perspective towards CSP. It included experience serving as the CEO, president, general management, and legal functions. It has been found in Manner's study that the "breadth" of functional experience, especially stakeholder breadth measured as the number of different stakeholder functions, rather than the specialization in a certain function had a positive relationship with CSP. It was asserted that in order to recognize the business case for CSP, the wide breadth of stakeholder functional experience contributed in building the ability to "see" the business case for CSR initiatives, or conversely, less likely to filter out business cases for CSP because one was not familiar with the relevant stakeholder group.

In this context, following the previous line of finding that "breadth" rather than the "specialization" of a career function has a positive relationship with CSP, this study attempts to look into the relationship with career experience in neutral functions and corporate philanthropy. It can be sensibly argued that having a breadth of experience allows one to see the business case for CSR initiatives; however we are not able to see if such "breadth" truly reflects the widely dispersed focus in multiple career

functions. The breadth measure may turn out to be big if one had much experience in many functions, but within the stakeholder area only. Thus, rather than merely looking at the total breadth of experience or breadth of stakeholder experience, this study attempts to look into the breadth of neutral functions. Examining the breadth of “neutral” functions could be more reasonable since the dependent variable of this study is donations instead of CSP rating. While CSP ratings are not, donations are a form of expenditure, hence related to shareholder functions. Since neutral functions direct both stakeholder and shareholder groups, it may serve to better measure whether the CEO had the experience to develop a holistic understanding of the firm, while also keeping the financial performance as the priority. Therefore the following hypothesis is derived.

Hypothesis 3. The breadth of neutral/general management functional experience of the CEO will be positively associated with corporate donations.

4. CEO Tenure

According to the upper echelons perspective, CEOs pass through different phases during their tenure and depending on which stage they are in their attention, behavior, and ultimately organizational performance vary (Hambrick & Mason, 1984; Hambrick & Fukutomi, 1991). In general, CEO

tenure has been applied in past studies with regard to organizational change (Finkelstein et al., 2009), where CEOs with short tenures, or new CEOs, are more willing to experiment and implement innovative strategic choices (Bantel & Jackson, 1989). On the other hand, CEOs with long tenures turned out to be become 'stale in the saddle' (Miller, 1991) where they became committed to the status quo, risk averse and resistant to strategic change (Finkelstein & Hambrick, 1990).

Applying CEO tenure to CSR related variables, past studies have shown inconsistent findings. A study by Simerly (2003) attempted to examine the relationship between CEO tenure and corporate social performance. Although insignificant yet positive results were found for CEO tenure and CSP (while TMT tenure and CSP had a positive relationship), it was asserted that an executive's tenure can be a proxy of one's familiarity and knowledge of the organization and its stakeholders. It was argued that with increased tenure, CEOs will be able to better learn the needs of the firm's stakeholders and the range of possible measures to deal with such needs following the logic that "the longer an individual has worked for an organization, the more familiar he/she is, likely to be with its products, markets and technologies, but also with its people, standard operating procedures (SOP's) and culture (Gupta, 1988)". In contrast, a few other studies have asserted that with increased tenure, the tendency of firms

engaging in CSR related activities such as voluntary environmental disclosure or charity donations would decrease. It was found that new CEOs, as compared to longer tenured CEOs, were more likely to disclose environmental information since they are less committed to the existing norms and more open minded to the new phenomenon of increased demand for environmental disclosure (Lewis et al., 2013). Similarly, it was found that corporate giving decrease with CEO tenure, but the very early years of CEO tenure accounted for this effect. Since new CEOs attempt strategic change as soon as they enter the new job, corporate philanthropy was found to be used as a tool to make this happen (Marquis & Lee, 2011).

As mentioned above, CEO tenure has different seasons with different patterns of attention and behavior ranging from “response to mandate” - “experimentation” - “selection of an enduring theme”- “convergence” - “dysfunction” seasons. A CEO’s paradigm changes over the course of one’s tenure and giving behaviors may be expected to vary depending on the season.

There can be two ways of viewing how CEOs may act in the outset of their tenure. Firstly, one could argue that commitment to the CEO’s own paradigm is high in the beginning as they may believe they were selected as the CEO for having such paradigm acknowledged by others. Due to their high commitment to their own paradigm, they will not be too open about

external demands of stakeholders. Instead, it may be suggested that CEOs will make corporate donations in the second season, in the “experimentation” stage which is characterized by new approaches experimentation to go through a ‘reshaping stage’, (Hambrick & Fukutomi, 1991). In contrast, with the attempt of establishing strong legitimacy and a new reign (Chatterjee & Hambrick, 2007), new CEOs tend to make visible, large changes to the way of doing business and corporate donations can be used for these purposes (Marquis & Lee, 2011). In this case, the corporate philanthropy may be expected to be the highest in the first stage of the tenure.

Although the behavior of short-tenured CEOs in terms of corporate giving may be controversial, the behavior of long-tenured CEOs could be less controversial. Once the CEO passes the second “experimentation” stage, the commitment to one’s paradigm is asserted to only grow higher, resulting in less and less engagement in new initiatives, less openness and responsiveness. Moreover, information diversity of CEOs decreases with tenure (Hambrick & Fukutomi, 1991). Long tenured CEOs “no longer feel the necessity to pay a great deal of attention to outside sources or new ideas and information.” (Katz, 1982) As mentioned above, as CEO tenure increases, they become “stale in the saddle”, ignoring their environments, developing the power to resist external pressure (Meyer, 1975), resulting in less efforts to match their organization to their social demand and

environment and less scanning of external problems and opportunities (Miller, 1991). In this context, it could be asserted that corporate philanthropy would diminish as CEO tenure increases since it is a rising societal demand from the external environment.

Likewise, in the case where external pressure to behave more socially responsibly requires change in the way of running the company, such demands may be able to be ignored by longer tenured CEOs. Therefore, with regard to the external pressure for greater social responsibility, namely corporate philanthropy in this study, such requests may be less taken into account for CEOs with long tenure, which leads to the following hypothesis:

Hypothesis 4. The CEO being a long-tenured executive will be negatively associated with corporate donations.

IV. METHODS

The empirical setting for testing the hypotheses is the Korean context. With an attempt to test the upper echelons theory in a non-Western context, Korea is selected as it has been asserted to be one of the few Asian countries that acknowledge the importance of corporate social responsibility (Chaple & Moon, 2005). Moreover, Korean firms have been manifesting increased emphasis on the social responsibility of firms and stakeholder oriented practices (Oh et al, 2011).

1. Sample and Data

For this study, the sample was drawn from the 200 firms listed in the Korea Composite Stock Price Index (KOSPI) in the year 2012. The sample included firms from various industries. Data was collected from the database offered by the Korean Investors Services (KIS). The KIS compiles company profile, financial information, and ownership information for Korean publicly traded firms, comparable to those in the COMPUSTAT database. More specifically the KISLINE database provides firm profiles at the individual, company, industry, and business group level from which data on CEO characteristics was obtained. For the few missing data on individual

level information, the database on CEOs provided by the Choongang Daily was also referred to (www.people.joins.com). Data on corporate donations was retrieved from the annual financial statements that appeared on the KISVALUE database as the Korean accounting practice instructs the reporting of donations data for publicly traded firms. Out of 200 firms, firms that did not report corporate donations data was omitted from the sample^① as well as banks/financial service firms since the regulatory and operating system differs for those industries. Moreover, firms that had non-Korean CEOs were excluded since they could hinder the objective comparison and collection of CEO characteristics information. To consider for the possible “lag time” of the strategic decisions of CEOs to take effect (Hambrick & Mason, 1984), data on corporate donations was obtained from year 2012 while CEO characteristics and control variables were collected from year 2011. As a result, based on CEO characteristic and corporate donations data availability, the final sample consisted of 133 CEOs and firms.

^① The KISVALUE database on financial statements is the compilation of the firms’ self-reported data on the Korean Financial Supervisory Service (www.dart.fss.or.kr). Therefore, it can be deemed that firms that are missing donations data have not reported their donations data. For the firms that did not report their donation data were additionally searched for by examining the annual reports, however, the annual reports did not provide donation data.

2. Statistical Analysis

As the data for this study is a cross-sectional data, the ordinary least squares (OLS) regression was used to test the hypotheses. A one-year time lag was employed between the dependent and independent variables.

3. Description of Variables

DEPENDENT VARIABLE

Corporate Donation: Corporate donations data was assembled from the KISVALUE database, from each firm's financial statements under the following sections: Consolidated Financial Statements > Consolidated Income Statements > Non-operating Expense > Donations. According to the Korean Corporate Community Relations White Book, out of the total expenditure on corporate philanthropy, monetary donations accounted for 54.9%, 53%, and 54.9% for 2007, 2008, 2009, respectively which shows that monetary donation is an adequate proxy of corporate philanthropy. The corporate philanthropy variable was log transformed to diminish the effect of outliers and to reduce highly skewed variables (Allison, 1999).

INDEPENDENT VARIABLES

The Korea-specific corporate governance structure makes it tricky to pinpoint the CEO as in many cases there may be more than one CEO at the same time (Seo & Chang, 2010). In the case of the U.S., the CEO indicates the highest person in the rank. In Korea, CEOs may have any one of the following titles: President, CEO, or Representative. For the purpose of this study to examine one CEO per firm, the person who appears as the person number one on the list of the top management team in the KISLINE database was defined as the CEO as this method has been adopted in previous Korean studies on CEOs (Kwak & Choi, 2011).

MBA Education: The CEO's attainment of an MBA degree was created as a binary variable coded '1' if the CEO possessed an MBA degree and '0' otherwise. Short focused programs such as Advanced Management Program (AMP) were not considered as an MBA degree since they differ in their content, length of the program, and the type of students they attract.

Educational Level: The level of education was measured on a three-point scale showing the highest level of education achieved where it was coded '1' when the CEO's highest educational attainment was an undergraduate degree,

‘2’ when the CEO’s highest educational attainment was a master’s degree, and ‘3’ when the CEO’s highest educational attainment was a Ph.D. degree.

Functional Experience: Based on Manner’s (2010) classification scheme of functional background, three types of functional career experience are presented: stakeholder, shareholder, and neutral. To test the hypothesis that the breadth of neutral/general management functional career experience is positively related to corporate giving, the total number of functions the CEO has spent time was coded. Neutral/general management functions refer to the functions that focus on both stakeholder and shareholder groups with equal amount of emphasis and support both stakeholder and shareholder functions, which may cultivate a neutral perspective on corporate philanthropy (Manner, 2010). Such neutral functions include experience as a CEO (of another company, perhaps), President, lower level general management, strategy, administration, and legal function as well since it is related to managing risks related to both stakeholder and shareholder groups. As an example, when the CEO’s career included experience in the legal department, administrative department, and CEO of another company, the breadth of neutral/general management function was coded as ‘3’. The past career experience was counted based on the past history of departments the CEO has been in available on the KISLINE individual-level profile database of CEOs.

CEO Tenure: CEO tenure was measured as the number of months since being appointed CEO. The inauguration year and month was specified in the KISLINE individual-level profile database of CEOs. For the purpose of testing the hypothesis, dummy variables were created to account for short-tenured CEOs and long-tenured CEOs. Short-tenured CEOs were those that had tenure of 24 months (2 years when calculated with year-based tenure) or less; the 25th percentile in the tenure distribution and long-tenured CEOs were those with 98 months (or 8 years when calculated with year-based tenure) or more; the 75th percentile in the tenure distribution. The variable “long-tenured CEO” was coded ‘1’ if the CEO had been in office for more than 98 months and “0”, otherwise. This method follows that of Marquis & Lee (2011).

CONTROL VARIABLES: Firm Characteristics

Factors that have been identified to affect corporate philanthropy in earlier studies were included as control variables which are: firm size, debt ratio, financial performance, industry, firm age, and Chaebol.

Firm Size was measured as the natural logarithm of total sales. Size is deemed as a relevant variable since smaller firms face relatively less

stakeholder demands to exhibit socially responsible behavior, and also since larger firms are generally better able to support higher levels of corporate charitable contributions than smaller firms (Waddock & Graves, 1997). Likewise, to control for other possible proxies of firm resource availability *debt ratio* was included, operationalized as the ratio of total debt to total assets (Brammer & Millington, 2006) as the magnitude of a firm's slack resources is an important determinant of corporate philanthropy. *Financial performance* has been repeatedly shown to affect philanthropy (Navarro, 1988) since profitable firms are able to afford more and give more (Waddock & Graves, 1997). This variable is measured as the return on assets (ROA). To account for the effect of *industry*, which prior research has shown it to be related to corporate philanthropy (Brammer & Millington, 2005), 9 industry dummy variables were created base on the broad grouping of industries by the KIS database. *Firm age* was calculated as the number of years since the firm's establishment year as it was provided in the KIS company profile database. Firm age has been found to be positively (Roberts, 1992) or negatively (Cochran & Wood, 1984) associated with the firm's CSR engagement in previous studies. *CEO age* was also controlled for since age and tenure are likely to be correlated. It is noted that it is important to separate the effect of age and tenure (Bantel & Jackson. 1989). Lastly, whether the firm is a *Chaebol* or not was controlled for. As this study was

conducted in the Korean empirical setting, consideration for Korea-specific factors that may influence corporate philanthropy should be taken into account. According to Chang (2003), Chaebols exert grand impact to the Korean industrial and institutional settings. Chaebol firms strive to maintain a unified image, and the managers of those firms are likely to engage more in reputation management (Kang & Jun, 2011). Thus, being a Chaebol firm may have an impact on the corporate giving level. Firms that belong to a Chaebol group were controlled as a dummy variable where the firm was coded '1' if it belongs to one of the top 30 business groups presented by the Korean Fair Trade Commission and '0', otherwise.

V. RESULTS

Table 1 explains the definition of variables. Table 2 presents the descriptive statistics including the means, standard deviations, minimums, and maximums along with the correlations for the variables used in this study. In general, the variables do not highly correlate with each other or with the control variables. Since a few of the correlations were a little over 0.4, the variance inflation factor (VIF) analysis was conducted to test for multicollinearity issues. The VIF scores ranged from 1.13 to 1.83, with the mean VIF of 1.39 which is far below 10. Therefore, multicollinearity was not an issue in the models.

Table 3 reports the OLS regression analysis. Models 1 through 4 tested the hypotheses for the potential effects of an MBA degree, level of education, neutral/general management functional background, and CEO tenure on corporate donations were tested in Model 1, 2, 3, and 4, respectively.

TABLE 1. Definition of Variables and Measurements

Dependent Variable	Corporate Donation	Natural logarithm of donations	2012
Independent Variables	MBA Degree (dummy)	“1” if CEO has an MBA degree, “0” otherwise	2011
	Level of Education	“1”=undergrad, “2”=masters, “3”=Ph.D.	
	Breadth of Neutral/ General Management Functions	Total number of neutral/general management functions (CEO, President, strategy, administration, general mgt, legal)	
	Long-Tenure CEO (dummy)	Number of months since the CEO inauguration, “1” if CEO had more than 98 months; the 75th percentile in the tenure distribution, “0” otherwise	
Control Variables	Firm Size	Natural logarithm of total sales	
	Debt Ratio	Ratio of total debt to total assets	
	Financial Performance	ROA	
	Firm Age	Number of years since firm’s establishment	
	CEO Age	2011 - birth year	
	Chaebol (dummy)	“1”= if it one of the top 30 business groups presented by the Korean Fair Trade Commission, “0” otherwise	
	Industry (dummy)	9 industry dummy variables (broad grouping)	

TABLE 2. Summary Statistics (Means, Standard Deviation, Minimum, Maximum) and Correlations

	Mean	S.D.	Min	Max	1	2	3	4	5	6	7	8	9	10	11
1. Donation	21.08	2.41	14.47	26.18	1										
2. Firm age	36.79	19.73	1.00	115.00	0.07	1									
3. CEO age	58.87	8.47	38.00	89.00	0.04	0.14	1								
4. Chaebol	0.61	0.49	0.00	1.00	0.45	0.10	0.04	1							
5. Firm performance	0.05	0.09	-0.14	0.91	0.19	-0.05	-0.12	0.03	1						
6. Debt Ratio	1.09	1.04	0.02	8.25	0.04	-0.14	0.04	0.29	-0.22	1					
7. Firm size	28.31	1.55	23.34	32.43	0.56	-0.05	0.09	0.52	0.03	0.31	1				
8. CEO MBA degree	0.27	0.45	0.00	1.00	0.03	-0.15	-0.23	-0.07	0.03	0.03	-0.12	1			
9. CEO education level	1.68	0.68	1.00	3.00	0.14	0.04	-0.21	-0.13	0.04	-0.08	-0.03	0.39	1		
10. CEO functional background	1.53	0.79	0.00	3.00	0.20	-0.05	-0.12	0.17	-0.08	0.07	0.14	0.10	-0.08	1	
11. CEO tenure	5.72	6.94	0.00	40.00	-0.17	0.09	0.43	-0.10	-0.04	-0.11	-0.24	0.03	-0.08	-0.13	1

TABLE 3. Regression Results

	1	2	3	4
Manufacturing	-0.697* (1.814)	-0.634† (1.819)	-0.765* (1.833)	-0.657† (1.843)
Electricity, gas, steam, water	-0.159 (2.246)	-0.144 (2.257)	-0.181 (2.259)	-0.154 (2.284)
Construction	-0.273† (2.009)	-0.248 (2.018)	-0.309† (2.027)	-0.264 (2.049)
Wholesale and Retail Trade	-0.414* (1.950)	-0.378* (1.964)	-0.482* (1.991)	-0.405* (1.983)
Transportation	-0.221 (2.081)	-0.195 (2.090)	-0.267† (2.117)	-0.208 (2.114)
Info & Communications	-0.156 (1.969)	-0.155 (1.977)	-0.193 (1.988)	-0.149 (2.002)
Scientific & Technical	-0.08 (2.027)	-0.064 (2.034)	-0.144 (2.061)	-0.062 (2.060)
Business Facilities/Support	-0.125 (2.555)	-0.114 (2.573)	-0.141 (2.561)	-0.126 (2.598)
Education	-0.099 (2.536)	-0.072 (2.520)	-0.103 (2.541)	-0.073 (2.552)
Firm age	0.027 (0.009)	0.001 (0.009)	0.029 (0.009)	0.011 (0.009)
CEO age	0.026 (0.019)	0.025 (0.020)	0.018 (0.019)	-0.006 (0.020)
Chaebol	0.073 (0.450)	0.105 (0.458)	0.071 (0.450)	0.078 (0.459)
Firm Performance	0.145* (1.863)	0.146* (1.871)	0.172* (1.879)	0.152* (1.893)
Debt ratio	-0.135† (0.176)	-0.124 (0.177)	-0.111 (0.176)	-0.122 (0.179)
Firm size	0.674*** (0.150)	0.637*** (0.151)	0.635*** (0.150)	0.661*** (0.154)
CEO mba	0.136* (0.368)			
CEO education level		0.119† (0.244)		
CEO general functional background (breadth)			0.140* (0.208)	
CEO tenure				0.015 (0.400)
N	133	133	133	133
R-sq	0.526	0.522	0.527	0.510
adj. R-sq	0.461	0.456	0.462	0.443

Standardized beta coefficients; standard errors in parentheses

† $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

In Table 3, Model 1 tested Hypothesis 1, suggesting that firms led by CEOs with MBA degrees will make more corporate giving was supported ($\beta = .7340597$, $p < 0.05$). In Model 2, the relationship between the CEO's level of education and amount of corporate donations was tested. Results show a positive and significant relationship, supporting Hypothesis 2, which indicates that the higher the level of CEO's education, the higher the amount of corporate giving. ($\beta = .4219588$, $p < 0.1$). Model 3 investigated the relationship with the breadth of CEO's experience in neutral/general management functions and corporate donations. In other words, the greater the number of functions in the neutral/general management functions one experienced, the more corporate donations made. Results show a positive and significant relationship, supporting Hypothesis 3 ($\beta = .424015$, $p < 0.1$). Before testing the breadth of neutral/general management function variable, whether the specialization in the neutral/general management function (that it is the dominant experience) had an effect on corporate donations was tested, however, no effect was found. This would mean that the breadth matters more than the specialized experience. Lastly, Model 4 tested Hypothesis 4 which suggests that firms led by longer-tenured CEOs will make less corporate giving. Results show that there is a positive relationship between being a longer-tenured CEO and corporate donations, but not significant, hence Hypothesis 4 was not supported. Although not reported,

the short-tenured CEOs (the ones with 2 years or less of CEO tenures: the 25th percentile in the tenure distribution) were examined with its relationship to corporate donations. However, short-tenured CEOs were not a significant predictor of corporate donations. In sum, both long-tenured and short-tenured variables had no effect.

With regard to control variables including industry dummies, firm size, debt ratio, firm performance, firm age, CEO age, and Chaebol, regressing corporate donations on the control variables indicated that industry sectors did matter as determinants of philanthropy. Results showed that the manufacturing, wholesale, and retail trade industry was significant, which is consistent with prior studies that industries with high levels of public contact typically give more (Useem, 1998). The construction industry was marginally significant as well, which is a rare phenomenon not mentioned by prior research. Moreover, firm-level factors previously known to affect corporate philanthropy like firm size (logged sales), debt ratio, and firm performance (ROA) had a positive and significant coefficient. This supports earlier findings that firms that are larger, more visible, have more slack resources tend to give more since they are better able to afford philanthropic expenditures (Waddock & Graves, 1997; Brammer & Millington, 2006; Navarro, 1988). Among the three firm variables, firm size had the strongest, most significant positive effect ($p < 0.001$).

VI. SUMMARY AND DISCUSSION

This study finds that CEO demographic characteristics do matter in corporate philanthropy. Even after controlling for firm and industry characteristics, CEO traits showed to explain the variance in a firm's corporate philanthropic spending. Among the four demographic characteristics that have been tested in this study - MBA degree, level of education, breadth of neutral/general management functional background, and CEO tenure- the first three were found to be significant variables that explained corporate giving. An MBA degree, level of education, and breadth of neutral functional experience served to have a significant, positive impact on corporate giving, as hypothesized.

Unlike the prediction that CEO tenure would have a negative impact on corporate donations, results showed no significant effect. Considering that the coefficient for the tenure variable was positive, although insignificant, an alternative explanation may be posed. As mentioned earlier, according to a study by Simerly (2003), it was asserted that an executive's tenure can be a proxy of one's familiarity and knowledge of the organization and its stakeholders. It was argued that with increased tenure, CEOs will be able to better learn the needs of the firm's stakeholders and the range of possible measures to deal with such needs. As CEO tenure increases, they are able to

develop a deeper understanding of the firm and its stakeholders, resulting in having a positive effect on the level of corporate donations. As an additional alternative explanation for such non-finding in the relationship between CEO tenure and corporate donations, the following idea may be posed. As CEO tenure increases, CEO power increases as well (Finkelstein & D'Aveni, 1994), which gives them the authority to ignore external demands. In this case, CEO tenure may have a negative effect on corporate donations. Due to the possibility of both positive and negative directions of influence CEO tenure may have, this may result in effects cancelling out each other, hence the non-finding of significant relationship between CEO tenure and corporate philanthropy.

This study makes a few contributions. Firstly, it fills the gap in the literature that lacked focus on the determinant of corporate philanthropy at the individual level. Most research on CSR has been focused on its link with financial performance and yet, the link remains inconclusive (Margolis & Walsh, 2003). Moreover, prior studies on the determinants of CSR have been mostly analyzed at the external and organizational level (Manner, 2010). Such lack of individual level analysis has been pointed out by many scholars (Waldman et al., 2006) and has been prescribed to be problematic (Waldman & Siegel, 2008) because the CEO is asserted to be the most important determinant in deciding its engagement in the discretionary activity:

corporate social responsibility (Siegfried et al., 1983) due to its discretionary nature. This study addresses such gap by directly applying the upper echelons perspective to corporate philanthropy. Moreover, this study addresses the call of prior research which proposes the use of the upper echelons model to strategic actions such as CSR, which has received less attention (Carpenter et al., 2004).

Secondly, this study contributes in that it was tested in the Korean context. This study made a preliminary, exploratory attempt to examine if the relationship between executive traits and corporate donations may also work in the Korean setting. Prior studies have been largely done in the European or American context, since it is the region where CSR practices have relatively, long been embedded in the institutional environment and well established (Belal, 2001). However, due to the recent emergence of emphasis on CSR in the non-Western regions as well including Korea (Chapple & Moon, 2005), examination of the effect of executives on corporate philanthropy may be deemed necessary. Moreover, Korea offers an interesting setting since large public firms are characterized as Chaebols, run by descendants of the founders of business groups (Chang, 2003). Therefore, examining and testing if the relationship between CEO characteristics and corporate giving yield significant results as it did in the American setting, would enrich the understanding of the determinant of CSR if it can be

explained in many different national settings.

Lastly, this paper mainly follows the structure of Manner's study (2010) which examined the effect of CEO characteristics on CSP. What has been further developed in this study is that it examined the narrower aspect of CSR. A study of Chung & Pyo (2013) points out that a great portion of prior research does not differentiate corporate philanthropy from CSP. They go on by explaining that corporate philanthropy is an 'output' which can be controlled many times by managerial discretion, while CSP is an 'outcome', which is a compound of organizational performance(output) and the resulting response from the surrounding environment. While the dependent variable examined in Manner's study is CSP, measured by the KLD rating, this study examines corporate philanthropy. As much as the KLD rating measures the overall social responsibility of the firm, corporate philanthropy may be an alternative proxy of a firm's social responsibility since it avoids the complexities of conceptual clarity and possible measurement difficulty (Orlitzky et al., 2003). In addition, as Carroll's definition of CSR states, corporate philanthropy belongs to the "discretionary" responsibility among the four responsibilities that compose the CSR construct. In other words, compared to examining CSP, looking into the corporate philanthropy as the dependent variable may serve to be a better construct since managerial discretion is larger for it than CSP. This is also in line with Thomas &

Simerly (1995), which suggests that future research should attempt to examine more “fine-grained” issue, such as the link between top manager characteristics and a specific dimension of social performance, corporate philanthropy.

Nonetheless, this study bears several limitations. Because this study lacks longitudinal data, we cannot assert that the relationship remain stable across the passage of time. Even if there is a year lag between the dependent and independent variables, the cross sectional data bears the possibility of reverse causality. In other words, it is unclear if CEOs with an MBA degree make more donations, or if firms that make high level of donations look for CEO candidates with an MBA degree. In order to validate the causal nature of the relationship, future research should conduct a longitudinal analysis.

The second limitation of this study may exist because of the empirical setting. The Korean Fair Trade Commission (KFTC) defines business group as “a group of companies, more than 30% of whose shares are owned by some individuals or by companies controlled by those individuals or those that are practically controlled by them despite lower ownership control.” Large business groups, or Chaebols, are a Korea-specific trait where, the Chaebol family happens to exert great power in the operation of business and to the society in general as well. Chaebols greatly influence the individual affiliates through actions such as vertical integration, forming

fool of funds, and operating an internal labor market (Chang & Hong, 2002). In addition, Korean managers of public firms often have strong relationships and ties with the founding families which imply that professional managers cannot be easily freed from the influence of the founding family (Oh et al., 2011). Such factors may suppress the reflection of the manager's perspective and preferences in the decision making process. Likewise, Korean large firms including Chaebols are asserted to have "little of no separation of ownership and control" where managers are either owners of the firm, or if they are not the owners, either way they exert significant influence on the professional managers. In the end, owners end up exerting influence on the strategic decision making of professional managers. Coupled with the Confucianism embedded in the Korean culture characterized by high loyalty to the leader and authoritative leadership, the influence of the (owner) CEO in the overall corporation is grand. The data of this study has approximately 68% owner CEOs, which means that 68% of the CEOs in the data are managers and owners at the same time. Although the Chaebol was included as the control variable, it may not completely control the vast influence of owner CEOs.

Future research may adopt a longitudinal approach to better explain the causal relationship between CEO characteristics and engagement in corporate giving. Also, this study may be extended to consider the impact of

the top management team along with the CEO. By looking at how the similarity or difference between the characteristics of the CEO and the TMT interact and how they ultimately influence the decisions made with regard to corporate giving might yield interesting implications that further the findings of the current study. For instance, it has been shown that the demographic characteristics of CEO and that of the TMT have a complimentary relationship in affecting a firm's R&D expenditure (Seo & Chang, 2010). Since R&D and corporate philanthropy have a common trait of being considered strategic expenditure, such examination of the interplay of the CEO and TMT may be applicable for corporate donations behavior as well.

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국문초록

Do CEO Characteristics Matter in Corporate Philanthropy?

**: The relationship between CEO characteristics
and corporate donations in Korean firms**

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이 규 리

본 연구는 최고경영자 (CEO)의 특성이 기업의 사회공헌활동, 구체적으로는 기업기부활동에 미치는 영향을 이론적으로 고찰하고 실증적으로 검증하였다. 선행연구는 대부분 기업 외부적 요인에 초점을 두었고 분석 단위가 조직(organizational) 수준에서 이루어졌다. 기업의 사회공헌활동 중 기업기부는 CEO 자유재량의 지출로서, CEO가 가장 큰 결정요인이라고 주장되어왔지만 정작 CEO 수준의 연구는 부족한 상황이다. 아울러 본 연구는 CEO의 의사결정을 설명하는 주요이론인 최고 경영층 이론(Upper Echelons Perspective)을 통해, CEO의 인구통계학적 특성이 기업의 기부활동에 미치는 영향을 살펴보고 있다. 보다 구체적으로, CEO의 MBA 학위, 교육수준, 기능적 경험, CEO로서의 재임기간을 독립변수로

한 연구가설을 설계하고 표준최소자승 (Ordinary Least Squares: OLS) 회귀분석을 통해 가설을 검증하였다. 한국의 상장기업 133개를 대상으로 한 실증분석 결과, CEO의 MBA 교육, 교육수준, 그리고 neutral/general management 기능적 경험의 폭은 해당 CEO가 이끄는 기업의 기부활동에 긍정적인 영향을 미친다는 점을 확인하였다. CEO의 재임기간은 기업 기부에 영향을 미치지 못하는 것으로 나타났다. 따라서 본 연구는 그동안 소홀하게 다루어져 왔던 CEO의 인구통계학적 특성과 기업기부활동간의 관계에 대해 살펴봄으로써, CEO의 특성이 기업 기부활동에 중요한 요인으로 작용할 수 있음을 시사하고 있다.

주요어: 기업의 사회적 책임 (CSR), 기업기부, 최고경영자 (CEO), 최고경영층 이론 (Upper Echelons Perspective)

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