Chief Executive Officer (CEO) Characteristics and Corporate Social Responsibility Disclosure among Nonfinancial Listed Firms in Malaysia

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Abstract The purpose of this research is to examine the link between Chief Executive Officer’s (CEO) characteristics and Corporate Social Responsibility (CSR) disclosure. The sample data used in this research comprises of 201 non-financial firms listed on the Bursa Malaysia for the period 2013-2015. CEO’s characteristics that have been examined in this study are CEO’s gender, working experience, and educational background. All non-financial data were collected from annual reports and financial data were collected from Datastream. This study proves that CEOs with humanity or social sciences educational background such as law, accounting, and business are more likely to engage in CSR disclosure by taking into account stakeholders’ interests. CEOs in the field of science are also tend to engage more in CSR disclosure. Besides that, we also found that larger firms tend to have higher disclosure of their CSR activities.

Keyword: Chief executive Officer (CEO), Gender, Working Experience, Educational background, Corporate Social Responsibility Disclosure

1.0 Introduction

Chief executive Officer (CEO) is the head figure and main decision maker of the firm. Thus, investors might view CEO as the most influential top manager, and the CEO characteristics are believed to have an effect on firm’s performance and future outcomes. Examining firm’s CEOs characteristic is one of the approaches that can be used to determine the actions or firm strategies. The CEOs characteristics can be classified into several types such as gender, education background, and experience. Woman has more attention than man and could lead to better performance (Smith et al 2001), education represent person’s intellectual properties (Smith & Verner, 2006) and experience make the manager understand about business environment (Manner, 2010). CEO as one of firm managers have a crucial role to play in the strategy taken by his firm. Finkelstein (1992) carried out an empirical study showing the power and the impact of top management team within an organization. High level of responsibility of CEOs leads them to be accountable for both the success and the failure of a firm (Wiesenfeld, et al., 2008).

Focusing in CEO’s characteristics and finding the ones leading to a successful management of a firm is a question that interest stakeholder. Chairman and shareholders are trying to identify the CEO that potentially running their firm in a successful way and produce more future earnings. Taking part in CSR may lead to various benefits to firms, stakeholders, customers, and employees. Engaging in corporate social responsibility (CSR) may contribute higher firm’s profitability (Aguinis & Glavas 2012). Moreover, empirical evidence stated that the CEO is an important key decision maker in CSR disclosure related decisions. CEOs are also responsible to formulate corporate strategy and involve in promoting the image of their firms through social responsibility (Waldman et al., 2006). Other than that, characteristics of a CEO are the key criteria for investors. Investors are concerned about during their investing decision processes. As the agents of shareholders, the main objective of CEOs as managers is to maximize shareholders’ wealth also produce CSR disclosures. Hence, the success or failure of firms is also reflect on the capabilities and competency of them in managing firms to compete in the market.

In a firm, stakeholder groups have high influence on CEO’s actions or policies implications (Delmas & Toffel, 2008; Eesley & Lenox, 2006), such as determining the firm’s strategy on environmental issues (Sharma, 2000). Murphy and Zabojnik (2004), stated that each CEO have different qualities. Thus, it will impact CSR disclosure.