

## CSOs and Corporate Social Responsibility

Research published in the *Strategic Management Journal* studied the increasing prevalence of Chief Sustainability Officers (CSOs) and other similarly socially-oriented C-suite positions and its effects on their firms' social performance. The authors reasoned that the presence of a CSO helps draw increased attention from the executive leadership team to corporate social performance, thus enhancing strategic focus and decision-making around sustainability and other social issues. As such, the presence of a CSO should both increase a company's socially-responsible activities and decrease their socially-irresponsible activities.

### Key Takeaways:

- Companies with a CSO position are found to be more socially responsible and less socially irresponsible.
- CSOs have a far greater impact on reducing corporate irresponsibility than improving responsibility.
- CSOs have a greater impact on reducing irresponsibility (but not on improving responsibility) when the board has a sustainability committee.

The authors examined all S&P 500 companies annually from 2004 to 2015 and identified a CSO or similar position in 13% of firm-years during that time period. They found that the presence of a CSO improved firms' social responsibility and irresponsibility ratings (as measured by KLD, a leading corporate social research firm), but the improvement in social irresponsibility was nearly

three times greater than that of social responsibility. They also found that the presence of a board sustainability committee further strengthened the CSO's impact on the firm's irresponsibility but not on its responsibility.

The authors described their findings as evidence of a "negativity bias", in which increased attention is disproportionately allocated towards possible negative consequences than actively positive ones. This uneven effect of CSOs on irresponsible versus responsible firm activity may be of interest to firms which currently have or are contemplating creating a CSO position in their C-suites. The authors go on to argue that firms will benefit most from CSOs, both through increased responsible actions and reduced irresponsible actions, when they are given sufficient resources and social support to maximize their impact in that role.

Source: Fu R., Tang Y., & Chen G. (2019). Chief sustainability officers and corporate social (Ir)responsibility. *Strategic Management Journal*. DOI: 10.1002/smj.3113