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ABSTRACT

The overall purpose of this study is to apply transformational leadership theory to improve our understanding of the potential role of CEOs in determining the extent to which their firms engage in corporate social responsibility (CSR). We generate a theoretical argument for the existence of relationships between aspects of transformational leadership and CSR, which we test using data from 56 U.S. and Canadian firms. CEO intellectual stimulation (but not CEO charismatic leadership) is found to be positively associated with the propensity of the firm to engage in “strategic” CSR, or those CSR activities that are most likely to be related to the firm’s corporate and business-level strategies. Thus, studies that ignore the role of leadership in CSR may generate imprecise conclusions regarding the antecedents and consequences of these activities. We conclude that there is a need for additional multidisciplinary research bridging micro- and macro-level conceptualizations of the role of leadership in CSR.

Keywords: corporate social responsibility, transformational leadership, upper echelons theory
There is a burgeoning theoretical and empirical literature on corporate social responsibility (CSR). Following McWilliams and Siegel (2001), we define CSR as actions on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law. Such actions may result in a company embodying socially responsible attributes in their products (e.g., the use of organic or pesticide-free ingredients) or also lead to situations where consumers are made aware of the fact that the good they are purchasing has been produced in a socially responsible manner (e.g., when cosmetic firms report that their products were not tested on animals). Other stakeholders, including employees, suppliers, community groups, government, and some shareholders may also derive satisfaction from a firm’s CSR actions.

Management scholars have recently focused attention on instances when managers use CSR instrumentally. They can promote CSR either for their own benefit (Friedman, 1970; Wright & Ferris, 1997), which follows from agency theory, or to enhance firm profitability, based on a resource-based view (Russo & Fouts, 1997) or a theory of the firm/strategic perspective (McWilliams & Siegel, 2001).

An assumption of the McWilliams and Siegel (2001) model is that managers of publicly-held firms attempt to maximize profits. The authors assert that there is an optimal level of CSR, which will simultaneously maximize profit and satisfy demand for CSR emanating from various stakeholder groups. To determine the optimal level of investment in CSR, firms may assess the (strategic) costs and benefits of engaging in this activity. Thus, the authors attempt to integrate stakeholder theory and the theory of the firm. More importantly, their model assumes that firms carefully consider the strategic implications of CSR. It also asserts that firms pursuing product differentiation/image/reputation building strategies will have an incentive to be socially
responsible. Indeed, the authors identified several strategic variables that constitute predictors of CSR, such as R&D spending and advertising intensity.

While this framework is useful, it does not take into account the personal attributes or qualities (e.g., charismatic leadership) of key decision-makers such as CEOs, which may also affect the extent to which firms engage in CSR. Instead, the authors suggested an overlap between personal qualities and instrumental/strategic variables such as product differentiation. For example, using the case of Ben and Jerry’s Ice Cream, they purported that “CSR may be a popular means of achieving differentiation, because it allows managers to simultaneously satisfy personal interests and to achieve product differentiation” (McWilliams & Siegel, 2001: 119).

The strategic use of CSR begs the question about the potential role of the CEO in determining the propensity of firms to engage in these activities. CEOs are charged with the responsibility of formulating corporate strategy and are often deeply involved in promoting the image of their respective firms through social responsibility. Furthermore, they may dramatically change the strategic direction of the firm, including decisions pertaining to CSR. Moreover, despite the compelling arguments in favor of the instrumental use of CSR, corporate executives may also be driven to adopt CSR practices for moral or ethical reasons that characterize effective leaders (Daft, 2002). Jones (1995) noted that stakeholder theory encompasses an ethical/normative dimension, implying that managers may engage in CSR because their moral or ethical values compel them to do so.

Models of effective leadership have increasingly emphasized values and related characteristics of leaders that could affect strategic decision-making and implementation, including decisions and actions taken toward the implementation of CSR (House & Aditya, 1997). Thus, it is somewhat surprising that there has been virtually no theoretical or empirical
analysis of the relationship between characteristics of CEO leadership and CSR. The purpose of this study is to fill this gap. More specifically, we focus on transformational leadership theory and extend it in new directions by applying it to CSR phenomena. Our goal is to provide theoretical and empirical linkages between CEO transformational leadership and CSR. Before pursuing this goal directly, we first summarize the nature of strategic leadership research.

**Leadership at the Strategic Level**

Over the past 20 years, strategy researchers have devoted considerable attention to top-level managers and their effects on strategy formulation and firm performance. Upper echelons theory is rooted in Child’s (1972) notion that top management’s decisions and choices influence firm performance. The theory was further developed in the work of Hambrick and Mason (1984), and has since been widely cited and expanded somewhat under the rubric of strategic leadership (Canella & Monroe, 1997; Finkelstein & Hambrick, 1996). The essence of this theory is that strategic decisions represent “weak situations” (Mischel, 1977) in that available stimuli are often complex and ambiguous. In such situations, the choices of decision-makers can vary widely, including the choice to pursue CSR-based strategies. Weak situations allow decision-makers to insert their own individual characteristics (e.g., leadership qualities) into such choices (Finkelstein & Hambrick, 1996; House & Aditya, 1997).

Hambrick and Mason (1984) focused on background and demographic information of CEOs, such as their age, functional track, education, and socioeconomic background. The empirical evidence suggests that such factors have limited explanatory power for predicting aspects of strategic decision-making and firm performance. At the outset, Hambrick and Mason (1984: 196) recognized the limitations of demographic and background variables, noting that they “may contain more noise than purer psychological measures.” That is, psychological
measures (e.g., measures derived from personality or leadership surveys) were seen as more precise indicators of CEO values, beliefs, and behavioral inclinations relevant to strategy formation and firm performance.

Indeed, Priem, Lyon, and Dess (1999) were critical about the use of demographic variables in strategic leadership research, raising questions about their meaning and construct validity. Boal and Hooijberg (2001: 523) went so far as to “call a moratorium on the use of demographic variables as surrogates for psychosocial constructs.” Their plea is based on the notion that simple demographic or background factors (e.g., age and functional track) do not go far enough in assessing relevant upper management characteristics, including those that might be relevant to the strategic choice of pursuing CSR.

**The Emerging Role of Transformational Leadership**

In the past, leadership theory has been viewed as the domain of organizational behavior and micro-oriented perspectives. Indeed, a quick perusal of most organizational behavior textbooks shows how leadership processes are typically cast at the dyadic and small group levels. One example is the path-goal theory, which focuses on the leadership actions that should be taken to increase subordinates’ motivation to attain personal and work-related goals (Evans, 1970; House, 1971). As such, the theory is most readily applied to supervisory-level leadership behavior and subordinate performance, rather than the promotion of such higher-level organizational phenomena as CSR.

Accordingly, Sashkin (1988) criticized most leadership theory for its focus on lower-level leaders and lack of a larger organizational perspective. Yukl (1999) echoed this concern as he noted how most leadership theories are directed at dyadic or small group phenomena, rather than leader influence over group and organizational processes. Beyer (1999) attributed the lack of
theoretical and empirical focus with regard to organizational-level phenomena to a prevailing psychological emphasis in the leadership literature. She implored theorists and researchers to consider whether leadership results in collective or system-wide outcomes, as well as the more commonly researched phenomena involving follower perceptions/behaviors. Fortunately, newer frameworks can be applied to leadership theory that attempt to provide an integration of micro-level behavior, such as that shown by an individual leader, and macro-level phenomena such as CSR (House, Rousseau, & Thomas-Hunt, 1995). This is the direction taken in this paper in which we address the potential linkage between CEO transformational leadership and the CSR actions of firms.

The field of leadership has witnessed an infusion of theory that House and Aditya (1997) referred to as the neo-charismatic paradigm. Specifically, the neo-charismatic paradigm stresses how exceptionally effective leaders articulate visions that are based on strongly-held ideological values and powerful imagery, stimulate thinking that fosters innovative solutions to major problems, and emphasize radical change and high performance expectations. Further, they generate high degrees of follower confidence, intrinsic motivation, identity, trust and admiration in the leader, and emotional appeal (Conger & Kanungo, 1998; Pawar & Eastman, 1997; Sashkin, 1988; Shamir, House, & Arthur, 1993).

As described below, transformational leadership theory represents a prominent example of the neo-charismatic paradigm that may provide new possibilities for the upper echelons theory in general, and the understanding of CSR in particular. Bass (1985, 1998) has been a strong proponent of transformational leadership as a model for understanding extraordinary effort and performance in organizations. In addition to the above qualities and behaviors, Bass emphasized the difference between transformational and transactional leadership and how the latter is based
on satisfying the self-interests of both the leader and followers. In contrast, transformational leadership has been defined in terms of how such leaders stress self-sacrifice for the good of the larger group or collective (Bass, 1985, 1997, 1998; Howell & Avolio, 1992). Although Bass emphasized the internal organization, in more recent writings it is clear that he is also implying the larger community beyond a leader’s organization (Bass & Steidlmeier, 1999). Further, transformational leadership is achieved by elevating followers’ motivational needs and expanding their understanding and perspectives, as well as by challenging the status quo and followers’ expectations and assumptions (Bass, 1997; Bass & Avolio, 1994).

TRANSFORMATIONAL LEADERSHIP AND CSR

The above arguments set the stage for understanding the potential relationship between CEO transformational leadership and strategic decisions and choices pertaining to CSR. To help form precise theoretical connections, it is interesting to note how Bass (1985) originally distinguished between two components of transformational leadership: (1) emotional, and (2) intellectual. Bass broke down the emotional component into the two factors of charisma and inspirational leadership. In later writing, Bass (1997) acknowledged the empirical lack of independence of the two factors, a finding discussed in detail by Lowe, Kroeck, and Sivasubramaniam (1996). Accordingly, for our purposes below, we will simply examine a single, emotional factor referred to as charismatic leadership. Bass (1985) referred to the intellectual component as intellectual stimulation. As described in detail below, we will make a case for how this component is logically related to firm-level CSR.

At this juncture, it is useful to note that Bass (1985) identified an additional component of transformational leadership, individualized consideration. We will not include this factor in our conceptualization or analyses for two reasons. First, numerous research findings have shown a
lack of independence between the Bass (1985) measure of individualized consideration and other transformational leadership factors (Bass, 1997; Lowe et al., 1996). While the same can be said about intellectual stimulation, Lowe et al. (1996: 415) referred to it as the “third child” of transformational leadership, and they implored researchers to more thoroughly investigate the potential effects of intellectual stimulation, especially at organizational levels. Second, individualized consideration focuses on how a leader deals with individual followers in terms of their mentoring, coaching, and development. Because of the individual-level focus, a clear conceptual linkage with higher-level organizational phenomena, such as CSR, may be difficult to establish.

**Charisma and CSR**

Our definition of charismatic leadership is based largely on the work of Bass (1985), Conger & Kanungo (1998), and House and colleagues (e.g., House & Shamir, 1993). Specifically, we define charisma as a relationship between an individual (leader) and one or more followers based on leader behaviors combined with favorable attributions on the part of followers. Key behaviors on the part of the leader include providing a sense of mission, articulating an inspirational vision based on powerful imagery, values, and beliefs. Additional behaviors include demonstrating determination when accomplishing goals and communicating high performance expectations. Favorable attributional effects on the part of followers include the generation of confidence in the leader, making followers feel good in his/her presence, and strong admiration or respect based on the leader’s accomplishments and the values and beliefs that s/he espouses (Waldman & Yammarino, 1999).

Although not referring to charisma specifically, Burns (1978) originally advanced the argument that transformational leadership is tantamount to moral leadership, and that both
followers and leaders progress to higher levels of moral development as a result of such leadership. Along similar lines, Kuhrt and Lewis (1987) and Kuhrt (1994) outlined a constructive/developmental personality theory of understanding the world and resulting behavior on the part of leaders. This theory would suggest that charismatic leaders are likely to progress to a higher stage of development involving deeply-held personal values and standards (e.g., integrity, self-respect, and maintaining the societal good).

Bass and Steidlmeier (1999) also addressed moral values, suggesting that charismatic leaders reach higher levels of moral development. Although not specifically referring to such leadership, Daft (2002) used the Kohlberg (1976) stages of moral development to demonstrate how some leaders are able to progress to Kohlberg’s post-conventional stage in which they act in an independent and ethical manner, regardless of the expectations of other individuals. Turner, Barling, Epitropaki, Butcher, and Milner (2002) recently demonstrated an empirical relationship between transformational leadership and higher stages of moral development according to the Kohlberg (1976) typology.

Along similar lines, Kanungo (2001) and Mendonca (2001) argued that charismatic leadership, in contrast to transactional leadership, is rooted in strong ethical values. The essence of this argument is that such leaders are guided by morally altruistic principles that “reflect a helping concern for others even at considerable personal sacrifice or inconvenience” (Mendonca, 2001: 268). Their visions are just and in sync with the demands of various stakeholders, as argued below. Further, their fortitude gives charismatic leaders the courage to face risks and work at overcoming obstacles in the pursuit of worthwhile CSR goals (Mendonca, 2001).

Furthermore, charismatic leaders use their values and standards to guide their actions and policies, and through their charismatic appeal, persuade followers to do so as well. We propose
that the leader strengthens this appeal by presenting CSR-related goals in terms of the values they represent. In turn, subsequent action toward the accomplishment of goals becomes more meaningful for followers because such action is consistent with valued aspects of their self-concepts (Shamir et al., 1993).

Stakeholder theory is also relevant to understanding the potential linkage between charismatic leadership and CSR. It specifies that a firm is composed of a number of different constituencies, such as employees, suppliers, customers, shareholders, and the broader community (Donaldson & Preston, 1995; Freeman, 1984). All of these constituencies have a strategic and/or moral stake in the firm, and they are each guided by their own interests and values. The problem facing senior management, and especially the CEO, is to enhance the welfare of the firm while simultaneously balancing the needs of the various constituents. Many scholars claim that by far the most important claimant that CEOs must cater to is the shareholder (in theory, the owners of the company). However, Bass and Steidlmeier (1999) asserted that because of his/her broad-ranging moral and justice values, the charismatic leader will attempt to balance the interests of all stakeholders.

Howell and Avolio (1992) provide examples of leaders who have achieved such a balance. For instance, the authors discuss Johnson & Johnson’s decision not to ship a large batch of baby shampoo to customers. Although the shampoo was technically safe, it did not meet the firm’s “no tears” standard, and thus, the company simply absorbed the loss with the hope of maintaining future customer confidence. It is interesting to note how these examples run counter to Friedman’s (1970) assertion that firms whose leaders engage in CSR have agency problems (i.e., managers not engaging in actions that serve the interests of shareholders). However, we
argue that managers can show determination in their pursuit of social values in their leadership roles, while simultaneously serving the needs of shareholders.

In sum, we hypothesize that charismatic leaders are likely to engage in behavior and advocate policies that culminate in CSR. Followers will admire such leaders since their visions are likely to be based somewhat on values of altruism, justice, and humanistic notions of the greater good (Bass & Steidlmeier, 1999). Further, these values are likely to increase the intrinsic valence of goal accomplishment, especially goals linked to CSR (Shamir et al., 1993). Thus, high-level followers who are executives themselves will follow the lead of the charismatic CEO and institute policies and strategies in line with CSR in their own units. The end result is that followers will be inspired to work toward the realization of CSR on the part of the firm.

The above arguments would suggest that charismatic leadership takes one universal form, and it will be predictive of CSR, based largely on moral and ethical reasons. However, some recent thinking in the charismatic leadership literature would seem to suggest caution in making such an interpretation. Specifically, it is necessary to delineate two types: (1) socialized charismatic leadership, and (2) personalized charismatic leadership. The distinction deals with the nature of the leader’s power motive, or the extent of an individual’s non-conscious desire to have an impact on others or one’s environment (House & Howell, 1992). In the case of socialized charisma, the power motive is self-controlled and directed toward the good of the overall entity that s/he is attempting to lead. Thus, power is garnered and used for the purpose of pursuing goals that will benefit the larger entity or society in general (House & Howell, 1992). In contrast, the personalized charismatic uses power for personal gain, is exploitative or manipulative of others, and narcissistic.
While it might appear that CSR should not be associated with personalized charisma, a closer look would reveal some logical connections. That is, while the personalized charismatic may not pursue CSR on moral or ethical grounds, s/he may see the value of CSR in purely image-building terms. Such a leader is likely to rely on charm, persuasive abilities, and even dramatization or capitalizing of the desires of others (e.g., subordinate executives and Board members) in order to create excitement regarding the pursuit of CSR (Kets de Vries, 1993). Thus, the pursuit of CSR could simply be viewed as a means of building a positive image for the leader, the firm, or both. As such, we would expect CSR to ultimately be associated with various forms of charismatic leadership. In sum, we predict that:

**H1:** There is a positive relationship between CEO charismatic leadership and the propensity of firms to engage in CSR.

**Intellectual Stimulation and CSR**

Bass (1985) referred to intellectual stimulation when considering the intellectual component of transformational leadership. Intellectual stimulation involves leader actions geared toward the arousal and change in problem awareness and problem solving on the part of followers, as well as beliefs and values (Bass, 1985). Intellectually stimulating leaders help followers to question old assumptions and beliefs so that they can view complex problems and issues in more innovative ways (Bass, 1997). The relevance of intellectual stimulation at the strategic leadership level has been considered in the literature. For example, Wortman (1982) described the importance of top-level executives engaging themselves and subordinates in the intellectual task of conceptualizing and articulating a firm’s broader environmental context, as well the threats and opportunities posed by that context. More recently, Boal and Hooijberg (2001) also emphasized the importance of the intellectual or cognitive aspects of strategic
leadership. Despite such work, Locke (2003) lamented that although the intellectual aspect may be the most important component of leadership, it is also the most neglected one in the literature.

Stratified systems theory (SST) can shed light on how intellectual stimulation may be specifically relevant to strategic leadership. SST focuses on the cognitive side of leadership and strategy, and it stresses that effective versus ineffective strategic leaders can be distinguished in terms of their level of conceptual capacity (Jaques & Clement, 1991; Lewis & Jacobs, 1992). Conceptual capacity involves the ability to think abstractly and integrate complex information, providing an antecedent to leadership action. SST emphasizes that conceptual capacity is most relevant in terms of how the leader structures an understanding of the strategic environment. As such, the concept is in line with the work of Conger and Kanungo (1998) who stressed the leader’s ability to recognize both opportunities and constraints in the environment, and they noted how the ability to do so varies widely among strategic leaders. Conceptual capacity is also akin to the enactment of the monitor role of leadership, as described by Yukl (2002).

More specific to the present study, conceptual capacity includes the ability to integrate or process information pertinent to the environment (i.e., breadth of perspective), as well as deal with a high level of abstraction. Lewis and Jacobs (1992) stressed that conceptual capacity is more important at higher levels of management, especially in the context of strategy formulation. It allows for strategic leaders to have insight and construct visions over long time horizons using their own judgment processes unconstrained by the boundaries, values, beliefs, or points of view of others. Conceptual capacity also allows leaders to demonstrate intellectual stimulation to help followers get at the heart of complex problems.

We propose that an intellectually stimulating leader will use conceptual capacity to scan and think broadly about the environmental context and the manner in which a wide variety of
organizational stakeholders may be served. They will possess complex mental maps that contain a systematic view of the external forces that impact the organization. Their mental maps include a dynamic picture of how the various external forces interact with each other and as a result, present a richer perspective of firm performance and competitive advantage that goes beyond simple cost leadership or product differentiation (Porter & Kramer, 2002). Intellectually stimulating leaders realize that success in such an environment requires strong relationships with a variety of key stakeholders.

We propose that they then use their understanding of complex environmental conditions to enhance followers’ thinking regarding how the demands of achieving performance goals can be balanced with the desire to pursue CSR. For example, their own ideas and questions are likely to stimulate followers’ thinking about how socially responsible outcomes can be achieved, while simultaneously generating adequate returns for shareholders. These ideas and questions may induce followers to reconsider prior beliefs that enhanced performance can only be achieved at the expense of CSR. That is, followers will view the issue of integrating strategy and CSR from a different perspective such that CSR will be viewed more as an opportunity, rather than a threat.

There is a strengthened realization that the company does not exist in isolation from its community and society surrounding it. As an example, improving education in society may be viewed as a social good, but intellectually stimulating leaders may also attempt to show how improving the educational level of the workforce can impact the firm’s competitive advantage (Porter & Kramer, 2002). The upshot is that followers will attempt to implement strategies stressing CSR. In sum,

H2: There is a positive relationship between CEO intellectual stimulation and the propensity of firms to engage in CSR.
METHOD

Participating Firms

Firms were originally sampled for the purpose of examining relationships between CEO transformational leadership and strategic change and firm performance. The present results are based on a subset of the original study for which CSR data were available, as described below. In order to be considered for inclusion in the sample, a firm had to conform to three criteria: (1) net sales greater than one billion dollars, (2) the CEO had at least two years of tenure, and (3) at least six individuals per firm at the VP, senior VP, or general manager level who could be identified in a corporate directory. The first criterion was based on the notion that it would be easier to obtain performance data for larger firms. The CEO tenure criterion was used in order to allow the CEO time to demonstrate charismatic leadership and implement such policies as CSR. The third criterion was necessary in an attempt to obtain input from multiple managers per firm allowing for non-response to the survey.

Subsequently, after meeting the above criteria, firms were randomly chosen from a potential pool of 929 U.S. and 188 Canadian firms available on Disclosure (a database that can be used to obtain information about large firms). This resulted in a total of 95 U.S. and 55 Canadian firms targeted for participation. These firms represented a wide range of industries such as telecommunications, retailing, utilities, food processing, banking, and manufacturing (e.g., automotive). Nearly twice as many American firms were solicited because there was a greater proportion of American firms that met the aforementioned criteria. The names and addresses of 900 managers from these firms were obtained from corporate directories including Disclosure, the Financial Post Directory of Directors, and the Million Dollar Directory: America’s Leading Public & Private Companies. These managers represented a broad spectrum
of areas including general management, marketing, finance, accounting, human resources, strategic planning, engineering, and legal.

Survey administration occurred at the end of 1992. After a second mailing, usable surveys were obtained from a total of 234 respondents. Non-respondents included 52 individuals who had either retired, were away on business, no longer were with the firm, or were unable to be located. They also included those who returned their surveys but had tampered with ID numbers (to identify respective firms), thus making their surveys not usable for analytic purposes. Without including such individuals in the original targeted sample, the effective response rate is approximately 28 percent. Given the high level of these managers in their respective organizations, and the potential sensitivity of survey items dealing with CEO leadership, such a response rate can be considered reasonable and acceptable (Finkelstein, 1992).

The 234 respondents represented a total of 112 firms out of the targeted 150 firms (i.e., the 95 U.S. and 55 Canadian firms mentioned above). We were able to use data for 56 of these firms (51 of which were U.S.-based) and 125 respondents, based on the availability of CSR data, as described below. Despite attempts to obtain at least two managers per firm, 12 of the 125 respondents were the sole representatives of their firms. The other respondents represented 44 firms (either two or three respondents per firm).

**Survey-Based Measures of Leadership**

We assessed CEO charismatic leadership and intellectual stimulation using 13 items based on the Multifactor Leadership Questionnaire (MLQ) (Bass, 1985) that were considered by the authors to be especially relevant to leadership at the strategic level. These items were originally developed for subsequent use in the work of Howell and Avolio (1993) and were refined in a revision of the MLQ (Bass & Avolio, 1990). Each participant was asked to think about the CEO
of his/her respective firm, and then to rate that individual on each item on a 5-point scale with anchors ranging from “not at all” to “frequently, if not always”. In line with previous research (Bass & Avolio, 1990), below we report mean scores on a scale ranging from 0 to 4. Each respondent was asked to provide the name of the CEO of that person’s firm to ensure that respondents from a respective firm rated the same individual. This precaution was necessary because of the possibility of CEO turnover at or about the time of the survey.

Nine of the items were intended to assess charismatic leadership, while the other four items were targeted for intellectual stimulation. A factor analysis using principle components as the extraction procedure and varimax rotation was conducted to determine the appropriateness of proceeding with two separate measures. As shown in Table 1, the results confirm a two-factor solution. Specifically, two factors with eigenvalues greater than 1 were extracted, which accounted for 60 percent of the common variance. As depicted by the factor loadings in Table 1, the first factor clearly represents charismatic leadership, while the second factor represents intellectual stimulation. The nine charisma items shown in bold were summed and averaged to form an overall measure of charismatic leadership. The alpha coefficient for this measure was .90. In addition, we summed and averaged the four intellectual stimulation items to form an overall measure of intellectual stimulation with an alpha coefficient of .86. For the firm-level analyses reported below, the correlation between the two leadership measures was .46, indicating only a moderate amount of covariation.

Tests were conducted to determine the appropriateness of aggregating charismatic leadership and intellectual stimulation using scores for the 44 respective firms for which multiple
respondents were available. First, between-firm differences were significant for charismatic leadership ($F = 1.81, p < .05$) and intellectual stimulation ($F = 1.61, p < .05$). Second, we computed interrater reliability coefficients ($r_{wg}$) to determine the extent to which rater perceptions converged in a given firm for the items composing each measure (James, Demaree, & Wolf, 1984). The average $r_{wg}$ across firms for charismatic leadership and intellectual stimulation were .84 and .87, respectively, suggesting adequate within-firm agreement on each of these variables. In total, these tests provide general support for combining respondents’ perceptions of charismatic leadership and intellectual stimulation to produce averaged, aggregated scores for respective firms.

**Measures of Corporate Social Responsibility**

For the 56 firms and 125 respondents mentioned above, we were able to link data on CEO leadership characteristics to firm-level information on CSR provided to us by the firm of Kinder, Lydenberg, and Domini (KLD). The KLD data provide ratings of CSR for investors who want to “screen” investment portfolios to exclude companies that violate their social principles. This information, which pertains to CSR for 537 publicly-traded firms over the period 1991-1996, is based on surveys, financial statements, articles on companies in the popular press and academic journals, and government reports. Sharfman (1996) found that these data represent a significant improvement over existing self-reported measures of corporate social performance (see Aupperle [1991]) in terms of construct validity. In addition, the KLD data have been used in several recent CSR studies (Waddock & Graves, 1997a; McWilliams & Siegel, 2000; Hillman & Keim, 2001).

This information is used to assess CSR based on 12 indicators consisting of two categories. The first category consists of qualitative measures of CSR, including community relations,
diversity, employee relations, environment performance, product quality, non-U.S. operations (e.g., usually environment and labor relations), as well as a residual category called “other”, which evaluates the level of executive compensation, disputes with tax authorities, and the social performance of organizations in which that the firm has invested (e.g., a company may have a minority interest in a firm with social concerns).

For example, a company’s level of environmental social responsibility is assessed in terms of several actions, including the extent to which the firm uses clean energy and alternative fuels, recycles, derives substantial revenue from products that promote or generate environmental benefits, yields hazardous waste and toxic emissions, and violates environmental statutes. Actions on the part of a firm with respect to diversity include the extent to which women and minorities are represented in senior management positions (including the CEO), the extent of contracting to women and minority-owned businesses, employment of the disabled, and the extent to which a firm has been involved in controversies relating to affirmative action. For information regarding other indicators, see Waddock and Graves (1997a).

The second category of KLD data contains CSR indicators that are referred to as “exclusionary” screens, since many portfolio managers will automatically exclude firms that engage in these activities from their portfolios. These five indicators include alcohol, tobacco, gambling, military contracting, and nuclear power. Graves and Waddock (1994) and Sharfman (1996) have demonstrated that together, both categories adequately capture the domain of what management scholars consider to be CSR.

The KLD analysts rate these CSR indicators in two different ways. Category 1 indicators are assessed as: (1) a strength, and (2) a concern. The scale used is 0, 1, and 2. The highest value for a strength or concern is 2 (e.g., a firm with major concerns regarding its environmental
performance would be coded as a 2, while a firm with major strengths in environmental
dformance would also receive a 2). We follow the convention established by Graves and
Waddock and Sharfman (1996) in developing a single CSR score. That is, the separate
estimates of strengths and concerns were combined into a single measure of CSR for each of the
seven indicators in this set, by changing the scale for concerns to: -2, -1, 0. For each indicator,
we subsequently added the strength assessment and the concern assessment together to form a
single indicator for each year (i.e., 1991-1996). Therefore, each of these indicators in the first set
takes a value between –2 and +2. KLD analysts rate Category 2 indicators as concerns only on a
scale of 0 to 2. We changed this to a scale of -2 to 0, to be consistent with the formatting of the
first set of CSR indicators.

Unfortunately, we had incomplete information on four aspects of CSR for the entire
sample period (1991-1996): alcohol, tobacco, gambling, and non-U.S. operations. The result is
that we have measures for eight indicators of CSR for 537 firms. It is useful to examine whether
there are common dimensions or factors of CSR indicators. Thus, we conducted a factor
analysis with principle components as the extraction procedure and varimax rotation to assess the
factor structure of CSR. We computed averages over the sample period (i.e., averaging annual
scores on the CSR aspects for 1991-1996), which were then used in the factor analysis. Three
factors with eigenvalues exceeding one were extracted, which accounted for 56% of the common
variance.

Table 2 presents the rotated factor structure matrix for the 8 dimensions of CSR. The third
dimension was excluded from subsequent analyses since it was represented by a single indicator,
nuclear power. We label the two remaining dimensions strategic CSR (STRATCSR) and social
CSR (SOCCSR), respectively. Strategic CSR was indicated by environmental, product quality,
other, employee relations, and military (alpha = .77). Social CSR was represented by the community and diversity indicators (alpha = .80). Our purpose in using this terminology is to highlight the point that the first dimension appears to be capturing aspects of CSR that relate more clearly to the firm’s competitive strategy (e.g., differentiation/reputation building). In contrast, the latter dimension appears to be based more on concern for social issues.

We do not wish to imply that diversity and community initiatives cannot be used for strategic purposes under certain circumstances, only that most firms engage in these activities largely to advance a social cause. It seems plausible to us that the dimensions that we call “strategic” are much more likely to be matrixed into a firm’s business and corporate-level strategies, as compared to the indicators loading on “social” CSR. For example, as demonstrated above, the measurement of diversity appears to represent an effort to adhere to the social movement of embracing diversity (e.g., employment of the disabled), rather than using diversity in a strategic manner. Conversely, the measurement of such strategic CSR indicators as environmental performance, at least in part are more geared toward the firm’s competitive strategy (e.g., derives substantial revenue from products that promote or generate environmental benefits).

We should note that our categorization of CSR, based on the results of the factor analysis, yields slightly different categories of CSR than those presented in Waddock and Graves (1997b) and Hillman and Keim (2001), which were also based on KLD data. In those studies, the authors asserted that five dimensions of CSR: employee relations, diversity issues, environmental issues, product issues, and community relations, represent “stakeholder management” aspects of CSR, while all other dimensions constitute “social issue” participation. However, they did not
formally test this assertion using factor analytic procedures.

**RESULTS**

Descriptive statistics and correlation coefficients for the variables used in our regression analysis are presented in Table 3. Note that control measures of firm size (total assets), R&D intensity (average annual ratio of R&D to sales), and prior profit levels (industry-corrected return on equity for the seven-year time period prior to survey administration) were derived from the Compustat database. Several findings are particularly noteworthy in the correlation matrix. First, the relationship between charisma and intellectual stimulation is only .40, a coefficient substantially below the typical finding in the literature (Lowe et al., 1996). However, very few prior studies have examined transformational leadership at the CEO level, which may account for the relative independence of these two measures of transformational leadership here. Second, our correlational findings indicate that social CSR is not significantly correlated with either charisma or intellectual stimulation. However, while strategic CSR is also not significantly correlated with charisma, there is a significant, positive correlation between strategic CSR and intellectual stimulation (r = .36, p < .05). Third, the results also reveal positive associations between strategic CSR and firm size, R&D intensity, and prior profit levels, findings that are consistent with theoretical and empirical evidence presented in Waddock and Graves (1997a) and McWilliams and Siegel (2000). Social CSR is also significantly related to R&D intensity.

---

Table 4 displays hierarchical regression results in the prediction of strategic and social CSR, where the charisma and intellectual stimulation factors of transformational leadership are
added in the second step, in separate regressions. In Panel A of this table, we add CEO charisma in step 2. In Panel B, we add CEO intellectual stimulation in step 2.

We use this two-step procedure since we propose that transformational leadership may influence the propensity of firms to engage in CSR, in addition to those factors associated with a theory of the firm perspective on CSR (Waddock & Graves, 1997a; McWilliams & Siegel, 2000). Therefore, following Waddock and Graves (1997a), we include measures of lagged profitability and firm size, as control variables in the first step. The inclusion of profits is based on their finding that better financial performance results in higher CSR. These authors also included an industry dummy variable in their analyses. We chose instead to normalize the KLD data (for all 538 observations) by two-digit SIC codes over the sample period. Thus, our measures of strategic CSR and social CSR are each constructed relative to other firms in the same sector. Based on the work of McWilliams and Siegel (2000), R&D intensity is included as a control variable in the first step in each model. We also controlled for two aspects of CEO tenure: (1) length of tenure as the firm’s CEO prior to survey administration, and (2) length of tenure as CEO during the four-year period following survey administration that included KLD measures (i.e., 1993-1996). Finally, in order to generate a more conservative test of our hypotheses, we also included lagged measures of strategic CSR and social CSR, respectively, as control variables in the first step. The lagged measures represent average levels of the respective CSR variables for the years 1991 and 1992.

The models for strategic CSR fit better than those for social CSR, as evidenced by the higher R² values for the corresponding regressions. Consistent with Waddock and Graves (1997a) and McWilliams and Siegel (2000), we find that increases in firm size, and R&D
intensity (but not prior profitability) appear to induce higher levels of CSR. This applies to both strategic and social CSR. Neither measure of CEO tenure appears to have any explanatory power. However, the empirical evidence is not consistent with hypothesis 1, as CEO charisma does not have significant predictive power with respect to either strategic or social CSR. In contrast, our key empirical finding is that CEO intellectual stimulation at a point in time (i.e., 1992) positively predicts the propensity of firms to engage in future strategic CSR (i.e., 1993-96), beyond any variance accounted for by firm size, performance, R&D intensity, and the lagged effect of CSR (R² change = .05, p < .05). Thus, hypothesis 2 is supported for this factor of CSR.

**DISCUSSION**

The regression results confirm our predictions regarding the effect of a key dimension of CEO transformational leadership, intellectual stimulation, in the prediction of subsequent CSR activity. However, it is interesting to note that these findings appear to hold only for strategically-oriented CSR, not for more socially-oriented CSR. Such results imply that intellectually-stimulating leaders are not only attempting to pursue corporately responsible actions, but also that they focus their efforts on areas that are most germane to strategic concerns of the firm, such as product quality and environmental performance. In contrast, CSR issues that have more of a social basis (i.e., community relations and diversity) are not significantly related to transformational leadership. Perhaps attention to these latter issues could be due to managerial phenomena other than transformational leadership, such as the desire to adhere to socially acceptable norms and laws, or to simply maintain a positive firm image.

The present study adds to a growing literature on the effects of aspects of CEO transformational leadership. For example, recent research has demonstrated the link between
CEO charismatic leadership and firm performance, especially under conditions of perceived
environmental uncertainty (Waldman, Ramirez, House, & Puranam, 2001). Those findings, in
conjunction with the results of the current research, imply that the upper echelons perspective
should incorporate transformational leadership theory. Indeed, although not specifically using
that term, Finkelstein and Hambrick (1996) acknowledged that such leadership could affect firm
performance. For example, the values and behaviors of such leaders could influence strategic
choices (e.g., CSR) through their impact on their field of vision of organizational members, their
perception and interpretation of information, and their strategic decision-making.

The present findings suggest that it may be important to distinguish between aspects of
transformational leadership in their prediction of such phenomena as CSR. Our lack of
significant relationships involving charismatic leadership could be due to several reasons. First,
we did not measure actual CEO values pertaining to CSR or ethics per se. As noted by previous
authors (e.g., Bass & Steidlmeier; Howell & Avolio, 1992), not all leaders with charismatic
appeal will have values relevant to CSR, and indeed some may have motives leaning more
toward personal power and self-aggrandizement. Second, there may be situations in which
spending on CSR may be viewed as unwise, such as during financial crises when there is little or
no slack. Under such conditions, CEO charismatic appeal may weaken, thereby reducing the
relationship between charisma and CSR. Third, leaders even with little charismatic appeal may
attempt to push strategic decision making in the direction of CSR simply for the purpose of
maintaining a positive public image for the firm.

The present results would suggest that rather than charisma, a cognitive component may
come into play, requiring leadership that is oriented toward problem-solving and getting
followers to reconceptualize or engage in issues such as CSR. An intellectually stimulating CEO
may take a more inclusive view of the role of his or her firm within society and pursue a strategic and focused approach to CSR that enhances both the firm’s competitive position and its broader societal context (Porter & Kramer, 2002). Thus, to better understand the importance of leadership at the strategic level, researchers may need to take into account factors in addition to charisma, such as intellectual stimulation.

It is also useful to relate our findings to those presented in other studies of the determinants of CSR. Our results add to this literature by demonstrating that an individual characteristic of a CEO (i.e., intellectual stimulation) is positively associated with the propensity of firms to engage in CSR. This finding applies especially to the strategic indicators of CSR, or those that most closely relate to firms’ differentiation and reputation-building strategies. Thus, as suggested by Hillman and Keim (2001), it may be important to distinguish between different types of CSR when analyzing the determinants and outcomes of this activity. We also find evidence of the presence of scale economies in the provision of CSR, which is consistent with a theory of the firm perspective on CSR (McWilliams & Siegel, 2001).

**Limitations and Future Research**

This study has several limitations. First, our empirical results are based on a relatively small sample of firms, and thus, should be considered somewhat exploratory in nature. We encourage research on a broader sample of both large and smaller firms. Second, a measure of corporate diversification might be an additional, useful control variable, since there could be economies of scope in CSR (cf. McWilliams & Siegel, 2001). Third, we have made inferences about the moral and ethical qualities of charismatic leaders, based on an indirect assessment of such attributes. We encourage research that more directly assesses leader moral and ethical qualities (Craig & Gustafson, 1998; Parry & Proctor-Thomson, 2002). Indeed, it is possible that
integrity or other moral aspects of charismatic leadership might more directly engender CSR, rather than the aspects of charisma assessed in the current study that included vision, admiration for the leader, and high expectations and determination on the part of the leader.

Additional research is suggested by our study. An implicit assumption of our analyses and findings is that it is the CEO who is formulating and attempting to implement the firm’s CSR policies. As such, a related assumption is that the appropriate level of analysis for examining leadership and CSR policies is the corporate or organizational level. However, leadership and CSR relationships may be more appropriate for study at lower units of analysis (e.g., divisional level). Moreover, CSR activity may be related to the actions and philosophy of the Board of Directors, rather than just the CEO.

We would like to encourage future quantitative and qualitative research that directly assesses the role of leadership in CSR formulation and implementation at multiple levels of analyses. As an example of a more qualitative approach, we can envision a multiple case study design comparing organizations, and divisions within those organizations, in terms of their involvement in CSR. These organizations could be analyzed in-depth in terms of the CEO’s role in formulating and implementing CSR, the roles of lower-level executives and managers, and the role of the Board of Directors. Research along these lines could help provide a richer understanding of linkages between leadership and CSR across the levels of an organization.
ENDNOTES

1 In order to maximize our sample size, the factor analysis was conducted using the larger sample of 234 individuals that included all of the original survey respondents from both the U.S. and Canadian firms.

2 Although there was little CEO turnover during the 1993-1996 period, we excluded the five companies whose CEOs departed and re-estimated the regression findings. The results were roughly the same as those presented in Table 4, so we do not report them separately.
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orientation. In L. E. Post (Ed.), Research in corporate social performance and policy, 12:
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Improving organizational effectiveness through transformational leadership: 1-9.
Bass, B. M., & Steidlmeier, P. 1999. Ethics, character, and authentic transformational leadership 
 routinization, and supportive cultural leadership. Leadership Quarterly, 10: 483-520.
Boal, K. B., & Hooijberg, R. 2001. Strategic leadership research: Moving on. Leadership 
Quarterly, 11: 515-549.


### TABLE 1

Rotated Factor Structure Matrix of Transformational Leadership

<table>
<thead>
<tr>
<th></th>
<th>Charisma</th>
<th>Intellectual Stimulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have complete faith in him/her.</td>
<td>.75</td>
<td>.32</td>
</tr>
<tr>
<td>Makes people feel good to be around him/her.</td>
<td>.61</td>
<td>.26</td>
</tr>
<tr>
<td>Generates respect.</td>
<td>.67</td>
<td>.25</td>
</tr>
<tr>
<td>Transmits a sense of mission.</td>
<td>.82</td>
<td>.17</td>
</tr>
<tr>
<td>Shows determination when accomplishing goals.</td>
<td>.74</td>
<td>.03</td>
</tr>
<tr>
<td>Communicates high performance expectations.</td>
<td>.70</td>
<td>-.02</td>
</tr>
<tr>
<td>I am ready to trust him/her to overcome any obstacle</td>
<td>.64</td>
<td>.43</td>
</tr>
<tr>
<td>Gives reasons to be optimistic about the future.</td>
<td>.62</td>
<td>.39</td>
</tr>
<tr>
<td>Provides a vision of what lies ahead.</td>
<td>.64</td>
<td>.39</td>
</tr>
<tr>
<td>His/her ideas have made me reconsider some of my own ideas which I had never questioned</td>
<td>.17</td>
<td>.84</td>
</tr>
<tr>
<td>Enables me to view problems from a different perspective.</td>
<td>.20</td>
<td>.85</td>
</tr>
<tr>
<td>Provides me with new ways of looking at things that used to puzzle me.</td>
<td>.10</td>
<td>.85</td>
</tr>
<tr>
<td>Suggests ways to get at the heart of complex problems.</td>
<td>.30</td>
<td>.69</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 3 iterations. Two factors emerged with eigenvalues greater than one. These factors accounted for 60 percent of the common variance.
### TABLE 2

Rotated Factor Structure Matrix of Corporate Social Responsibility

<table>
<thead>
<tr>
<th></th>
<th>SRATCSR</th>
<th>SOCCSR</th>
<th>FACTOR3</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENVIRONMENTAL</td>
<td>.72</td>
<td>.13</td>
<td>.00</td>
</tr>
<tr>
<td>PRODUCT QUALITY</td>
<td>.64</td>
<td>.00</td>
<td>.00</td>
</tr>
<tr>
<td>OTHER</td>
<td>.58</td>
<td>-.37</td>
<td>.00</td>
</tr>
<tr>
<td>EMPLOYEE RELATIONS</td>
<td>.53</td>
<td>.41</td>
<td>.00</td>
</tr>
<tr>
<td>MILITARY</td>
<td>.51</td>
<td>.00</td>
<td>.31</td>
</tr>
<tr>
<td>COMMUNITY</td>
<td>.00</td>
<td>.83</td>
<td>.00</td>
</tr>
<tr>
<td>DIVERSITY</td>
<td>.00</td>
<td>.83</td>
<td>.00</td>
</tr>
<tr>
<td>NUCLEAR POWER</td>
<td>.00</td>
<td>.00</td>
<td>.96</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis  
Rotation Method: Varimax with Kaiser Normalization.  
Rotation converged in 4 iterations. These factors accounted for 62 percent of the common variance.
### TABLE 3

Descriptive Statistics and Correlations (N=56 firms)

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lagged Strategic CSR</td>
<td>.25</td>
<td>.65</td>
<td>----</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Lagged Social CSR</td>
<td>-.01</td>
<td>.29</td>
<td>.22</td>
<td>----</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Lagged Profit</td>
<td>13.52</td>
<td>8.56</td>
<td>.35*</td>
<td>.29*</td>
<td>-----</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Firm Size</td>
<td>3.93</td>
<td>.47</td>
<td>.25</td>
<td>-.25</td>
<td>-.06</td>
<td>----</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. R&amp;D Intensity</td>
<td>0.03</td>
<td>.04</td>
<td>.22</td>
<td>.33</td>
<td>-.03</td>
<td>.21</td>
<td>----</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. CEO Tenure 1 (Prior to Leadership Survey)</td>
<td>7.19</td>
<td>4.90</td>
<td>.13</td>
<td>-.18</td>
<td>.31</td>
<td>-.16</td>
<td>-.21</td>
<td>----</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. CEO Tenure 2 (During the CSR Performance Period)</td>
<td>3.57</td>
<td>1.65</td>
<td>.13</td>
<td>.10</td>
<td>.25</td>
<td>.06</td>
<td>.08</td>
<td>.12</td>
<td>----</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. CEO Charisma</td>
<td>2.90</td>
<td>.43</td>
<td>.06</td>
<td>.10</td>
<td>.13</td>
<td>.30*</td>
<td>.05</td>
<td>.33*</td>
<td>.13</td>
<td>----</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. CEO Intellectual Stimulation</td>
<td>2.31</td>
<td>0.59</td>
<td>.25</td>
<td>.09</td>
<td>.24</td>
<td>-.09</td>
<td>.19</td>
<td>.07</td>
<td>.06</td>
<td>.40**</td>
<td>----</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Strategic CSR</td>
<td>0.44</td>
<td>0.60</td>
<td>.76**</td>
<td>.22</td>
<td>.27</td>
<td>.24</td>
<td>.39*</td>
<td>.07</td>
<td>.08</td>
<td>.20</td>
<td>.36*</td>
<td>----</td>
<td></td>
</tr>
<tr>
<td>11. Social CSR</td>
<td>-0.04</td>
<td>0.28</td>
<td>.24</td>
<td>.68**</td>
<td>.18</td>
<td>-.15</td>
<td>.33*</td>
<td>-.14</td>
<td>-.10</td>
<td>.11</td>
<td>.17</td>
<td>.25*</td>
<td>----</td>
</tr>
</tbody>
</table>

Notes: \(^{+}p < .10; ^{*}p < .05; ^{**}p < .01\)

Lagged Strategic CSR = Average annual Corporate Social Responsibility (1991-1992)
Lagged Social CSR = Average annual Corporate Social Responsibility (1991-1992)
Lagged Profit = Average annual Return on Equity (1991-1992)
Size = Average annual total sales (1993-1996), in logarithms
R&D Intensity = Average annual ratio of R&D to sales (1993-1996)
CEO Charisma = Summed and averaged items of CEO Charisma (as assessed in 1992).
CEO Intellectual Stimulation = Summed and averaged items of CEO Intellectual Stimulation (as assessed in 1992).
CEO Tenure1 = Tenure of the CEO as of 1992 (prior to survey)
CEO Tenure2 = Length of CEO tenure during the CSR performance period
Strategic CSR = Average annual Corporate Social Responsibility (1993-1996)
Social CSR = Average annual Corporate Social Responsibility (1993-1996)
TABLE 4

Panel A

Hierarchical Regression Analysis of the Effects of CEO Charisma on the Propensity of Firms to Engage in Corporate Social Responsibility (CSR)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Step 1</td>
<td>Step 2</td>
</tr>
<tr>
<td>Lagged Profit</td>
<td>.15</td>
<td>.12</td>
</tr>
<tr>
<td>Size</td>
<td>.90</td>
<td>.85</td>
</tr>
<tr>
<td>R&amp;D Intensity</td>
<td>.29*</td>
<td>.33*</td>
</tr>
<tr>
<td>CEO tenure (prior to survey)</td>
<td>.05</td>
<td>.11</td>
</tr>
<tr>
<td>CEO tenure (during the CSR period)</td>
<td>.07</td>
<td>.07</td>
</tr>
<tr>
<td>Lagged “Strategic” CSR (1991-92)</td>
<td>.75**</td>
<td>.73*</td>
</tr>
<tr>
<td>Lagged “Social” CSR (1991-92)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Charisma</td>
<td>.12</td>
<td></td>
</tr>
<tr>
<td>Total R²</td>
<td>.71</td>
<td>.73</td>
</tr>
<tr>
<td>F</td>
<td>27.01**</td>
<td>26.18**</td>
</tr>
<tr>
<td>ΔR²</td>
<td>.02</td>
<td>.01</td>
</tr>
<tr>
<td>ΔF</td>
<td>0.30</td>
<td>0.29</td>
</tr>
</tbody>
</table>

Note: Standardized regression coefficients are shown.

Panel B

Hierarchical Regression Analysis of the Effects of CEO Intellectual Stimulation on the Propensity of Firms to Engage in Corporate Social Responsibility (CSR)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Step 1</td>
<td>Step 2</td>
</tr>
<tr>
<td>Lagged Profit</td>
<td>.15</td>
<td>.13</td>
</tr>
<tr>
<td>Size</td>
<td>.90</td>
<td>.90</td>
</tr>
<tr>
<td>R&amp;D Intensity</td>
<td>.30*</td>
<td>.27*</td>
</tr>
<tr>
<td>CEO tenure (prior to survey)</td>
<td>.04</td>
<td>.08</td>
</tr>
<tr>
<td>CEO tenure (during the CSR period)</td>
<td>.04</td>
<td>.06</td>
</tr>
<tr>
<td>Lagged “Strategic” CSR (1991-92)</td>
<td>.75**</td>
<td>.76**</td>
</tr>
<tr>
<td>Lagged “Social” CSR (1991-92)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Intellectual Stimulation</td>
<td>.38*</td>
<td></td>
</tr>
<tr>
<td>Total R²</td>
<td>.72</td>
<td>.77</td>
</tr>
<tr>
<td>F</td>
<td>26.19**</td>
<td>29.25**</td>
</tr>
<tr>
<td>ΔR²</td>
<td>.05</td>
<td>.02</td>
</tr>
<tr>
<td>ΔF</td>
<td>6.49*</td>
<td>1.87</td>
</tr>
</tbody>
</table>

*p < .10; *p < .05; **p < .01

Note: Standardized regression coefficients are shown.