

CEO Childhood Socioeconomic Status and Corporate Social Responsibility

Puya Kahhali
University of California, Riverside

Chief Executive Officers (CEOs) have been an important focus in strategy research for the past decade. Prior literature has explored several different CEO demographics, such as education, social ties, social capital, power, and their impact on behavior. While preceding literature has linked CEO demographics to different behavioral aspects, the focus on CEO upbringing is rather rare. Surprisingly, no research has focused on CEO childhood and its impact on corporate social responsibility. This study examines how CEO socioeconomic status (SES) during developmental years (childhood to adulthood) impacts CSR. Drawing on theory from psychology I hypothesize that firms led by CEOs with humble upbringings will invest more in CSR than other firms and that this effect is strengthened when the CEO is narcissistic. I find support for my hypotheses within a dataset of Fortune 100 firms between 2000 and 2013.

Keywords: CEO, socioeconomic status, childhood development, power, anxiety, control

INTRODUCTION

Over the last decade Corporate Social Responsibility (CSR) has been an important topic within management literature. The increased interest in CSR research stems from the fact that, on average, researchers find an overall positive association between CSR and firm performance. Thus, strategists have examined several CEO specific variables that moderate corporate level CSR activity. While CEO narcissism and ability are positively related to CSR (Al-Shammari et al. 2019; Tang et al., 2018; Yuan et al., 2019), CEO hubris, age, power and materialism are negatively associated with CSR (Chen et al., 2018; Muttakin et al., 2019; Tang et al, 2018). Yet, no study has examined how CEO upbringing impacts CSR.

Hambrick & Mason (1984) argued that management researchers should include upbringing when studying how upper echelons impact firm performance. Their assumption was that individuals at the corporate top matter and that their behavior manifests itself on corporate level outcomes. However, not everyone at the top started off in the same social class, had same access to resources, or shared the same experiences (Domhoff, 2010; Freeland, 2011). The reason they argued to include upbringing in management research stems from the fact that behavioral tendencies are often shaped during childhood and carry onto adult life. As such variations in individual behavior can partly be explained through early life experiences. Specifically, research in sociology and psychology repeatedly finds that social class is one of the most important cultural dimensions impacting individual's lives (Liu et al., 2004:3).

Psychologists have shown that personality traits such as shyness, impulsiveness, aggression, or talkativeness have their roots in childhood. Moreover, moral judgments on what is good or bad, right, or wrong, as well as the lens through which one perceives and derives meaning evolves from complex thinking and evaluation patterns that are shaped and imprinted during childhood and are carried on to adult life

(Piaget & Inhelder, 2013). Research in psychology also shows a strong link between childhood SES and the development of certain psychological traits (Nave et al. 2010). Thus, childhood SES is a valuable predictor for future behavior.

Yet, to the best of my knowledge, there have not been any attempts to link CEO childhood SES to CSR. This study examines the relationship between CEO childhood SES and CSR. Drawing on *imprinting theory*, I hypothesize that firms with CEOs who grew up in humble environments versus firms with CEOs who grew in middle and high SES have higher levels of CSR than other firms. Moreover, I predict that the association between low CEO childhood SES and increased CSR performance is increased when the CEO displays narcissistic tendencies. Finally, I predict that the behavioral imprints that CEOs adopted during childhood persist and manifest themselves on a corporate level later in life.

LITERATURE REVIEW

Imprinting Theory

The concept of imprinting originally stems from biology. It can be easily observed within nidifugous birds, who observe and imitate their parents' behavior and then follow them around (Gray, 1963). Psychologists show that imprinting happens predominantly under ambiguous and uncertain life circumstances during which individuals develop characteristics reflecting prominent features of their environment. These characteristics are not easily shakable and, therefore, persist into the future despite changes in the external environment (Marquis & Tilcsik, 2013: 199). Stinchcombe (1965) found that organizations, similar to individuals, adopt characteristics from their immediate external environment. He shows that organizations and industries that emerged during same time periods share many common structures.

Imprinting predominantly happens during time-sensitive periods that are characterized by novelty and uncertainty (Marquis & Tilcsik, 2013). During such time periods individuals imitate behavior of those closest to them in order to reduce ambiguity. While taking on a new job, going to college or getting married are examples of sensitive time periods, childhood serves as one of the most important imprinting periods. During childhood, children learn how to socialize with other children and adults (Stephens, Markus, and Phillips, 2014). Yet, individuals rarely transition between classes and are also more likely to interact with others from similar classes (Hout, 2008; Kraus et al., 2012; Liu et al., 2004). Considering that individuals adopt norms, values and skills based on their social class origins, the environmental exposure during childhood bears a behavioral imprint that persists over time and applies across contexts (Higgins, 2005; Marquis & Tilcsik, 2013).

Social Class and Social Engagement

Lower SES individuals tend to grow up in environments that are characterized by unstable and challenging environments whereas higher SES individuals grow up in protected and predictable environments (Cote, 2011). Environmental uncertainty and the absence of safety have been shown to impact the extent to which individuals feel in control or not. Low SES individuals often feel like they are not in charge of their own outcomes, experience less self-reliance and are more likely to have an external locus of control (Cote, 2011, Kahhali, 2021a; Kahhali, 2022a; Kohn et al., 1990). The extent to which individuals feel in control or not, in turn, impacts the level of social engagement. By creating stronger social ties with others, lower SES individuals create a psychological safety net that absorbs some of the fear associated with their uncertain life outcomes (Cote, 2011). Due to their societal position, lower SES individuals have a better detection system to spot those that are in need for help. They detect others' anxiety and sadness better than higher SES individuals. Moreover, they are more willing to extend their help to those in need (Piff et al., 2010).

Several experiments have demonstrated the effects of social class on social engagement. Lower SES children tend to play in closer physical proximity with others than higher SES children (Scherer, 1974). Moreover, consumer advertisements targeting lower social classes tend to be more successful when they emphasize social connections (Stephens et al., 2007). Lower SES individuals also tend to be more

communal in their help while experimentally inducing individuals with lower SES mindsets tends to increase the amount of charitable donations that participants were willing to make (Muir & Weisntein, 1962; Piff et al., 2010).

Taken together, the evidence suggests that lower SES individuals tend to be more socially engaged and socially proximal to others than their higher SES counterparts.

Socioeconomic Status (SES), Upbringing and Corporate Performance

“There has been almost no attempt in the organizational literature to relate socioeconomic background to organizational strategy.”

(Hambrick & Mason, 1984)

SES is typically measured as a function of income, education, and occupational status (Cote, 2011). Even though literature in psychology, sociology and education has repeatedly shown that SES is a reliable predictor for behavioral tendencies such as risk taking, social engagement and the need for control, it has been largely neglected in strategy literature.

Since Hambrick & Mason's (1984) call to include socioeconomic background when studying leadership behavior only few attempts have been made to demonstrate the long-lasting behavioral imprint that SES bears. For example, Kish-Gephart & Campbell (2015) examined how CEO Childhood SES impacts corporate risk taking. They collected CEO SES data through surveying CEOs and found that CEOs who grew up poor and rich are significantly more risk-taking than CEOs who grew up in middle-class. Kahhali (2021b) replicated those findings with a non-self-reported CEO SES measure. The author collected several variables such as parental occupation, parental education, and university attended to approximate childhood SES. Both findings provide evidence that a firm's risk proclivity can, at least partially, be explained by CEO childhood SES. Moreover, Martin et al. (2016) found that US Army leaders who were born in higher social classes are perceived as being less effective by their subordinates and that the effect is mediated by higher levels of narcissism. CEO Childhood SES also effects the CEOs need to control and entrench. Low SES leaders are more likely to be exercise control by a dual CEO/Chairman role while middle class CEOs are more likely to concentrate power by adopting several entrenchment measures as measured by the e-index (Kahhali, 2021c) found that CEOs who were born poor are more likely to assume a dual CEO/chairman role than their middle and high SES counterparts. The author concluded that throughout their transition from low to high SES, CEOs who were born poor need to overcome an external locus of control mindset and adopt an internal locus of control mindset. This ultimately manifests itself on a corporate level by seeking a dual CEO/chairman role satisfying their need to directly in charge of their own outcomes. Finally, literature has shown that parental occupation impacts child behavior and lasts throughout adult life. Entrepreneurship literature has repeatedly shown that children of entrepreneurs are 60% more likely to become entrepreneurs than children whose parents are not self-employed. Moreover, management literature has shown that certain traits associated with imprints on children and impacts leaders later in life. As such CEOs who were born into families with creative occupations are more likely to invest in innovation strategies than leaders who are not (Kahhali, 2022b).

Drawing on imprinting theory, I argue that growing up in low SES households exposes individuals to higher levels of social engagement and cooperation early on in life. This social imprint persists in adult life and will be imported to one's corporate identity even after making it to the corporate top. If this is the case, I expect that CEOs born into low SES families to be more inclined to invest in CSR strategies. Therefore, I posit that,

Hypothesis 1: *Firms led by low childhood socioeconomic status CEOs will have higher levels of Corporate Social Responsibility (CSR) performance than firms led by middle and high socioeconomic CEOs.*

Moderating Effects of Narcissism

Prior research has identified narcissism as an important leadership trait that effects CSR (Petrenko, Aime, Ridge & Hill, 2016, Braun, 2017). Narcissism is an individual level trait characterized primarily by behavior which is driven by external self-enhancement tendencies (Petrenko et al., 2016). While genuine CSR efforts can increase average firm performance, narcissistic leaders are more likely to use CSR strategies to enhance their feeling of moral superiority and to attract external praise, attention, and image boosts (Petrenko et al., 2016). Interestingly, the association between CSR and firm performance tends to be weakened when the CEO is narcissistic. In other words, the CSR strategies are not well aligned with organizational objectives and are merely used as window-dressing strategies. If low SES leaders are more likely to invest in CSR due to their early life social imprints, then investments in CSR should be further enhanced when the CEO displays narcissistic tendencies. Therefore, I posit that,

***Hypothesis 2:** The positive association between low SES CEOs and increased CSR performance is further enhanced when the CEO is narcissistic.*

METHODOLOGY

Sample and Data Collection

I collected information on 166 Fortune 100 companies and their CEOs between the years 2000-2013. Research assistants coded CEO's SES based on CEO parental occupation, CEO's high school (public versus private), CEO higher education, and general information on CEO upbringing. The data on CSR was obtained from Institutional Shareholder Services and the data on control variables was obtained from Compustat. I excluded data related to non-publicly traded firms and firm-year observations for firms that merged within my period of interest. After cleaning my dataset, *the sample size is 166 firms over a fourteen-year period with 452 unique CEOs.*

Dependent Variable

CSR Performance. I measure CSR performance based on Kinder, Lydenberg, and Domini (KLD) scores on firms' CSR strengths and concerns. CSR performance equals the total CSR strengths scores minus the total CSR concerns scores in all human related CSR areas: community, diversity, employee relations, and human rights. This is a common database used in recent CSR studies (e.g., Kim et al. 2012; Harjoto et al. 2015). Since strengths and concerns can be multiple for each firm-year, the CSR performance variable is of continuous nature.

Independent Variable

CEO Childhood SES. Prior literature typically measured childhood SES as a function of parental income. I tried reaching out to the Fortune 100 corporate affairs offices to obtain parental information on their CEOs but either did not receive responses or was denied the requested information. I, thus, gathered data on each CEO from the years 2000-2016 from the current Fortune 100 companies. Together with my research assistants, we analyzed CEO biographies and interviews with reputable magazines, newspapers, and journals such as Time, Forbes, Fortunes, and Bloomberg to obtain parental and childhood information.

The collected data includes birthplace, parental occupation, parental social ties, CEO high school, CEO university and general childhood memory descriptions. I categorized the data on parental occupation based on Hollinghead's index of SES and classified scale points 1-3 as low, 4-6 as middle and 7-9 as high SES, as presented in Appendix B. The CEO undergraduate university used as proxy of their family income using Chetty's (2017) college mobility cards, as presented in Appendix C.

Based on the analysis of anonymous tax records, Chetty et al. (2017) broke down what percentage of students come from which income bracket. All available information and coded each CEO as a function of parental occupation, undergraduate university attended, high school attended (private versus public) and average household income of city where CEO was up brought.

Three separate coders coded each CEO in the dataset independently as 0=middle class, 1=low SES, 2=high SES . I took random coding samples and examined the accuracy of the codings. Furthermore, (1) the coders showed very high consistency in rating CEO SES, Fliess' Kappa=0.764, (2) a professional coder (who previously published on SES) agreed strongly with the coders, and (3) the codings were strongly correlated to a continuous parental income measure (Chetty et al.'s college mobility database, 2017). Because this study does not examine differences between middle class and high class I collapsed those two groups together, thus, creating a binary variable that takes 1 if the CEO comes from low SES and 0 otherwise.

CEO Narcissism. Following management literature standards (Chatterjee & Hambrick, 2007; Zhu & Chen, 2015) I measure narcissism as the relative pay gap between the CEO and the second highest paid executive of the firm. I calculate CEO Narcissism by dividing the CEO's cash compensation by that of the second-highest paid executive in the firm. The higher the relative CEO pay gap to the second highest executive, the more narcissistic the CEO.

Controls Variables

I include multiple control variable at the firm and CEO-level. Firm resources have been shown to impact CSR performance positively (Orlitzky, 2001). I, thus, control for total firm assets and cash for each given year. Moreover, CEO tenure and CEO age have been shown to influence CSR performance (Oh et al., 2016, Chen et al, 2019). I computed tenure as the number of years that a CEO has been in his position and CEO age as firm year minus birth year. In order to account for unobserved time-invariant effects I also controlled for industry and year (Bhoraj, Lee, & Oler, 2003).

Regression Models

The independent variable is dummy coded and categorical with two outcome levels: low and non-low. The dependent variable, CSR Performance, is a continuous ratio variable. I applied ordinary least squared regression models with robust standard errors to test my hypotheses. I used STATA as the statistical software package to estimate the models.

RESULTS

Tables 1 and 2 present descriptive statistics and correlations for all study variables. Further inspection of the mean variance inflation factor (VIF) does not reveal multicollinearity issues with a mean of 1.40, a minimum of 1.07 and a maximum of 2.25.

**TABLE 1
DESCRIPTIVE STATISTICS**

Variable	Obs	Mean	S.D.	Min	Max
CSR	1,913	2.43	3.13	-4	15
Low SES	2,949	0.11	0.31	0	1
Cash	2,890	4,919.73	10,998.25	0	159,353
Assets	2,938	132,094.40	332,091.70	6.56	3,287,968
Industry	2,925	4,616.29	1,645.00	1,311	9,997
Age	2,653	56.85	6.49	34	85
Tenure	2,653	6.73	7.36	0	70
Year	3,034	2,006.37	5.70	1,997	2,016
CEO Narcissism	1,154	1.70	3.77	-1	90.35

TABLE 2
CORRELATION MATRIX

Variable								
CSR	1							
Low SES	0.0964*	1						
Cash	0.2891*	0.0246	1					
Assets	0.2695*	0.0537*	0.6158*	1				
Industry	0.0876*	0.1150*	0.2670*	0.2763*	1			
Age	0.0219	0.0910*	0.1024*	0.0638*	0.0291	1		
Tenure	-0.1015*	0.1102*	0.0701*	-0.0338	0.1679*	0.3624*	1	
Year	0.1634*	0.1041*	0.2011*	0.1450*	-0.0224	0.2127*	0.0034	
CEO Narcissism	-0.0016	0.0887*	-0.0730*	-0.0681*	-0.0019	0.0728*	0.1888*	

Note. Correlations with * are significant at .05-level.

My first hypothesis posits that CEOs firms led by low childhood socioeconomic status CEOs will have higher levels of CSR performance than firms led by middle and high socioeconomic CEOs. Model 1 in Table 3 shows the main effect without controls while model 2 tests the main effect with all controls included. Both models provide support for Hypothesis 1. Firms of CEOs who were born into low SES families tend to have higher CSR performance than firms led by their middle and high SES counterparts.

My second hypothesis examines the moderating effects of CEO narcissism on CSR performance. Models 3 provides strong support for Hypothesis 2. The positive association between low CEO SES and CSR performance is strengthened when the CEO is narcissistic (e.g., receives significantly greater compensation relative to the second highest executive in the firm). Moreover, this relationship is largely driven by related acquisition activities.

TABLE 3
ESTIMATION OF CEO LOW CHILDHOOD SES ON CORPORATE SOCIAL RESPONSIBILITY

	(1) CSR	(2) CSR	(3) CSR
Low SES	0.891*** (0.211)	0.841*** (0.188)	0.879** (0.323)
Low SES x CEO Narcissism			0.036** (0.012)
Cash		0.000*** (0.000)	0.000** (0.000)
Assets		0.000*** (0.000)	0.000** (0.000)
Tenure		-0.046*** (0.009)	-0.062*** (0.016)
Age		-1.891	0.023***

		(0.013)	(0.023)
Industry		0.000	0.000
		(0.000)	(0.000)
Year		0.111***	0.406***
		(0.018)	(0.055)
N	1913	1803	773
R-squared	0.009	0.128	0.151
Root MSE	3.115	2.963	3.081

Notes. Robust standard errors.

+p<0.10, * p<0.05, ** p<0.01, *** p<0.001

DISCUSSION

The present research provides empirical evidence that childhood SES of the CEO impacts CSR performance. Prior research has shown that SES influences upbringing, firm risk, entrenchment, and innovation (Martin et al. 2016, Kahhali 2021a; Kahhali, 2022b; Kish-Gephart & Campbell 2015), but no study has examined the relationship between childhood CEO SES and CSR performance. By filling this gap, this study adds to the understanding of how upbringing impacts CSR. Furthermore, the results highlight that narcissism further increases CSR performance. The relationship between low SES leaders and higher CSR performance is further strengthened when the CEO displays narcissistic tendencies.

This study employed a large sample from multiple industries over a fourteen-year period. In prior studies, researchers focused on a single industry (Martin et al. 2016) or non-executive individuals in laboratory experiments (Griskevicius et al. 2016; Deckers et al. 2015; Domenech & Silvestre 2006). Therefore, testing my assumptions on a corporate level, across industries and multiple time periods make it a particularly difficult setting in which to find support for my hypotheses.

Thus, this study contributes to the literature by deepening the understanding of the CEO childhood, a hardly observable driver of executive actions. Specifically, the results speak to the imprinting literature and confirm that early childhood roots are sticky across time and contexts and ultimately manifest themselves on a corporate level.

THEORETICAL IMPLICATIONS

Prior research has focused on CEO level traits and how those impact corporate performance (Bernile et al. 2017; Delgado-Garcia & Fuente-Sabate, 2009; Nadkarni & Herrmann, 2010; Li & Tang, 2010). Surprisingly, CEO upbringing been largely neglected. This study shows that low CEO childhood is an antecedent that shapes social engagement tendencies which in turn affect CSR performance. Here I aim to build theory by connecting imprinting theory from psychology to corporate performance.

Parental income typically strongly predicts current income, as those who were born wealthier tend to be wealthier later on and vice versa. In this study, CEO income is a constant because they all currently occupy high social status while only their level of childhood wealth varies. I can therefore rule out current income or status as a driver of my results.

The findings also add to the understanding of social learning literature. It has been well studied that upbringing impacts children's behavior (Hartman & Harris, 1992; Keller, 2003). The results of this study indicate that differences in parental wealth is one way to shape those behaviors. Moreover, this study extends the integrative trait-behavioral model by DeRue et al. (2011). The model suggests that certain traits motivate leadership behaviors. However, the model does not speak to where those traits might have their roots. I argue that many traits and behavioral tendencies have their roots in early childhood as a function of parental wealth. Thus, childhood SES can be a valuable antecedent to the trait-behavioral model.

PRACTICAL IMPLICATIONS

The results of the study also have practical implications. Prior literature mainly painted all CEOs with the same brush when trying to align shareholder and executive interests. CEOs are typically viewed as narcissistic, ego-driven, risk-averse individuals (Westphal & Zajac, 1993; Sanders & Hambrick, 2007; Eisenhardt, 1989). However, the existing literature largely neglected individual differences resulting from variations in childhood wealth. This study indicates that CEOs differ in their willingness to contribute to CSR.

All things considered, firms can solely look at CEO childhood SES and predict how likely they are to invest in CSR. Specifically, companies that operate in industries where social engagement is strongly linked to firm performance and shareholder satisfaction, such firms might prefer a CEO from humble origins who is more interested social and community engagement.

Furthermore, information on CEO SES will allow the board to proactively align employee mindsets with that of the CEO. For example, employees can be trained to become more socially engaged when they are working under a CEO who values CSR specifically.

Finally, competitors can anticipate firm actions by knowing about their CEOs childhood wealth. For example, knowing that a given CEO was born into a low SES family, they can plan to increase CSR spending if such strategies are important to stakeholders.

LIMITATIONS & FUTURE RESEARCH

There are certain limitations that need to be highlighted. First, this study was conducted within the North American context. It would be interesting to see whether the results hold in settings outside of western culture where CEO discretion might be lower than in western settings. Moreover, I cannot directly measure CEOs' social behavior directly through experiments. Thus, I need to use parental wealth as a proxy for pro social behavior. Future research could experimentally test whether inducing individuals with varying SES mindsets impacts socially engaging behavior differently. Finally, I single out the CEO from a larger top management team. I, therefore, cannot capture the interaction between multiple TMT members with varying levels of childhood SES and social imprints. It would be interesting to collect SES data on all TMT members and create an average SES measure to test whether that impacts CSR performance differently.

CONCLUSION

This study provides empirical evidence that CEO childhood SES impacts CSR performance. Early life experiences imprint on the child CEO and shape their behavioral tendencies which carry on to adult life, ultimately impacting corporate performance. My findings highlight that firms with CEOs from humble origins tend to be more likely to have higher CSR scores than firms led by their middle and high SES counterparts. Assuming that CEO early life impacts firm performance, CEO childhood proves a fruitful area for additional studies.

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APPENDIX

Conceptual Diagram



Socioeconomic Status: Binary variable with two outcomes, 0=middle/high SES, 1=low SES.

Corporate Social Responsibility: CSR Strengths – CSR Concerns for each firm-year.

Hollingshead's Index of Socioeconomic Status

The child participants' parents' occupational code is rated on a 9-point scale, for which the Hollingshead manuscript provides a more detailed list: 9=higher executive, proprietor of large businesses, major professional, 8=administrators, lesser professionals, proprietor of medium-sized business, 7=smaller business owners, farm owners, managers, minor professionals, 6=technicians, semi-professionals, small business owners (business valued at \$50,000-70,000), 5=clerical and sales workers, small farm and business owners (business valued at \$25,000-50,000), 4=smaller business owners (<\$25,000), skilled manual laborers, craftsmen, tenant farmers, 3=machine operators and semi-skilled workers, 2=unskilled workers, 1=farm laborers, menial service workers, students, housewives, (dependent on welfare, no regular occupation).

Chetty et al. 2017, College Mobility

ACCESS

What kind of students attend U.C. Riverside

		IN THE BIG WEST	IN CALIFORNIA	AMONG SELECTIVE PUBLIC COLLEGES
Median family income	\$68,700	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Average income percentile	59th	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Share of students from top 0.1%	<1%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...from top 1%	<1%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...from top 5%	7.8%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...from top 10%	18%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...from top 20%	30%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...from bottom 20%	11%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>