

**CEOS EARLY LIFE EXPERIENCE AND
CORPORATE SOCIAL RESPONSIBILITY:
EVIDENCE FROM LISTED COMPANIES IN
CHINA**

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CORPORATE SOCIAL RESPONSIBILITY:
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CHINA**

by

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LIST OF ABBREVIATIONS

CSR	Corporate Social Responsibility
CSIR	Corporate Social Irresponsibility
CEO	Chief Executive Officer
GDP	Gross Domestic Product
CSP	Corporate Social Performance
PTSD	Post-Traumatic Stress Disorder
NNM	Nearest Neighbor Matching
NYSE	New York Stock Exchange
NBS	National Bureau of Statistics
PSM	Propensity Score Matching
IMR	Inverse Mills Ratio
R&D	Research and Development
CSMAR	China Stock Market & Accounting Research Database
CRSP	Center for Research of Security Prices
POLS	Pooled Ordinary Least Squar
RKS	Rankins CSR Ratings
MNCS	Multinational Corporations
ATT	Average Treatment Effect for The Treated

**PENGALAMAN HIDUP AWAL CEO DAN TANGGUNGJAWAB SOSIAL
KORPORAT: BUKTI DARIPADA SYARIKAT TERSENARAI DI CHINA**

ABSTRAK

Sorotan literasi empirikal dan teori memberikan pandangan yang sangat baik atas ciri-ciri Ketua Pegawai Esekutif (CEO) dan Tanggungjawab Korporat Sosial (CSR). Walau bagaimanapun, setakat ini, hanya terdapat beberapa kajian saja yang menerokai hubungan antara pengalaman awal kehidupan CEO dan CSR. Dengan menggunakan 6,008 data sampel firma bagi syarikat awam tersenarai di China dari tahun 2010 hingga 2019, kajian ini mengkaji kesan pengalaman awal kehidupan CEO atas pengambilan CSR firma. Keputusan regresi menunjukkan bahawa pengalaman awal kehidupan CEO mempunyai pengaruh yang signifikan terhadap pengambilan CSR firma. Dapatan ini menyokong teori eselon atasan bahawa ciri-ciri Ketua Pegawai Eksekutif akan mempengaruhi pengambilan CSR firma. Tambahan pula, keputusan kajian kekal walaupun dengan banyak ujian-ujian kekukuhan termasuk menukar pembolehubah utama dan pembolehubah bebas, mengawal bias pemilihan sampel melalui Model Pemilihan Heckman dan Pemadanan Skor Kecenderungan (PSM).

**CEOS EARLY LIFE EXPERIENCE AND CORPORATE SOCIAL
RESPONSIBILITY: EVIDENCE FROM LISTED COMPANIES IN CHINA**

ABSTRACT

Existing empirical and theoretical literature provides excellent insight into many aspects of CEO characteristics and CSR. However, so far, few studies have explored the interrelation between CEO's early life experiences and CSR. Using a sample of 6,008 firm-years observations on public listed companies in China from year 2010 to 2019, this study examines the impact of CEO's early life experiences on firms' CSR taking. The regression results show that CEO's early life experiences have a significant influence on firm's CSR taking. This finding supports the upper echelons theory holds that claim the characteristics of CEOs can affect firm's CSR taking. Furthermore, the results remain even with a battery of robustness tests including changing the dependent and independent variables, controlling for sample selection bias via Heckman Selection Model and Propensity Score Matching (PSM) methods.

CHAPTER 1

INTRODUCTION

1.1 Research Background

1.1.1 Corporate Social Responsibility

The concept of CSR was initially introduced by Oliver Sheldon first in 1924. Bowen (1953) initially theorized the link between corporations and societies, increasing CSR awareness and recognition. He believed that CSR serves not just as a means to address societal problems but also as a kind gesture by organizations toward the goodwill of society. As society continues to progress, the understanding of CSR varies. The CSR encompasses more than just economic and legal obligations; it also includes social welfare and personnel training. According to Carroll (1979), CSR is a social obligation that companies should fulfill, encompassing a comprehensive responsibility. Companies should meet legal, moral, and philanthropic obligations and consider economic factors. The stakeholder theory conceptualizes CSR as the relationship between a firm and its stakeholders. Later, Hopkins (2012) further elaborated on the previously mentioned stakeholder-based definition of CSR, asserting that CSR involves the ethical and responsible treatment of an organization's stakeholders while simultaneously preserving the organization's economic interests. Building on Freeman's stakeholder model, Turker (2009) defined CSR as the actions taken by a corporation to have a beneficial effect on stakeholders, surpassing its economic interests. Turker (2009) primarily focused on four key

groups of stakeholders: employees, customers, government, and social and non-social stakeholders. However, academic literature has not allocated equal importance to all stakeholder groups. The predominant focus of research has been on the financial aspect of CSR. This has involved examining CSR from the firms' economical perspective and consumers' preferences (Rupp & Mallory, 2015).

Aguinis & Glavas (2012) defined CSR as the specific action's organizations take to fulfill their commitments towards internal and external stakeholders. However, for many years, there needed to be more focus on a particular stakeholder group who personally judge, evaluate, and perform CSR activities on the behalf of the organization - the employees. Based on Aguinis & Glavas (2012) definition of CSR, El Akremi et al. (2018) developed a stakeholder perspective on CSR This perspective examines explicitly employees' perceptions of CSR i.e. corporate stakeholder responsibility. CSR is defined as an organization's context specific actions and policies tailored to enhance the welfare of stakeholders by accounting for the triple bottom line of economic, social, and environmental performance.

Different definitions of corporate social responsibility have been offered due to variations in economic development in different regions (Ismail, 2011). According to recent research, CSR refers to enterprises' focus on creating profits, bearing legal responsibilities to shareholders and employees, and taking on responsibilities towards consumers, communities, and the environment (Aguinis et al., 2020). CSR necessitates that enterprises transcend the traditional concept of

solely taking profit and instead emphasize the consideration of human value in the production process and contributing to the environment, consumers, and society.

The correlation between modern economic growth and corporate social responsibility (CSR) is undeniable. Despite initial controversy, the consensus among the public, fueled by the development of the global economy and continuous improvements in academic theories, is that companies should actively engage in CSR. This approach is seen as mutually beneficial for both society and businesses. Fulfilling CSR is not a cumbersome obligation for enterprises but rather a valuable resource that depends on sustained growth. Alsaadi (2020) found a positive correlation between CSR and tax evasion strategies. According to Abdelfattah and Aboud (2020), businesses engaging more CSR activities experienced better stock returns, implying that CSR contributes to value creation.

In addition, scholars also found that CSR has a positive effect on firm performance (Renneboog, Luc, Horst, & Zhang, 2011; Guenster, Bauer, Derwall, & Koedijk, 2011; Deng, Kang, & Low, 2013; Flammer, 2015; Krueger, 2015; Liu et al., 2018). For instance, Li et al (2015) found that the disclosing CSR information by publicly listed companies in consumer-sensitive businesses in China can significantly reduce the cost of equity capital. In other field, Zhang et al. (2018) examined listed firms registered in Sweden, and their findings revealed that companies with strong reputations in CSR enjoyed a competitive edge in terms of cost compared to other companies. However, another study argued that CSR had detrimental effects on

companies (Tasnia, M. et al., 2020). This may be attributed to the detrimental effect of CSR on shareholders in the immediate term.

1.1.2 The Influencing Factors of CSR

Particularly towards the turn of the 21st century, the international society became greatly concerned about several financial scandals at Enron, WorldCom, and other listed companies. Similarly, the abrupt failure of Lehman Brothers in 2008 precipitated the global financial crisis. Thus, increasing numbers of individuals have significantly emphasized CSR and corporate governance.

Previous studies have shown that internal governance and external factors influence CSR activities (Lins et al., 2017; Hong et al., 2019; Kim & Woo, 2019). Khanal et al. (2021) investigated the influence of media attention stemming from external business pressures on stakeholder engagement and the corporate social responsibility of small businesses. According to Yang et al. (2020), social network media can be an external supervision method for CSR. It can also generate positive incentives for corporate philanthropy through reputation pressure. Huang et al. (2017) discovered a correlation between the degree of marketization in a firm's location and its CSR practices. Greater marketization in the region reduces the likelihood of speculation and improves the effectiveness of CSR. According to Arrive and Feng (2018), the government's pressure on the company's location significantly influences CSR. They pointed out that policy pressure mainly includes coercive, imitative, and normative pressure. Cheng et al. (2022) found a continuous increase in both the

amount and probability of CSR activity for listed businesses operating in that city after a government official at the municipal level is dismissed from office. It was discovered that enterprises that allocate more funds to CSR to establish a connection with the government receive more significant future benefits through government subsidies. These companies outperform other firms that do not invest resources in fostering relationships with the government. Additional external factors influencing CSR include stakeholders' salience, activism, or institutional pressures (Figueira et al., 2023; Tang et al., 2018; Mohammad & Husted, 2019). Prior literature demonstrated that external environments such as social media and political associations, can interfere with CSR activities. However, these CSR activities may not be undertaken willingly but rather as a response to external pressure. High-quality CSR is often undertaken willingly and driven by altruism, while CSR activities prompted by external pressure tend to have inferior performance. Therefore, scholars began to focus on corporate governance.

Regarding internal factors, it well-accepted among scholars that CEOs play decisive roles in CSR activities, and various CEO background characteristics result in different CSR behaviors. Aktas et al. (2016); Bernile et al. (2017), and Shellenbarger et al. (2019) suggested that a CEO's management is influenced by their early personal experiences and values. Meier & Schier (2021) demonstrated a positive correlation between risk aversion and the average age of the CEO, indicating that as risk aversion increases, the average age of CEOs tends to be higher.

Furthermore, this study reveals that higher risk aversion is associated with more conservative strategic choices and a greater control over illegal corporate behavior. Additionally, it suggested that companies adopt CSR practices to avoid these risks. Ruwanti et al. (2018) believed that the size of a company has a certain impact on CSR. Peng (2020) showed that there has been a reversal in the relationship between the corporate CEO's compensation and CSR. The study by Ullah et al. (2019) demonstrated a negative correlation between the percentage of corporate director shares and a firm's CSR. Conversely, companies with government holdings exhibited relatively higher CSR. Rouf & Hossan (2021) demonstrated that the size and composition of a company's board of directors significantly impact on its CSR disclosure. Lim & Chung (2021) found a favorable correlation between female CEO and CSR, indicating that female CEOs are more inclined to undertake CSR initiatives. Majeed et al. (2015) analyzed the empirical test of the constituent stocks of Pakistan's KSE100 index. They discovered a positive correlation between the level of concentration of listed companies' equity and the significance of the company's CSR activities. Harjoto (2015) believed that female managers exhibit higher moral and environmental awareness. Wang (2016) and Oh et al. (2016) believed there is a positive correlation between the average senior management age and their moral standards, risk-taking behavior, and initiative to engage in CSR. Hegde and Mishra (2019) found a positive correlation between the marital status of CEOs and their CSR scores than those led by unmarried CEOs.

Besides, CEO psychology also has a significant impact on CSR, another issue to be discussed in this study. For example, Petrenko et al. (2016) found that there is a solid argument for a beneficial association between CEO narcissism and firm's commitment to CSR. This might be attributed to the inclination of narcissistic CEOs to improve their social reputation through CSR. Besides, they also found that narcissistic CEOs, who possess excessive self-assurance, tend to allocate insufficient resources towards CSR and fail to leverage their CSR efforts to cultivate goodwill effectively.

1.1.3 Corporate Social Responsibility in China

First, after the China's reform and opening up (1978), China's economy has grown swiftly to become the world's second biggest. As shown in Figure 1.2, Gross Domestic Product (GDP) in China is reached 14,400.00 billion USD before the end of 2020. Global macro models and experts at Trading Economics (2019) shows that China's GDP is projected to reach about 15,200.00 billion USD in 2021, and 15,900.00 billion USD in 2022. China's economy is expected to grow by 7.9% in 2021 (World Bank October, 2020). China remains the world's only economy with positive growth in 2020 (the International Monetary Fund, 2020).

Under the background of rapid economic growth, the public began to pay attention to the contribution made by enterprises to society. Listed companies not only pay attention to profits, but also need to pay attention to social responsibility.

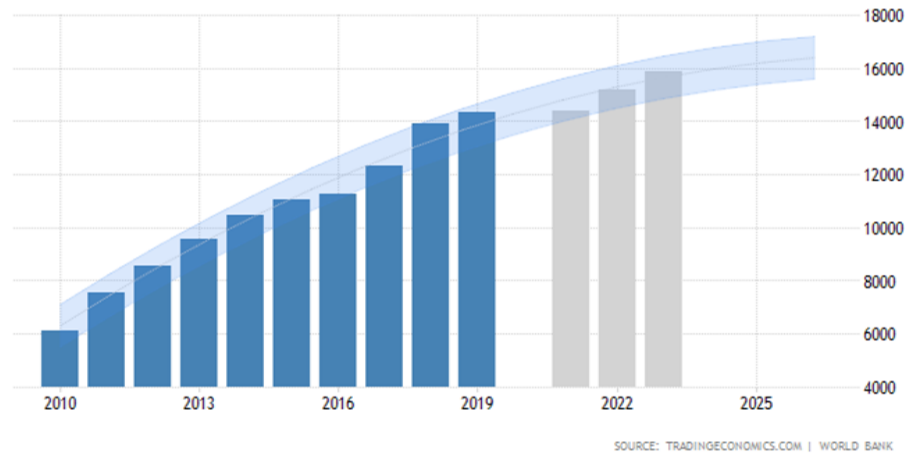


Figure 1.1 Forecasting on Gross Domestic Product of China

Source: <http://www.stats.gov.cn>

Second, in 2016, the Chinese government further put forward the strategic development goal of ‘building a harmonious socialist society’, which triggered the vigorous development of the CSR movement in China. Subsequently, the government put forward the requirement of sustainable development, and CSR is widely concerned, the idea that companies should fulfill their CSR requirements has been widely accepted. Many companies are keenly aware of the major changes in social demand and have begun to balance profits and responsibilities (McCarthy et al., 2017). COVID-19 broke out all over the world in 2020, and many Chinese companies actively undertook CSR and responded to social needs. For example, Mimei Group through the Hubei Red Cross Society, donated 100 million yuan to the affected areas of Hubei province, designated for the purchase of emergency medical supplies. Schneider Electric donated 1 million yuan to Wuhan; Geely Holding Group set up a special fund of RMB200 million for the prevention and control of the novel pneumonia epidemic, which will be used for nationwide epidemic prevention and

control. Moreover, Erke donated 50 million yuan to the people of Henan Province, China, who suffered losses due to the devastating floods in July 2021. This directly led to a substantial increase in sales, although the company's had reported a net loss in 2020, of 220 million yuan.

However, although more and more enterprises are paying attention to CSR, China's CSR is still at a low level, just like other developing countries. First, Chinese companies rarely voluntarily disclose CSR reports (Fu, Tang & Chen, 2020). From figure 1.2, it shows that as of May 31, 2022, there were 4,817 listed companies, and 1,422 companies disclosed corporate social responsibility reports. The overall CSR disclosure rate in China showed an upward trend, but the disclosure rate was still less than 30%. This shows that China enterprises have insufficient awareness of CSSR information disclosure.

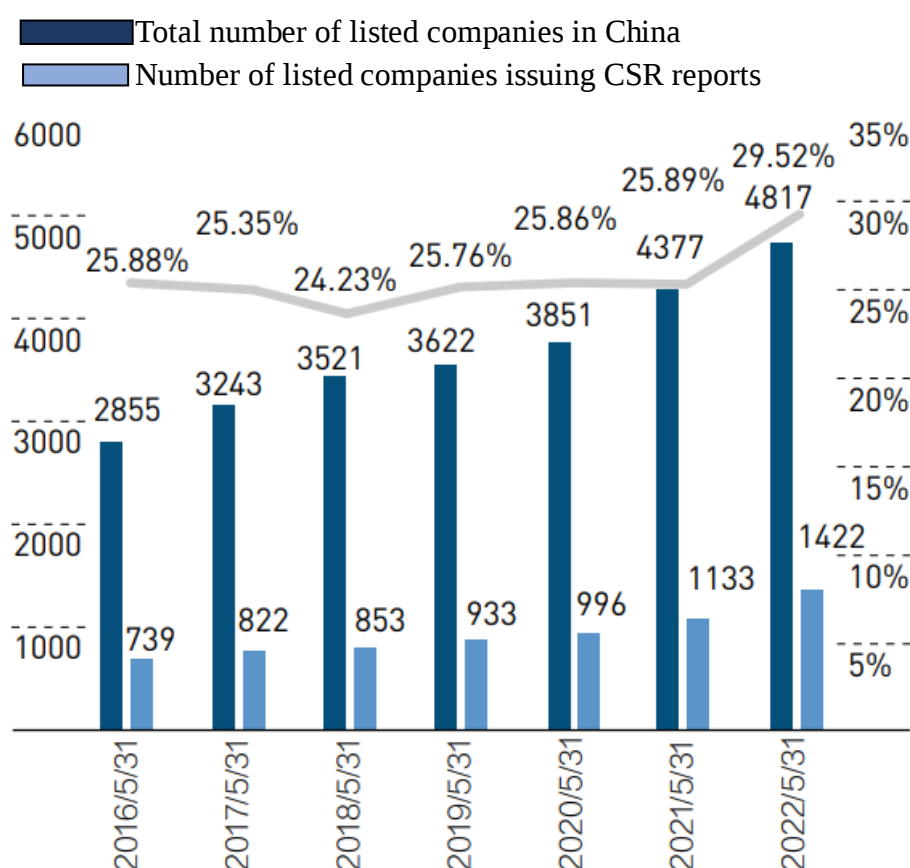


Figure 1.2 Disclosure of CSR reports of listed companies in China from 2016 to 2022

Source: Wind database

In addition, China's CSR activities are not highly rated and the growth rate is slow. In the figure 1.3, it shows that from 2009 to 2018, the average score of CSR showed an overall upward trend, increasing from 29.5 points to 42.5 points, indicating that the overall development of CSR quality was positive. However, in terms of growth, the average rating score in the past five years hovered around 40-43 points, with a very slow improvement. In 2016 and 2018, there were two slight declines, indicating that the CSR level has declined, and it is difficult to improve the CSR quality of Chinese listed companies.

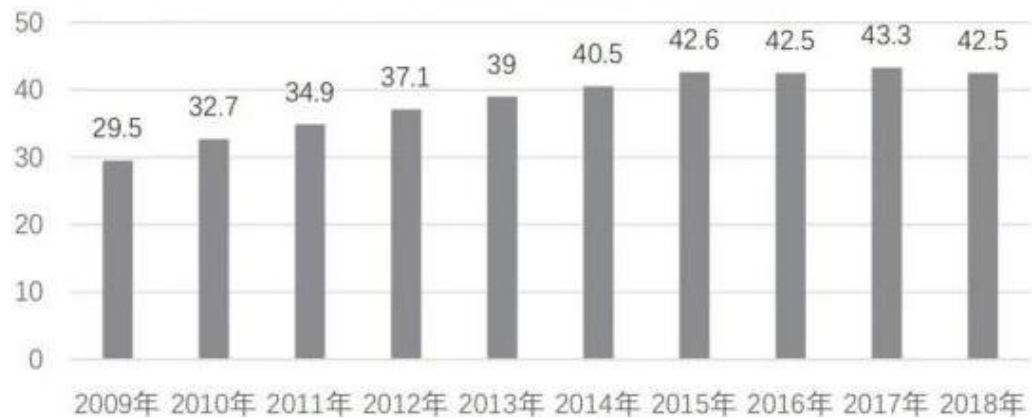


Figure 1.3 CSR activities rating scores of Chinese listed companies from 2009 to 2018

Source: Hexun.com

Besides, Corporate social irresponsibility (CSIR) refers to a type of destructive corporate behavior that is commonly observed and harmful to society. CSR entails companies making ethical and responsible choices to benefit society. However, it is important to acknowledge the existence of socially and environmentally irresponsible actions. By a discussion of both CSR and CSIR, it is possible to identify the potential negative consequences of irresponsible behavior and the favorable outcomes from responsible practices. This broader understanding can help individuals, businesses, and policymakers make well-informed decisions.

The concept of CSIR was put forward by Ferry (1962). He believed that CSIR to be unethical behavior. Armstrong (1977) identified two different meanings associated with CSIR in his research. CSIR ought to give due attention to the interests of all stakeholders and CSIR was shown to be suboptimal for enterprises in terms of decision-making. According to Washburn (2012), CSIR is defined more explicitly as the opposite of the performance of CSR. Performing CSR can improve

the interests of corporate stakeholders, but CSIR can have detrimental effects on society and firms.

Research has found that CSIR behavior significantly impacts the quality of the relationships between enterprises and stakeholders, which leads to customer resistance and investors divesting from enterprise stocks (Fu, Tang & Chen, 2020). The cause of this behavior is still uncertain. However, it can be broadly categorized as voluntary behaviors, involuntary behaviors, and industry behaviors. Lin and Muller (2013) first proposed that CSIR can be divided into voluntary behaviors and involuntary behaviors. They suggested enforcing mandatory punishment to address the lack of voluntary CSR engagement. This is because companies prioritize short-term benefits. In contrast, involuntary behavior resulted from uncontrollable factors, such as safe accidents and product defects. In this case, although the company is forced to fail or partially perform its CSR, the underlying problem remains rooted in the company's reasons. However, the public frequently ignores the lack of involuntary CSR. For industry behavior, the scholars primarily focus on enterprises that produce products or provide services that are harmful to society. These enterprises pose a threat to most of their main stakeholders. However, these enterprises face public condemnation and disapproval despite their justifiability due to their business behaviors that conflict with social expectations. But Lindorf et al. (2012) pointed out that although it is difficult to identify and gain public recognition for these enterprises, they also play a certain social obligation. While products and

services, such as cigarettes and gambling, might negatively impact business, they often generate higher tax revenues for governments, thereby redirecting those funds towards societal welfare. On the other hand, governmental oversight allows these firms to be regulated. Within a set scale and scope, the government strictly supervises these industries that are inherently CSIR. This supervision controls potentially damaging products and services, preventing large-scale expansion. If these enterprises are banned, the resulting demand will lead to illegal transactions.

CSIR also prevalent in China, for example, Zishan mining environmental pollution from 2006 to 2013. Additionally, the Zhengde textile factory in Nantong City violated government regulations during the epidemic, leading to the spread of influenza in the community. These events indicated that Chinese firms need a proper understanding of production and management when fulfilling the CSR such as corporate dishonesty and fraud endanger society, resulting in a significant increase in the company's transaction costs.

What are the motives behind the establishment of CSIR in China? The modern scholar community has yet to achieve a consensus. The connotation of CSR is subject to dynamic evolution as society develops, leading to a corresponding evolution in CSIR. Prior studies mainly concerned the environmental impact, organizational behavior, and individual differences among managers. Given our study focused on the CEO personal characteristics, we will solely discuss the reasons at the individual level.

The CSIR phenomenon at managerial level is related to the personal characteristics of managers. Zona (2013) showed that managers with strong desires for self-expression and excessive self-assurance may adopt behaviors that fall under CSIR to maximize short-term profits. Differences in age, gender, social experiences, and educational background among executives might result in significant differences in CSIR activities. Ramon-Llorens et al. (2020) found a positive correlation between the proportion of female directors on a firm's board of directors and its inclination towards CSR rather than CSIR. Riera and Iborra (2023) found a positive and significant influence of CEO narcissism and CEO power on the degree of CSIR. The research by Lee et al. (2019) pointed out that an excessive self-assured CEO might negatively impact their relationship with their fellows, potentially resulting in subordinates taking advantage of the CSIR as a means of retaliation in China.

In a word, CSR has recently gained attention in China. However, it is still relatively low, accompanied by frequent CSIR incidents. Previous studies have discussed the causes of CSIR by focusing on personal characteristics. However, in the context of corporate governance in China, the personal characteristics of CEO are often ignored, which may be one of the reasons for poor performance of CSR in China.

1.1.4 CEO's early life experiences and firm's CSR taking in China

Early life experiences are the environmental stimuli and life experiences gained throughout the initial years of life. These experiences include the impact of

the living environment and interaction with others, exploring the physical world and materials, learning and practicing different languages and skills, and developing independent thinking and problem-solving abilities. Additionally, it highlights the importance of the use of various means to express the inner world of the activity experience (Xiang et al., 2022).

With the application of imprint theory in management research, there is a growing interest among scholars are interested in the early life experiences of executives (Marquis & Tilcsik, 2013). Early life experiences include the congenital and acquired environments. The congenital environment primarily refers to the immediate environment that an individual exposed to during their upbringing and development, such as their genetic makeup. The acquired environment mainly refers to the environment experienced by a person after gradually departing from their innate environment, such as military experience (Benmelech & Frydman, 2015). Marquis and Tilcsik (2013) believed that the imprinting theory assumes that over a specific period, the focal entity will exhibit high sensitivity to external stimuli, resulting in the imprinting of these external elements on the characteristics of the focal entity. Therefore, the diverse life experience of CEOs contributes to developing different personalities and decision-making styles (Dittmar & Duchin, 2016; Schoar & Zuo, 2017; Cronqvist & Yu, 2017).

Modern Chinese history includes a number of events that can have a profound impact on individual behavior, such as the three-year difficult period

(1959-1961), the Cultural Revolution (1967-1976), the military experience, and family economic background. However, due to the particularity of some of these events, these events are excluded from the existing literature and this study, such as the Cultural Revolution.

From CSR perspective, scholars using upper echelons theory have investigated the association between CEO characteristics and a firm's commitment to CSR. It can be concluded that variations in CEO's background characteristics can influence the adoption of different CSR taking (Koch-Bayram & Wernicke, 2018; Petrenko et al., 2016). As an agent, the CEO prioritizes the interests of stakeholders. CSR can significantly improve the public image of the enterprise, then improve corporate performance (Hubbard, Christensen, & Graffin, 2017). Tang et al. (2015) showed that CEOs with excessive confidence are more prone to short-sighted behavior. This may be due to excessively self-assured CEOs who underestimate the negative impact of CSI. Bernile et al. (2017) found that CEOs with significant financial setbacks due to a major natural disaster in their early years are more cautious. Feng and Johansson (2018) also discovered CEOs who experienced poverty experience in their early life exhibit higher risk aversion. Therefore, a CEO with experience in poverty may improve the level of CSR. In addition, the early life experiences of managers can affect corporate governance. For example, some scholars studied the relationship between executives' military experience and corporate performance (Benmelech & Frydman, 2015; Law & Mills, 2017; Kim et al.,

2017).

Previous studies have shown that the characteristics of executives or CEO and their teams have an important impact on CSR activities. However, the existing research predominantly focuses on the early life experiences of executives rather than directly investigating CEOs. Besides, these studies only focused on a single event. Therefore, our research makes up for the gap from CSR perspective.

1.2 Problem Statement

Poor CSR is detrimental to the long-term development of the companies, although this behavior can bring positive results to companies in a short term (Li et al., 2018). Companies with poor CSR activities may lead to investors' return expectation decreases and shareholders reduce their shares, resulting in significant and negative abnormal changes in share prices and increasing risks in finance (Zheng et al., 2017; Zhang & Zhang, 2020). Consequences like low dividend sustainability, high redundancy in management, poor financial performance and high cost of equity may even be caused (Wang, 2016), which are not beneficial to the long term development of companies. Also, Poor CSR activities will attract long-term attention from the media, and then the auditing requirements of the society for companies will increase.

Moreover, with the development of online media in China, consumers also respond to a company's CSR activities, and poor CSR usually elicits negative

consumer reactions (Chu et al., 2020). For example, the moral corruption of companies inevitably results in consumer dissatisfaction (Luger et al., 2022). Poor CSR behavior can have negative influence on companies' reputation and consumers' attitude towards the brand, and the attribution of responsibility of poor CSR by the public affects the degree of their negative attitude towards companies (Liu et al., 2022). Besides, from the perspective of other stakeholders of companies, Poor CSR activities will destroy the relationship between companies and their social stakeholders. For instance, Poor CSR behaviors of a company may alter the trust of suppliers for the company and the internal liquidity of the company, and affect company revenue.

Furthermore, poor CSR taking by firms could potentially hinder China's sustainable economic development strategy. In 2016, the Chinese government put forward its 13th Five-Year Development plan, called the Sustainable Development Strategy. Secondly, in 2021, the Chinese government pointed out that by 2025, the quality, efficiency and competitiveness of rural industries will be further improved, and the ecological environment will continue to improve. By 2035, the economic strength of poverty-stricken areas will be significantly enhanced, major progress will be made in rural revitalization, the living standards of low-income rural people will be significantly improved, and the urban-rural gap will be further narrowed. In 2022, the Chinese government proposed to make the environmental responsibility of Chinese listed companies public. However, there are still many poor CSR events in

China, for example, Fuyang milk powder incident in 2004; In 2005, a chemical plant explosion in Jilin province caused serious pollution in the lower Songhua River basin; in 2016, mining accidents in Heilongjiang and Shanxi Province killed hundreds of miners; in 2017, the “diethylene glycol” scandal prevented foreign toothpaste from being banned. These phenomena suggest that managers of Chinese enterprises, particularly CEOs, may lack awareness of CSR as they prioritize more traditional business metrics. Moreover, industries or companies confronting intense competition and cost pressures might prioritize different objectives.

However, in recent years, there have been positive signs of increased CSR awareness in China, but the landscape is dynamic, and the adoption of CSR practices is an ongoing process that may vary from one company to another. As global awareness of sustainability and social responsibility continues to grow, it is likely that more Chinese CEOs will recognize the importance of CSR in the long-term success of their companies.

In addition, there are not many studies focused on CEO early life experience and CSR relationship, especially in China. Ignoring CEO’s early life experiences may lead to missed opportunities to predict and select CEOs who are more inclined to take CSR for stakeholders. The CEO has a significant effect on CSR activities as a strategy maker and executor (Huang, 2013). Compared to the characteristics of the company level, the fixed effect of the CEO’s individual is for corporate governance policy has a stronger explanatory force (Bamberet al., 2010; Malmendier et al., 2011).

Although there are abundant studies on CEO characteristics at present, they disregard the CEO's early life experiences and their impact on CSR. CEO's early life experiences are important factors leading to psychological deviation and further affects the CEOs' decision-making behaviour. From the standpoint of psychology, early life experiences often have an important influence on individual behavior for a long time afterwards (Tian et al., 2023). For example, managers with military experience are more willing to respond to the country's call and respond to social needs, and if the CEO has had an unfortunate experience, they will be more aware of the feelings of others and choose to help others. Some studies examined the impact of CEOs' early life experiences on their decision-making style, such as CEO risk-taking (Bernile et al., 2017); CEO investment Decision (Buccioli & Zarri, 2013). But few studies have linked CEO's early life experiences to CSR, this may make it difficult for stakeholders to anticipate and select as CEO those who are more willing to travel CSR.

Last, ignoring the role of CEO's early life experiences, researchers and organizations may have an incomplete understanding of the factors that influence CSR. This limited understanding can hinder the development of effective CSR strategies and policies. As a spontaneous corporate behavior, CEOs have a decisive role in CSR decision-making (Yin et al., 2023), their early life experiences can influence their decision-making behavior. However, policy makers and previous studies have ignored this important characteristic of CEOs in China, which may be

one of the potential reasons why the CSR score of Chinese listed companies has not increased significantly in the past five years.

1.3 Research Questions

Based on the discussion in the problem statement, this study generally wishes to verify whether CEO's early life experience impacts on firm CSR activities. Specifically, the empirical research questions are:

- (1) Does the CEO's three years difficult period experience has impact on CSR?
- (2) Does the CEO's military experience has impact on CSR?
- (3) Does the CEO with different family economic conditions have different impact on CSR?

1.4 Research Objectives

The overarching research goal of this study is to determine if the CEO's early life experiences have any influence on corporate CSR activity. The specific research objectives of this study are:

- (1) To examine whether the three years difficult period experience of the CEO has any impact on CSR.
- (2) To test whether the military experience of the CEO has any impact on CSR.
- (3) To investigate whether the differences in family economic

conditions of CEO's early years have any impact on CSR.

1.5 Significance of the Study

Extensive studies have shown that the level of CSR can be influenced by the external environment and internal governance of an enterprise. In terms of internal governance, scholars mainly focus on board diversity (Harjoto et al., 2015; Rao & Tilt, 2016; Khan & Senturk, 2019), company characteristics (Peng & Dashdeleg, 2015; Yang & Cao, 2016; Wang, 2016), and managers' characteristics (Wang, 2016; Meier & Schier, 2021; Lim & Chung, 2021; Harjoto et al., 2015; Velte, 2019; Xu & Hou, 2021; Oh et al., 2016; Chen et al., 2019; Jeong, 2020). Internal governance is more conducive than external supervision in promoting enterprises to actively fulfill their CSR. However, it also has certain theoretical limitations. Based on the hypothesis of the 'economic man', CSR fulfilment remains an involuntary and egoistic activity. Studying the early life experiences of CEOs allows us to gain insight into their CSR preferences from a perspective of spontaneity.

This study is beneficial to delve further into the aspects that influence the firm's CSR practices. Existing research on the elements that influence CSR mainly focused on external factors, such as external supervision (Kang & Kim, 2014; Garcia-Sanchez et al., 2014; Wang, 2017; Yang et al., 2020), the degree of marketization in the region (Campbell, 2007), political connection (Lin & Tan, 2015; Arrive & Feng, 2018), and other similar factors. The internal governance of

enterprises examines the CSR fulfillment behaviors through several factors, such as CEOs' gender (Lim & Chung, 2021; Harjoto, 2015), CEOs career horizon (Oh et al., 2016), and marriage (Hegde & Mishra, 2019). However, these two aspects often have certain limitations in theory, causing firms to carry out CSR practices primarily driven by self-interest rather than altruism. This study examines how early life experiences can significantly impact the development of CEOs' personality characteristics and values, particularly in fulfilling CSR. By doing so, this research contributes to a deeper understanding and insight into the pivotal factors influencing the fulfillment of CSR.

Besides, this study further enriches the relevant theories. This research further studies the upper echelons theory by addressing the need to uncover the “black box” between CEOs' characteristics and organizational decisions. Although existing studies have explored the impact of various CEO characteristics on CSR, there needs to be more debate regarding the mechanism for facilitating these effects. This is mainly due to the difficulty in obtaining data on CEOs' cognition and behavioral motivations. As a result, this paper not only explores the impact mechanism of a single early event on CSR among CEOs but also introduces a multiple-event measure that considers both external environmental and individual factors that contribute to CEO's early life experiences.

Moreover, this study provides a novel perspective for future comparable studies. This study builds a correlation model between the early life experience of

CEOs and CSR based on the CEO's different early life experiences. It quantifies and subdivides the corresponding indicators, considering factors such as the challenging three-year period in China, military experience, and family economic conditions. This study does an empirical analysis to examine the causal relationship between CEO's early life experiences and the impact on CSR. Additionally, it provides the theoretical framework and methodological reference for future related research.

Finally, based on our study, organizations should consider not only the professional credentials but also the personal background and beliefs of individuals when selecting or hiring CEOs. By studying CEO's early life experiences, policymakers can gain better insights into the perspectives of organizations led by CEOs with these experiences toward CSR. This understanding enables policymakers to promptly address potential CSIR risks.

1.6 Definition of Key Terms

The following are a list and definition of key terms used in this study: