

HOW DOES CEO REGULATORY FOCUS AFFECT CSR'S IMPACT OF FIRM OUTCOMES?

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ABSTRACT

We explore whether firm outcomes, either cash flow enhancement or risk mitigations, are contingent on the specific CSR strategic orientation and focus of the firm. Drawing upon the regulatory focus theory we propose that CSR efforts led by promotion-focused CEOs augment corporate revenue growth while efforts led by prevention-focused CEOs decrease firm's risk. We find broad support for our predictions based on a sample of S&P 1500 firms. Further, we validated the CSR strategy inclinations of CEOs by documenting that the CSR strategies of promotion-focused CEOs are more likely to attract new customers who are more socially conscious but tend to result in increased future incidences of negative environmental and social (ES) risk events. In contrast, the CSR efforts of prevention-focused CEOs are associated with better retention of socially-conscious customers and fewer future incidences of ES risk events. This research enhances our understanding of how CSR influences firm growth and risk by highlighting the critical influence of CEO motivational orientation on the selection and implementation of different CSR strategy focus.

Keywords: CEO Regulatory focus; Firm CSR strategies; ES risk incidence