
CEO'S DECISION-MAKING AND CORPORATE SOCIAL PERFORMANCE: DISENTANGLING THE ROLE OF SERENDIPITY

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How to cite: Arduino, F. R., & Spampinato, G. (2023). CEO's decision-making and corporate social performance: Disentangling the role of serendipity. In E. Karger & A. Kostyuk (Eds.), *Corporate governance: An interdisciplinary outlook* (pp. 18–21). Virtus Interpress. <https://doi.org/10.22495/cgaiop3>

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Received: 15.10.2022
Accepted: 24.10.2022
Keywords: Sustainability, Corporate Social Performance, Corporate Governance, CEO, Leadership, Serendipity
JEL Classification: G34, M12, M14
DOI: 10.22495/cgaiop3

Abstract

Over the last few years, sustainability themes have attracted a lot of attention from policy-makers, investors and firms. For the purpose to enhance sustainability awareness and sensitiveness, regulations have been promulgated in many countries and, as a consequence, firms have started to increase their sustainability efforts.

In particular, firms have engaged in changing and adapting their governance structures, for instance by increasing the board independence (Ortas et al., 2017), and introducing a dedicated Corporate Social Responsibility (CSR) committee (Ricart et al., 2005).

From an upper echelon perspective, firms are the mirror reflection of their top management (Hambrick & Mason, 1984), therefore the Chief Executive Officer (CEO) selection represents a key organizational decision, having noteworthy implications on firm effectiveness and long-term success. Given the paramount role that CEOs play within firms, they are nowadays expected not only to effectively respond to the extant business complexity but to increasingly embrace the sustainability tenets.

Prior leadership literature claims that CEOs' personal characteristics and traits can affect multiple and diverse organizational

outcomes such as firm strategy and performance, as their decisions and actions are inspired by their own highly idiosyncratic skills and competencies (Cannella et al., 2008).

Previous studies have long debated the influence of CEO personal characteristics such as age, tenure, experience, education, over firm performance (Bertrand & Schoar, 2003; Gottesman & Morey, 2010; Hamori & Koyuncu, 2015; Nguyen et al., 2018), and more recently they have started to investigate their impact also on corporate social performance (Jizi, 2017; Manner, 2010; Waldman et al., 2006). In particular, some scholars claim that some characteristics of the leader may play an important role in favoring decisions oriented to sustainability (Lewis et al., 2014; Slater & Dixon-Fowler, 2010).

However, leveraging on previous research claiming that leadership effectiveness may be based on serendipity rather than skilfulness (Svensson & Wood, 2005), we argue that serendipity should be considered a critical parameter to rationalize the influence of leadership in the decision-making process, in particular in the organizational path towards sustainability.

The aim of this research is, therefore, to investigate the influence of the CEO's decision-making on corporate social performance, in particular by analyzing the role of serendipity over the CEO's decisions oriented to sustainability.

Serendipity occurs when two elements are interconnected: chance, as a set of unplanned conditions, and subjects' capability to turn these conditions in their favour. From a governance perspective, taking advantage of unexpected opportunities is something to look for, but setting up a decision-making process exclusively focused on creating serendipitous collisions is almost useless until individuals are not trained to seize opportunities arising by chance. Indeed, the ability to recognize the potential value of unexpected observations is related to the intellectual aptitude to connect an observation to formerly held knowledge.

While it is impossible to directly generate luck, it is possible to develop skills aiming at playing "the game" longer, thereby increasing the likelihood of experiencing fortuitous circumstances.

In this regard, it is hard to define to which extent serendipitous leaders influence their workgroups and results. Indeed, leadership effectiveness is often evaluated by quantitative methods referred to timespans that are too short, and thus inadequate, to analyze the inherent quality subtending organizational achievements over time (Andersen, 2006).

Therefore, in order to perform our analysis, we adopt a mixed methods research design, by combining survey data and qualitative interviews with CEOs working for firms belonging to different industries to be so cognizant of the various voices, experiences and solutions.

This study contributes to the ongoing debate about the influence of individual-level characteristics on corporate sustainability outcomes, shedding some light on the role of serendipity.

Understanding how to raise a serendipitous leader embracing sustainability tenets can be beneficial to both the firm and society.

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