The effects of political orientation on corporate social (ir)responsibility

Nara Jeong
Department of Management, College of Business, San Francisco State University, San Francisco, California, USA, and
Nari Kim
Department of Economics and Business, Lehman College, Bronx, New York, USA

Abstract

Purpose – The purpose of this paper is to examine the effects of political orientation on corporate social (ir)responsibility. In specific, it investigates CEO political liberalism, and its moderation with government political liberalism on corporate social responsibility (CSR) and corporate social irresponsibility (CSIR).

Design/methodology/approach – Panel regression analysis was conducted using 3,136 firm-year observations of 751 CEOs in the USA.

Findings – Results show that the effects of CEO liberalism are positive on CSR and negative on CSIR. During the reign of a democrat president, however, CEO political liberalism shows different impacts on CSR and CSIR. Interactions between the same political orientations are negatively associated with CSR, but not significantly associated with CSIR.

Originality/value – The primary contribution of this paper is in presenting the interactive effects of external environment and CEO attributions on CSIR.

Keywords CSR, CSIR, CEO political orientation, Government political orientation, Political liberalism

Paper type Research paper

Introduction

Building on Hambrick and Mason’s (1984) upper echelon view, studies show how top executives influence firm-level decisions and outcomes (Finkelstein et al., 2009). These studies suggest that executives’ prior experiences, personality and values influence their decision-making processes (e.g. Chatterjee and Hambrick, 2007; Miller and Shamsie, 2001).

A pioneering work by Chin et al. (2013) argues that political orientation reflects individual values, and thus CEO political liberalism positively influences corporate social practices. Subsequently, management scholars have explored the relationship between executives’ political orientation and firm outcomes, such as corporate opportunity structures for activism (Briscoe et al., 2014), executive pay dispersion (Chin and Semadeni, 2017), gender gaps in earnings (Briscoe and Joshi, 2017), resource allocation decisions (Gupta et al., 2018) and tax evasion tendency (Christensen et al., 2015).

While studies report factors that modify the relation between executives’ political orientation and firm outcome (Briscoe et al., 2014; Chin et al., 2013; Gupta et al., 2018), the factors have been often limited to inter-firm factors, without necessarily considering extra-firm factors as a specific point of focus. Also, most studies looking at CEO political orientation focus on corporate social responsibility (CSR), rather than corporate social irresponsibility (CSIR).

In this study, we explore how government political orientation modifies relations between executives’ political orientation and organizational outcome. We examine interactions between CEO and government political orientation on CSR, as well CSIR, and will refer to combinative examples of these two corporate social activities by using the acronym CS(I)R henceforth.

Although prior studies have discussed institutional and environmental predictors of CS(I)R (Lange and Washburn, 2012; Muthuri and Gilbert, 2011), and the fact that the government plays a major role in the company’s CSR, in terms of its policies and initiatives
(Gond et al., 2011; Moon and Knudsen, 2018), the effects of government, especially its political orientation, have not been given much attention in the CS(I)R literature. Whereas CEO political orientation is a predictor of firm decisions on social and environmental engagement, government political orientation is a driver for a wide range of environmental and social policies and decisions throughout the nation (Buttel and Flinn, 1978; Detomasi, 2008). Considering these elements in combination suggests that government political orientation may affect the decisions of social entities, such as companies and CEOs. Research questions that drive this study are:

**RQ1.** How does government political orientation influence the relation between CEO political orientation and CSR/CSIR?

**RQ2.** Does the alignment of political orientation between CEOs and the government amplify or constrain the effects of CEO political orientation on CSR/CSIR?

We hypothesize that the higher the CEO political liberalism, the higher the socially responsible activities (e.g. clean energy), and the lower the socially irresponsible activities of the firm (e.g. hazardous waste). In addition, we argue that the alignment of political orientation between CEOs and the government may constrain the impact of CEO political liberalism on socially responsible and irresponsible activities, respectively.

We tested our hypotheses using US public firms data from 1994 to 2005. Using panel regression models, we found that the alignment of a CEO’s political orientation with government orientation negatively modifies the relation between the CEO’s political orientation and the CSR level. However, government orientation does not modify the relation between a CEO’s political orientation and CSIR. As such, this study contributes to literature on upper echelon, political orientation and CSR, by showing the effects of external (government political environment) and internal (CEOs’ political orientation) factors on a firm’s engagement in CSR and in CSIR.

**CEO political orientation and corporate social (ir)responsibility**

CSR is defined as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (McWilliams and Siegel, 2001, p. 117). While some scholars found positive effect of CSR activities on firm financial performance (Hillman and Keim, 2001; Orlitzky et al., 2003), others report its negative impacts (Friedman, 1970), conditional effects (Hull and Rothenberg, 2008; Miles et al., 2004) or lack of effect on financial performance (McWilliams and Siegel, 2000). General agreement is that CSR engagement brings delayed effects through reduced transaction costs and through better stakeholder relationships (Cheng et al., 2014).

Considering the unclear effect of CSR on firm financial performance, scholars have examined firms’ motivations for CSR activities. According to a review article by Aguinis and Glavas (2012), a number of studies have focused on institutional and organizational level predictors of CSR, such as institutional and stakeholder pressure, regulations and standards, country context, firm resources and firm legitimacy. Other studies have explored individual level predictors of CSR, such as executive compensation structure, personal preference, personality traits and values.

According to the upper echelon perspective, executives inject their personal preferences – developed through personal beliefs, experiences and personality type – into their decisions (Finkelstein et al., 2009; Hambrick and Mason, 1984). Thus, what values executives hold influence firm-level decision-makings.

Political orientation refers to “an interrelated set of attitudes and values about the proper goals of society and how they should be achieved” (Tedin, 1987, p. 65). This political orientation explains “why people do what they do; it organizes their values and beliefs and
leads to political behavior” (Jost, 2006, p. 653), as it reflects personal lifestyle, preferences and activities (Jost et al., 2009).

Recently, a consistent number of scholars have explored the role of executives’ political orientation on organizational outcomes, based on the axis of conservatism/liberalism (e.g. Chin et al., 2013). According to works in political psychology and science literature, this dimension is the most parsimonious and robust tool to understanding individual belief systems (Graham et al., 2009; Jost, 2006; Schwartz, 1996).

Points of contention exist between liberal and conservative attitudes toward equality or inequality, and social change or tradition (Conover and Feldman, 1981; Jost et al., 2003). Liberals have favorable views on economic equality, market controls, social change and social justice, whereas conservatives place more emphasis on the free market, order, property rights and status quo. Also, liberals are more sensitive to social issues in general, as well as to specific issues such as diversity, environment and human rights (Schwartz, 1996). Moreover, they are less likely to have prejudicial views toward minorities in terms of race, sex and gender (Cunningham et al., 2004; Jost et al., 2004).

We envision that more liberal CEOs will favor corporate engagement in socially responsible activities, compared to more conservative CEOs. Previous research found that politically liberal investors are positively associated with the socially responsible investment of funds (Hong and Kostovetsky, 2012). In addition, firms related to the democratic party invested more to CSR than other firms (Di Giuli and Kostovetsky, 2014). Although Chin et al. (2013) hypothesized and tested the positive effect of CEO liberalism on CSR, they used a combined measure, and did not examine the separate components of the concept. As CSR and CSIR are considered different concepts (Kacperczyk, 2009; Mattingly and Berman, 2006), in this study, we investigate the effect of liberalism on CSR and CSIR, respectively. We expect that liberal CEOs have similar values that are emphasized in their CSR activities. Thus, liberal CEOs are more likely to engage in socially responsible activities, such as increasing social contributions and protecting the environment – activities that we would expect conservative CEOs to be less likely to engage in:

H1a. The greater a CEO’s liberalism, the higher a company’s socially responsible activities.

Liberal CEOs will favor corporate efforts in reducing socially irresponsible activities, compared to their conservative peers. According to previous research, liberal investors have less portfolios in socially irresponsible companies (Hong and Kostovetsky, 2012). As a key decision-maker in the firm, liberal CEOs will tend to be concerned with decreasing the hazardous social impact of firm activities. In turn, the firm will be less likely to engage in social irresponsible activities:

H1b. The greater a CEO’s liberalism, the lower a company’s socially irresponsible activities.

The moderating role of government political orientation

Government and CSR

Government and CSR have often been considered as separate and distinct phenomena (Vallentin and Murillo, 2012). Governments administer and direct the domain of public policy, but CSR is often addressed from the corporate point of view and categorized in a realm of voluntary corporate activity (Carroll, 1999). Recently, scholars have come to the opinion that CSR cannot be considered in isolation from government, and recommend a more comprehensive approach to analyzing these two constructs (Moon and Vogel, 2008).

According to Detomasi (2008, p. 812), governments “influence whether a firm’s owners will tolerate, or even encourage, managers to undertake CSR activities, while also providing them the managerial discretion to do so.” Political process has a clear impact on the objectives
Managers pursue by encouraging or dissuading certain behaviors (Roe, 1996, 2003). CSR becomes a salient and important initiative, when elected officials pay attention to it (Bonardi et al., 2005).

However, despite the impact of the government on CSR, and the increasing number of studies on the role of government in CSR (Albareda et al., 2007; Detomasi, 2008; Habisch et al., 2005), there remains a lot more to explore in the relation between the government and CSR (Gond et al., 2011).

Government political orientation and CSR

In recent decades, in the USA, social and economic views have become more polarized along the liberalism/conservatism axis (Feinberg and Willer, 2015). The two major political parties in the USA reflect this orientation axis (Briscoe and Joshi, 2017). Republicans are more likely to identify themselves as conservative (American National Election Studies, 2010; Saad, 2009), and increasing numbers of conservative people are aligning themselves with the Republican party (Layman et al., 2006). Key motivators in party alignment and polarization are economic and social welfare issues (Carmines and Wagner, 2006; Layman et al., 2006). Of those issues, the most opposing agenda is wealth redistribution: the government’s role in fostering social and economic equality amongst its citizens. Democrats support more wealth redistribution through government policy, while Republicans favor less. While Democrats tend to emphasize social equality, Republicans tend to allow for differences and gaps. Also, supporters of the Democratic party focus on values such as egalitarianism, environmental and labor protection, human rights and social justice (e.g. Jost et al., 2008).

Governments decide how national resources are allocated through policies and legislative initiatives. Changes in government following elections initiate new presidential influences that affect various dimensions of the social strata, such as individuals, organizations, society overall and national concerns. Although the president’s individual preference may influence where the government’s focus should be placed, in general, there are some consistent patterns depending on which political party reigns. The electoral strength of the party of which the president is a representative markedly impacts the government’s ideology on policies and agenda.

Given this impact of government ideology, firms consider the ideological predisposition of its governing entity in making strategic judgments (Detomasi, 2008). In this process, the political orientation of a CEO may play a role. Politically liberal CEOs would consider a democrat president to have similar values toward social issues. Trust in government, however, may bring unexpected outcomes. A CEO’s values will influence their preferences for the outcomes of socially responsible activities as a mechanism of behavior, channeling work intentionally when the government represents the same political orientation. When CEOs find that a new president is from the political party they support, they believe in the new government policies to promote the values they think desirable. Ironically, that belief may reduce their efforts to protect those values. In contrast, if a new president is from the political party they do not support, they will concern themselves more about the issues and policies they value. They may engage more in those activities, if those values are under threat of being ignored.

When a present with a liberal stance is elected, government policies and activities for social outcomes increase (Buttel and Flinn, 1978). But, CEOs may be less motivated to engage in socially responsible activities themselves, as they expect the government to deliver on the social values they hold dear. Considering the unclear effect of CSR on financial performance, and the time and resources required for CSR activities, they may reduce resources and efforts for socially responsible activities when they observe active government support for such activities. However, when the conservative party takes power,
the CEOs may increase socially responsible activities as they observe reduced government support for social outcomes:

\[ H2. \text{Government political liberalism weakens the positive relation between CEO liberalism and a firm's socially responsible activities.} \]

When a government adopts liberal perspectives, social and stakeholders’ values are more secure. In this environment, CEOs’ likelihood of engaging in socially irresponsible behavior decreases, as perceived risk and possible penalties for socially irresponsible activities may be greater than when the government adopts conservative perspectives. In such an environment, legal and social monitoring for the irresponsible activities might be strengthened. Also, firms may be threatened by the possibility of losing or damaging their reputation and financial performance by engaging in irresponsible activities:

\[ H3. \text{Government political liberalism strengthens the negative relation between CEO liberalism and a firm’s socially irresponsible activities.} \]

**Method**

**Sample**

We collected data from Compustat, Execucomp, Federal Election Commission (FEC), and Kinder, Lydenberg, and Domini (KLD). Our sample consists of US corporations that have KLD ratings. We excluded data from co-CEOs, in-keeping with our interest in the effects of CEO values. Because a variable (book value of options awarded) was needed to calculate long-term CEO pay, one of our control variables was only available from Execucomp by 2006. As the sample size for 2006 was significantly smaller than data in other years, we examined 3,136 observations with 752 unique CEO and firm combinations over the period 1994-2005. We used the lagged structure to avoid causality issues.

**Corporate social performance**

We used KLD ratings to measure the socially responsible activities of firms. The KLD data consist of binary terms: strength and concern. While strength ratings include items related to more proactive, positive social engagement, such as pollution prevention and recycling, concern ratings include items related to avoidance of negative social impact, such as hazardous waste and ozone depleting chemicals.

We considered five categories of strength ratings from KLD. According to previous research (Hillman and Keim, 2001; Waddock and Graves, 1997), these categories reflect corporate attention on key CSR dimensions. We summed strength ratings along these five areas to measure the socially responsible activities of firms. Similarly, we calculated the socially irresponsible activities of firms using concern ratings. The higher each value, the higher the CSR-CSIR.

**CEO political liberalism**

We used CEOs’ political donations to measure political liberalism (Chin et al., 2013; Christensen et al., 2015; Di Giulio and Kostovetsky, 2014). We obtained political donation information from the FEC website. The FEC provides data on individual contributions to individual candidates, campaign committees and political action committees. Based on FEC information on the donor’s name, address and occupation, we checked donor identity using the Notable Names Database, Bloomberg’s executive profiles, company websites and other online sources. As political orientation is relatively stable and enduring (Burris, 2001; Jost, 2006), we set a specific range for donation data – 10 years of donation data of a CEO – and collected data from during that range. As a result, we
include data from at least one presidential election and three congressional election cycles (e.g. Briscoe et al., 2014).

We calculated political liberalism by using firm’s financial commitment to political parties. To calculate financial commitment, we divided the total dollar amount of donations to Democrats (until the CEO’s final year of tenure life cycle) by the total dollar amount of donation to both parties (until the CEO’s final year of tenure life cycle). The higher the value, the higher the political liberalism of a CEO.

**Moderating variable and control variables**

**Government political liberalism.** We coded 1 if a president of that year was a Democrat and 0 for a Republican.

**Control variables.** First, to control other CEO factors that might influence CEO preferences, we included CEO-related variables such as tenure, age, gender, duality, founder, outsider CEO, ownership, long-term pay and retirement. Tenure was measured by the data year minus the year the individual became CEO. Age was measured by the data year’s CEO age. Gender was coded as 1 if a CEO is male and 0 for female. Duality was coded as 1 if a CEO held the board chair position in the data year and 0 otherwise. Founder was coded as 1 if a CEO is a founder and 0 for otherwise. Outsider CEO was coded as 1 if the CEO was hired from outside of a firm and 0 otherwise. Ownership was measured by the ratio of firm shares held by the CEO to total outstanding shares. Long-term pay was measured by the dollar value of restricted stocks and stock options divided by the dollar value of total CEO pay. Retirement was coded 1 if the CEO is over 64 years old and 0 otherwise.

We also controlled for firm-level factors such as firm size (measured by the logarithm of the number of employees of the firm), return on asset (ROA), leverage (measured by the ratio of book debt to book value of total assets), and blockholder ownership (measured by the percentage of shares held by outside blockholders). To control for a firm’s CSR in terms of impression management after a negative scandal (Chin et al., 2013), we included scandals by measuring the number of articles related to the firm’s major negative event (e.g. boycott, political scandal, income restatement), published in The New York Times and The Wall Street Journal from one year prior to a CEO’s appointment.

To control for macro factors, we included industry-level socially (ir)responsible activities (measured by average CSR/CSIR ratings in the same industry of a firm) and industry-level discretion (measured by using summed ranks of each five industry-level characteristics: industry concentration, market growth, market dynamism, capital intensity and advertising intensity). All control variables are measured as one-year lagged.

**Estimation and results**

Table I shows the correlation matrix of the variables, as well as the mean and standard deviation for the included variables. The mean value of CSR is 2.04, and CSIR is 1.54, which means that, on average, firms in our sample engage in CSR and CSIR 2.04 and 1.54 times, respectively. The minimum CSR and CSIR of our sample is 0. The maximum CSR and CSIR of our sample is 19 and 11, respectively. Average political liberalism of CEO is −0.43, which means our sample includes politically conservative CEOs more. Mean value of government liberalism is 0.47, which means slightly more samples were collected during the reign of a republican president. Overall correlations among variables are not significantly high (< 0.6). This study conducted a variance inflation factor (VIF) test to check a possible multicollinearity and found no multicollinearity issue of the data. The mean, minimum and maximum of VIF are 1.34, 1.06 and 1.93, respectively.
<table>
<thead>
<tr>
<th></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>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
<th>21</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CSR</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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. CIR</td>
<td>0.27</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>3. CPO</td>
<td>0.08</td>
<td>-0.02</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>4. GPO</td>
<td>0.09</td>
<td>-0.06</td>
<td>-0.04</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>5. Industry discretion</td>
<td>-0.07</td>
<td>-0.21</td>
<td>0.08</td>
<td>-0.07</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>6. % blockholder owned</td>
<td>-0.06</td>
<td>-0.10</td>
<td>-0.01</td>
<td>0.31</td>
<td>0.00</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></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>7. Tenure</td>
<td>-0.13</td>
<td>-0.15</td>
<td>0.01</td>
<td>0.04</td>
<td>-0.02</td>
<td>-0.03</td>
<td>1.00</td>
<td></td>
<td></td>
<td></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>8. Age</td>
<td>0.01</td>
<td>0.09</td>
<td>0.02</td>
<td>0.07</td>
<td>-0.08</td>
<td>-0.04</td>
<td>0.45</td>
<td>1.00</td>
<td></td>
<td></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>9. Duality</td>
<td>0.11</td>
<td>0.12</td>
<td>-0.02</td>
<td>0.17</td>
<td>-0.10</td>
<td>0.04</td>
<td>0.19</td>
<td>0.25</td>
<td>1.00</td>
<td></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>10. Founder</td>
<td>-0.07</td>
<td>-0.12</td>
<td>0.07</td>
<td>-0.09</td>
<td>0.08</td>
<td>-0.03</td>
<td>0.26</td>
<td>0.04</td>
<td>0.02</td>
<td>1.00</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>11. Gender</td>
<td>-0.11</td>
<td>0.07</td>
<td>-0.09</td>
<td>0.04</td>
<td>-0.03</td>
<td>-0.07</td>
<td>0.05</td>
<td>0.13</td>
<td>0.02</td>
<td>-0.03</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Outsider CEO</td>
<td>-0.06</td>
<td>-0.09</td>
<td>0.04</td>
<td>-0.16</td>
<td>0.10</td>
<td>-0.02</td>
<td>0.14</td>
<td>-0.04</td>
<td>-0.02</td>
<td>0.10</td>
<td>-0.09</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. CEO ownership</td>
<td>-0.07</td>
<td>-0.13</td>
<td>0.04</td>
<td>-0.04</td>
<td>-0.06</td>
<td>0.37</td>
<td>0.12</td>
<td>0.06</td>
<td>0.15</td>
<td>0.02</td>
<td>0.17</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. CEO long-term pay</td>
<td>0.12</td>
<td>0.01</td>
<td>0.07</td>
<td>-0.09</td>
<td>0.08</td>
<td>0.04</td>
<td>-0.18</td>
<td>-0.16</td>
<td>-0.06</td>
<td>0.03</td>
<td>-0.04</td>
<td>0.00</td>
<td>-0.14</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Retirement</td>
<td>-0.05</td>
<td>-0.04</td>
<td>0.06</td>
<td>-0.02</td>
<td>-0.03</td>
<td>-0.04</td>
<td>0.40</td>
<td>0.60</td>
<td>0.12</td>
<td>0.10</td>
<td>0.04</td>
<td>0.00</td>
<td>0.18</td>
<td>-0.06</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Firm size</td>
<td>0.42</td>
<td>0.36</td>
<td>-0.03</td>
<td>0.26</td>
<td>-0.32</td>
<td>0.04</td>
<td>-0.09</td>
<td>0.07</td>
<td>0.23</td>
<td>-0.16</td>
<td>0.03</td>
<td>-0.20</td>
<td>-0.08</td>
<td>0.06</td>
<td>-0.04</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. ROA</td>
<td>0.08</td>
<td>-0.07</td>
<td>-0.04</td>
<td>0.08</td>
<td>0.01</td>
<td>0.01</td>
<td>0.07</td>
<td>0.04</td>
<td>-0.02</td>
<td>0.00</td>
<td>-0.03</td>
<td>-0.01</td>
<td>0.04</td>
<td>0.01</td>
<td>0.02</td>
<td>0.06</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Leverage</td>
<td>0.02</td>
<td>0.17</td>
<td>0.10</td>
<td>0.06</td>
<td>-0.15</td>
<td>0.07</td>
<td>-0.10</td>
<td>0.07</td>
<td>0.12</td>
<td>-0.04</td>
<td>0.09</td>
<td>-0.09</td>
<td>-0.07</td>
<td>-0.03</td>
<td>-0.01</td>
<td>0.11</td>
<td>-0.24</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Industry CSR</td>
<td>0.13</td>
<td>-0.06</td>
<td>0.05</td>
<td>0.44</td>
<td>0.22</td>
<td>0.15</td>
<td>0.15</td>
<td>0.02</td>
<td>0.00</td>
<td>0.05</td>
<td>-0.01</td>
<td>0.02</td>
<td>-0.01</td>
<td>-0.06</td>
<td>0.04</td>
<td>-0.04</td>
<td>0.04</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Industry CSIR</td>
<td>-0.05</td>
<td>0.25</td>
<td>-0.03</td>
<td>-0.16</td>
<td>-0.03</td>
<td>-0.09</td>
<td>-0.02</td>
<td>0.12</td>
<td>0.01</td>
<td>-0.04</td>
<td>0.04</td>
<td>0.04</td>
<td>-0.07</td>
<td>-0.10</td>
<td>-0.09</td>
<td>0.03</td>
<td>-0.15</td>
<td>0.01</td>
<td>0.17</td>
<td>-0.05</td>
<td>1.00</td>
</tr>
<tr>
<td>21. Scandal</td>
<td>0.35</td>
<td>0.43</td>
<td>0.10</td>
<td>0.07</td>
<td>-0.16</td>
<td>-0.04</td>
<td>-0.14</td>
<td>0.03</td>
<td>0.06</td>
<td>-0.07</td>
<td>0.03</td>
<td>-0.09</td>
<td>-0.09</td>
<td>0.05</td>
<td>-0.06</td>
<td>0.35</td>
<td>-0.01</td>
<td>0.12</td>
<td>0.05</td>
<td>-0.04</td>
<td>1.00</td>
</tr>
<tr>
<td>Mean</td>
<td>2.04</td>
<td>1.54</td>
<td>-0.43</td>
<td>0.47</td>
<td>1.94</td>
<td>0.08</td>
<td>4.56</td>
<td>8.63</td>
<td>0.06</td>
<td>0.76</td>
<td>0.04</td>
<td>0.99</td>
<td>0.34</td>
<td>17.95</td>
<td>0.44</td>
<td>0.11</td>
<td>9.36</td>
<td>0.06</td>
<td>0.23</td>
<td>1.90</td>
<td>1.50</td>
</tr>
<tr>
<td>SD</td>
<td>2.36</td>
<td>1.68</td>
<td>0.70</td>
<td>0.50</td>
<td>41.17</td>
<td>9.74</td>
<td>7.82</td>
<td>0.01</td>
<td>0.43</td>
<td>0.21</td>
<td>0.12</td>
<td>0.47</td>
<td>52.64</td>
<td>0.29</td>
<td>0.31</td>
<td>1.54</td>
<td>0.10</td>
<td>0.17</td>
<td>0.53</td>
<td>0.60</td>
<td>12.86</td>
</tr>
</tbody>
</table>

Notes: n = 3,136 CEO years. Correlations significant at $\rho = 0.05$ are in italic.
We used panel regression with random-effects to test our hypotheses as fixed-effects models drop, one of the important time-invariant variables of our model (CEO political orientation). We tested our model with a fixed-effects model and the results were consistent.

Table II reports our empirical results. Consistent with H1a and H1b, CEOs' political liberalism is positively associated with CSR ($b = 0.336; p < 0.01$) and negatively associated with CSIR ($b = -0.122; p < 0.05$).

Model 1 in Table II shows that liberal CEOs are less likely to engage in CSR when government political orientation is liberal. Therefore, $H2$ is supported ($b = -0.150; p < 0.05$). As Figure 1 shown, CEO's political liberalism has a positive association with CSR; however, CEOs' engagement in CSR is greater when government political orientation is conservative than liberal. The extent of engagement in CSR is similar for conservative CEOs regardless of government political orientation.

Model 2 in Table II shows no moderating effect of government political orientation for the relation between CEO political liberalism and CSIR. Thus, $H3$ is not supported ($b = 0.082; p > 0.10$).

Among control variables in Table II, age, firm size, scandal and industry CS(I)R positively influence both CSR and CSIR. ROA increases socially responsible activities while reducing socially irresponsible activities. Industry discretion and duality have positive impacts on CSR, while gender has negative impacts on CSR. Blockholder ownership and CEO tenure negatively influence CSIR.

Our model is tested by a -xtreg- command from STATA. The figures are obtained by a -marginsplot-command from STATA.

**Discussion**

This paper aims to explain the paradox of the same political orientation between CEO and the government. Many people assume that the same political orientation would lead to amplified

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1: CSR</th>
<th>Model 2: CSIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO political orientation (CPO)</td>
<td>$0.336^{**}$</td>
<td>$-0.122^{****}$</td>
</tr>
<tr>
<td>Government political orientation (GPO)</td>
<td>$-0.320^{***}$</td>
<td>$-0.308^{***}$</td>
</tr>
<tr>
<td>GPO×CPO</td>
<td>$-0.150^{*}$</td>
<td>$0.082$</td>
</tr>
<tr>
<td>Industry discretion</td>
<td>$0.003^{***}$</td>
<td>$-0.006$</td>
</tr>
<tr>
<td>% blockholder owned</td>
<td>$0.001$</td>
<td>$-0.004^{***}$</td>
</tr>
<tr>
<td>Tenure</td>
<td>$-0.007$</td>
<td>$-0.016^{*}$</td>
</tr>
<tr>
<td>Age</td>
<td>$44.046^{***}$</td>
<td>$34.408^{***}$</td>
</tr>
<tr>
<td>Duality</td>
<td>$0.179^{*}$</td>
<td>$0.104$</td>
</tr>
<tr>
<td>Founder</td>
<td>$-0.434$</td>
<td>$-0.315$</td>
</tr>
<tr>
<td>Gender</td>
<td>$-3.047^{***}$</td>
<td>$0.198$</td>
</tr>
<tr>
<td>Outsider CEO</td>
<td>$-0.084$</td>
<td>$0.068$</td>
</tr>
<tr>
<td>CEO ownership</td>
<td>$-0.001^{****}$</td>
<td>$-0.000$</td>
</tr>
<tr>
<td>CEO long-term pay</td>
<td>$-0.032$</td>
<td>$-0.009$</td>
</tr>
<tr>
<td>Retirement</td>
<td>$0.020$</td>
<td>$-0.003$</td>
</tr>
<tr>
<td>Firm size</td>
<td>$0.502^{***}$</td>
<td>$0.273^{***}$</td>
</tr>
<tr>
<td>ROA</td>
<td>$0.567^{*}$</td>
<td>$-0.499^{*}$</td>
</tr>
<tr>
<td>Leverage</td>
<td>$-0.072$</td>
<td>$0.299$</td>
</tr>
<tr>
<td>Scandal</td>
<td>$0.038^{***}$</td>
<td>$0.039^{***}$</td>
</tr>
<tr>
<td>Industry CS(I)R</td>
<td>$0.138^{*}$</td>
<td>$0.640^{***}$</td>
</tr>
<tr>
<td>Constant</td>
<td>$-3.083^{***}$</td>
<td>$-4.082^{***}$</td>
</tr>
<tr>
<td>Observations</td>
<td>3,136</td>
<td>3,136</td>
</tr>
<tr>
<td>Number of CEOs</td>
<td>751</td>
<td>751</td>
</tr>
</tbody>
</table>

**Notes:** $^{*}p < 0.05; ^{**}p < 0.01; ^{***}p < 0.001; ^{****}p < 0.10$
outcomes, but we found it was not in the context of CS(IR). The alignment of political liberalism between CEO and the government may bring unexpected consequences such as less engagement in CSR and no significant impact on CSIR. Per our theory, CEOs tend to focus on their own business more and care less about social responsibility issues when the government, in its alignment, is expected to work on achieving their similar, shared social goals.

This paper has a few main contributions. First, testing the impact of alignment between CEO and government political orientation provides a new explanation for firm-level engagement in CS(IR). This paper especially suggests that external conditions for personal orientation have a marked effect on corporate social performance. Although previous studies have found factors moderating the relations between executives' political orientation and firm outcomes, most of them found the role of inter-firm factors (e.g. CEO tenure, CEO power, worker seniority, firm performance and organization political orientation), and it is hard to find a study that explored factors other than inter-firm factors. This study increases our understanding about the political orientation – firm outcome literature by shedding lights on the role of external conditions to this relationship.

Second, we contribute to the literature of firm decisions and outcomes by introducing government political orientation as a new factor to consider. Although previous studies have considered government factors as one of the critical institutional forces that might influence firm-level decisions and outcomes (Matten and Moon, 2008; Moon and Vogel, 2008), very few to none research in management area studied the effects of government political orientation on firm decisions and outcomes. Our findings suggest that government political orientation may influence firm decisions on their resource allocations such as firm social activities.

Third, we provide a boundary condition of CEO political orientation on firm decisions. Our study shows that the alignment between CEO and government political orientation may constrain or reverse the effect of CEO political orientation. While previous studies have often shown that the impact of CEO political orientation can be strengthened by certain conditions, this study presents that impact can be constrained or even reversed depending on a government orientation.

Last but not least, and differing from previous studies, we separated socially responsible activities into CSR and CSIR, and tested the effects of CEO political orientation on each dimension, respectively. Our findings show that CEO political orientation may increase the combined level of corporate level social ratings by encouraging CSR and decreasing CSIR.
Our findings also have implications for practice. Stakeholders of a company should pay particular attention to changes in corporate social behaviors in the event of governmental political party realignment. In particular, when the political orientation of a CEO is aligned with that of the government. In such a scenario, the Board of Directors need to monitor if that CEO attempts to reduce the company's engagement in socially responsible behaviors.

This paper is not without a limitation. As with other research measuring CEO political orientation, we also used the proxy, contribution to political party, to measure this variable. Although contribution to political party has been used and tested to measure CEO political orientation in extensive research (Chin et al., 2013; Chin and Semadeni, 2017; Gupta et al., 2018), we cannot argue that this is the most accurate way of measuring CEO political orientation. Future studies may replicate our research with an updated or different measure for CEO political orientation, and find consistency in their results. Researchers may obtain direct response of CEOs through interviews or surveys to test our theory. Future research may also find and test other proxy measures for CEO political orientation and compare results.

In addition, we tested our theory only in the USA due to the data limitation. As different countries may provide unique attributes that influence firm decision makings (Rahman and Ismail, 2016), we suggest future studies test combinative effects of CEO and government political orientations in other national contexts.

References
The effects of political orientation


**Corresponding author**

Nara Jeong can be contacted at: narajeong@sfsu.edu

For instructions on how to order reprints of this article, please visit our website: [www.emeraldgrouppublishing.com/licensing/reprints.htm](http://www.emeraldgrouppublishing.com/licensing/reprints.htm)

Or contact us for further details: permissions@emeraldinsight.com