

The Effect of CEO Optimism and Myopia on Dimensions of Corporate Social Responsibility Moderated by CEO Political Connection and Efficiency¹

Javad Zanganeh², Majid Ashrafi³, Ebrahim Abbasi⁴,
Arash Naderian⁵

Received: 2022/03/29

Accepted: 2022/08/27

Research Paper

INTRODUCTION

Considering the ever-increasing influence of organizations on the axes of sustainable development, the concept of the social responsibility of organizations has emerged in the world of management. Organizations have an obligation regarding the society in which they are operating since they are using their economic, natural, and human resources. The social responsibility of companies is defined as their responsibility, as well as the fulfillment of their obligations concerning various stakeholders and the community of their activity. The way a firm assumes social responsibility decreases the risk and increases its value, and it is critical in earning the trust of the community. The CEO behavioral pattern numbers are among the most important factors in corporate strategic decisions, thus also affecting the decisions taken in regard to social responsibility. On the other hand, the behavioral characteristics of managers are one of the most crucial factors in making decisions regarding

1. DOI: 10.22051/JAASCI.2022.39804.1686

2. Ph.D. Student, Department of Financial Engineering, Aliabad Katoul Branch, Islamic Azad University, Aliabad Katoul, Iran. (javadzang.106@gmail.com).

3. Assistant Professor, Department of Accounting, Aliabad Katoul Branch, Islamic Azad University, Aliabad Katoul, Iran. Corresponding Author. (mjd_ashrafi@yahoo.com).

4. Professor, Department of Management, Faculty of Social Sciences and Economics, Alzahra University, Tehran, Iran. (abbasiebrahim2000@alzahra.ac.ir).

5. Assistant Professor, Department of Accounting, Aliabad Katoul Branch, Islamic Azad University, Aliabad Katoul, Iran. (arashnaderian@yahoo.com).

financing and the combination of the capital structure of a corporate. The most important characteristics of managers include optimism and myopia. This study analyzed the effects of optimism and myopia of chief executive officers (CEOs) on the dimensions of corporate social responsibility — i.e., environmental responsibility, social performance, the responsibility of human resources, and responsibility of products and services — by considering the moderating roles of political connection and CEO efficiency

MATERIALS AND METHODS

This is an applied and descriptive study. This research employed correlational analysis to examine the hypotheses. The correlational analysis comprises all methods employed to determine or discover the relationship between the various variables using regression and correlational relations. The correlational analysis seeks to determine the association (limits) of the changes of one or several variables with one or several other variables. The data were collected by going through the financial statements of companies listed on the Tehran Stock Exchange (TSE). The data to test the hypotheses were collected from the information available at the TSE, financial statements of the selected companies, and data bank of the software available in the market such as Rahavard Novin and Tadbir Pardazan.

The statistical population of this study included all companies listed in the TSE from 2014 to 2020. The data were selected through purposive sampling taking into account the following conditions. (130 companies)

1. The companies listed in the TSE prior to 2014 and the fiscal year ending on 20/03/2014.
2. The companies, whose fiscal year has not been changed within the aforesaid periods.
3. The respective companies should have worked consistently in the period under research without any trading halts lasting more than three months.
4. The companies must have provided the financial information required for this research in the time interval between 2014 and 2020.

The spreadsheet was used to classify, calculate, and process the data, and the EViews software was used to examine the hypotheses.

RESUALTS AND DISCUSSION

The findings suggested that there was no relationship between the CEO's optimism and the social responsibility of the corporate and CEO efficiency does not have a moderating role in the relationship between these two

variables. The political connection moderates the relationship between CEO's optimism and social responsibility. This moderation has a positive impact on the influence of the CEO's optimism on social responsibility. There was a relationship between CEO myopia and the social responsibility of the corporate. And the political connection and efficiency have moderated the relationship between myopia and the social responsibility of the corporate. And the political connection has a negative effect and the CEO's efficiency has a positive effect on the relationship between these two variables.

The findings suggested that there was, there was a positive significant relationship between CEO optimism and responsibility for human resources and a negative significant relationship between CEO optimism and environmental responsibility. There was also a negative significant relationship between CEO myopia and the corporate responsibility of human resources. Furthermore, the CEO's political connection had a positive moderating role in the relationship between CEO myopia and the responsibility of humans. Resources. At the same time, CEO efficiency had a positive moderating role in the relationship between CEO optimism and the responsibility of humans. resources and has a negative moderating role in other dimensions of social responsibility, At the same time CEO efficiency played a positive moderating role in the relationship between CEO myopia and the responsibility of humans. Resources and social performance and a negative moderating role on the responsibility of products and services

CONCLUSION

There was a negative relationship between CEO optimism and corporate environmental responsibility. This relationship indicates that an optimistic CEO underestimates corporate risks and ignores the resultant immunization of environmental activities considered a shield against specific corporate risks. Hence, the corporate value and financial performance will decline. Furthermore, there was a negative relationship between CEO myopia and human resources responsibility. In other words, a more myopic CEO will focus on short-term goals and tends to increase the current stock price. These CEOs believe that investment in human resources responsibility will reduce the short-term benefits, something which will decrease the competitiveness of a company in comparison with the other companies that make fewer investments. In addition, there was a positive relationship between optimism and human resources responsibility. Accordingly, a more optimistic CEO will pay further attention to investment in human resources. Apparently, there is a

paucity of empirical background to the relationships between CEO optimism and myopia with the dimensions of CSR. Therefore, this study can help enhance the relevant knowledge.

Keywords: Optimism, Myopia, Efficiency, Political Connection, Dimensions of Social Responsibility.

JEL Classification: G4, G39, G41, M41.

COPYRIGHTS



This is an open access article under the CC-BY 4.0 license.