



Can Executives' Hometown Feelings Promote Enterprises to Fulfill Their Social Responsibilities Actively?

Suikun Wang^{1, a}, Yuan Meng^{1*, b}

¹*Business School of Henan University, Kaifeng, China*

^a*suikwang@126.com, ^{b*} 603812141@qq.com*

Corresponding author: Yuan Meng

ABSTRACT

At present, China is in the period of economic transformation, many enterprises pay too much attention to economic interests but ignore the social responsibilities that should be borne. All sectors of society are paying more and more attention to corporate social responsibility (CSR). Taking the informal institutions as an entry point and A-share listed companies in Shanghai and Shenzhen from 2009 to 2019 as samples, this paper discusses the impact of executives' hometown feelings on CSR with the aid of crawler technology. The empirical results show that executives' hometown feelings can positively promote the fulfillment of CSR, and this promotion effect is stronger in state-owned enterprises. The research conclusions show that, as an informal institution, hometown feelings can subtly affect executives' values and behavior cognition, stimulate executives' psychological preference, and restrain executives' self-serving behaviors, which provides an empirical basis for CSR management innovation in the local context.

Keywords: *Hometown feelings, corporate social responsibility, property rights, informal institutions*

1. INTRODUCTION

In recent years, problems caused by CSR inaction have emerged one after another. This year's "3·15" party exposed "jade live broadcast room is shoddy" "Yuzhou vermicelline fraud" and so on the lack of CSR events, these phenomena have made CSR more and more concerned by all walks of life. When studying the influencing factors of CSR, the existing literature often starts from government regulation and corporate governance. Most of these factors revolve around external formal institutions, while ignoring the possible influence of informal institutions on CSR decision-making. China is in a transitional economic period, actively undertaking social responsibilities plays an important role in enhancing the competitive advantages of enterprises and promoting the harmonious development of society. Although the government has successively formulated and promulgated various policies and regulations to encourage enterprises to actively fulfill their social responsibilities, many enterprises still take a perfunctory attitude and respond negatively, resulting in an unsatisfactory overall performance of social responsibilities. This reflects the

limitations and passivity of the formal institutions in regulating CSR, indicating that simply relying on government regulation cannot solve the problem of CSR very well, it needs to be continuously revised and expanded through informal institutions such as culture, customs and social norms, through mutual integration and complementation of the two to governance CSR in the local context.

This paper chooses hometown feelings in traditional culture as the research object, mainly based on the following three aspects: first of all, China has been a country that has valued human relations and consanguinity since ancient times. Relationship-based makes the native place an important reference for measuring personal social relations. Native place is hometown, in addition to answering the question of "where do I come from?" as a geographical symbol, it also gathers the individual's unique attachment to the place where they grew up and lived, and the hometown feelings extended from it has become the carrier for everyone to place their hearts on. There are ancient and modern poetry to express the love of home, which can be seen that no matter in which era, hometown is the existence that people cannot give up in the heart.

Hometown feelings have been continuously circulated with the long culture of more than 2,000 years, and have always infiltrated the thoughts and behaviors of Chinese people, which have long been an ideology that affects individual psychology and social structure, acting as an intangible capital in economic development. Second, taking hometown feelings as the research object has more theoretical support. Western scholars' research on "local identity" spans multiple disciplines such as human geography, environment, and social psychology, and summarizes it as the complex behavior of individuals triggered by a specific geographical location. The "hometown feelings" differentiated from it also have similar conceptual characteristics and research framework, which provides the analysis basis for this paper. Third, a person has only one hometown and it is constant, which makes hometown feelings easier to measure. Although the emotional connotation of hometown feelings is derived from local identity, they are not completely consistent. The geographical scope of local identity is larger, not limited to hometown but more expresses the attachment to a certain area. This feeling will deepen with the frequent communication between people and land, and will gradually weaken with the ceaseless social mobility, without continuity. This is not the case with hometown feelings. Due to the existence of the household registration system, everyone's hometown is fixed and unique, so everyone's feelings about hometown will not change greatly due to social mobility, but will become stronger with the increase of age and experience. To sum up, taking hometown feelings as an entry point has both theoretical basis and realistic background.

Based on these, this paper uses the data of Shanghai and Shenzhen A-share listed companies from 2009 to 2019 to study the impact of executives' hometown feelings on CSR. The research contributions are as follows: first, take executives' hometown feelings as an entry point to explore the psychological mechanism behind CSR, reveal the governance role of Chinese traditional culture in the dilemma of CSR from the level of informal institutions, no longer limited to a single perspective such as formal institutions. Second, broaden the research boundary of hometown feelings. Third, analyze the influence of executives on CSR from the perspective of the origin of executives, the property rights of the enterprises they belong to, and the level of economic development in their hometowns, provide new ideas for further opening the black box of executive heterogeneity. Fourth, the crawler technology is adopted for the collection of information on the hometown of executives, which improved the lack of information on the hometown of executives.

2. THEORETICAL ANALYSIS AND RESEARCH HYPOTHESIS

2.1 Executives' hometown feelings and CSR

According to the new institution economics theory, in addition to the formal institutions, the informal institutions can also effectively restrain the micro-enterprise behavior, as an indispensable condition to promote the formal institutions to play a role [1]. Traditional culture is an important force in informal institutions, with dual effects of enterprise management and corporate governance, and can form an effective complementary relationship with formal institutions. Research has shown that traditional culture can motivate enterprises to actively engage in charitable donation and fulfill social responsibilities [5], and can promote enterprises to actively disclose environmental information [6]. As an important part of traditional culture, hometown feelings also have an important impact on enterprise behavior. The research related to hometown feelings firstly focuses on government officials with political resources, and it is found that the hometown feelings of government officials can help boost economic growth of their places of origin. Subsequently, a small amount of literature has begun to focus on executives' hometown feelings and their economic consequences. For example, the executives' hometown feelings will promote enterprises to actively undertake environmental governance responsibilities [2], and enterprises with local CEOs will reduce tax avoidance [3]. It can be seen that as an informal institutions, hometown feelings have a deep influence on corporate behavior, and the research on the motivation of CSR is inseparable from traditional Chinese culture.

As an ethically oriented society, Confucianism developed differentiated behavioral norms two thousand years ago to distinguish between elders and children in ethical relationships. Among them, the implicit social norm of following authority and leadership, which continues to this day, endows executives with a decisive voice in enterprise decision-making in modern times. The high-level theory also points out that corporate behavior will be directly influenced by executives. These show that the fulfillment of CSR is inseparable from executives. Meanwhile, the informal institution theory holds that informal institutions such as culture, customs and morality can constrain individual behaviors from the inner level and often have a more far-reaching impact [4].

On the one hand, hometown feelings will affect executives' sense of responsibility and way of thinking from the individual emotional level, making them form favoritism towards their hometown and sense of responsibility to support their hometown, and thus actively participate in social responsibility activities. Hometown is the place where a person comes from or grew up, it is not only a broad collection of individual

growth experience and life experiences, but also carries one's infinite love and attachment to the environment, culture and customs. Hometown feelings are an important part of traditional culture. Under the infiltration of thousands of years of traditional culture, Chinese people's hometown feelings are extremely strong and have long become an indispensable part of personal feelings. Executives were born and raised in their hometown, so they have a deep emotional connection to their hometown. This emotion bondage will affect the attitude of executives towards their hometowns, reduce the ego mentality of executives and the profit-seeking behavior of enterprises. Therefore, when faced with the choice between CSR and economic performance, executives will choose the former more and give up the latter. Psychological factors are a key factor affecting the results of individual decision-making. Hometown feelings stimulate the love of hometown in the hearts of executives, which made the executives burst out with strong moral sentiment and overall situation when dealing with the affairs involving the hometown enterprises, hoping to make a contribution to the construction of hometown and actively fulfill their social responsibilities with higher standards.

On the other hand, hometown feelings will exert greater pressure from the relationship group on executives from the level of social public opinion and reputation mechanism, and this pressure will help reduce the moral hazard of executives' social responsibilities. China is traditionally a relational society in which individual behavior is inseparable from other relational groups. Social psychology points out that a single concept of geographical location cannot summarize the attachment relationship between people and land, and it needs to be described as a whole with more humanistic, environmental and psychological considerations. Such an attachment relationship is closely related to the multiple relationship attributes of individuals. If executives work in their hometown enterprises, the existence of blood ties and the long-term life and growth experience will make them have more family members and friends in the local area. These people are the strong relationship type in the "differential order pattern" of executives' individual relationship, and are the closest link in executives' relationship network. They also have special feelings for their hometowns and want them to develop better. This acquaintances society and network of relationships makes it easier for the public opinion and mechanism reputation to play a restrictive role. In order to maintain reputation, executives will take the initiative to cater to public opinion, adopt cautious business strategy and take initiative in social responsibilities. If an executive makes a decision that violates ethical norms and evades social responsibilities for profit, it will not only trigger huge public attack after being exposed, but also be condemned by relatives and friends or even a wider range of relationship groups. These will cause great psychological

pressure to executives, and such untrustworthy behaviors that do not meet the public' expectations will also bring huge negative effects to the enterprises. Therefore, relatives and friends as the most basic links in the network of executives, their love for their hometowns will supervise executives to fulfill social responsibilities to a higher standard to some extent.

To sum up, whether it is out of personal feelings or the pressure of public opinion, executives' hometown feelings will guide companies to actively undertake social responsibilities. Based on these, hypothesis 1 is proposed:

H1: influenced by hometown feelings, when executives work in their hometowns, they will promote enterprises to actively fulfill their social responsibilities.

2.2 Heterogeneity in the nature of property rights

The different natures of the ultimate controllers will lead to large differences in the attitudes of executives towards the CSR, because executives of different natures have different pursuits in terms of corporate governance and strategic goals. Due to the special status of state-owned enterprises in China, their executives are not only professional managers, but also enjoy the administrative level, with the status of government officials, and they tend to be the latter when they perform their duties. This tendency makes the executives of state-owned enterprises have a stronger sense of hometown and promotes CSR more significantly. On the one hand, compared with non-state-owned enterprises, state-owned enterprises with more resources are themselves burdened with policy burdens such as expanding employment, actively paying taxes, etc., and executives working in state-owned enterprises are more capable of building their hometown. Moreover, the executives of state-owned enterprises are always mixed with the concept of political achievements when running and managing enterprises, and tend to earn a good reputation for themselves by actively fulfilling their social responsibilities, improve their personal image and social status, and thus create a good personal development prospect. In addition, some state-owned enterprises have clear regulations on the performance of social responsibilities in the system, and they need to accept the government's arrangement to actively fulfill social responsibilities in business operation. In this context, executives will have a stronger role in promoting social responsibilities due to their personal development willingness. In contrast, executives of non-state-owned enterprises tend to pay more attention to economic benefits and consider CSR issues from the perspective of rational economic man. Only when the expected benefits of fulfilling social responsibilities are greater than the fulfillment costs, they will undertake social responsibilities. The uncertainty of future benefits makes the personal development intention of non-state-owned enterprise executives have no significant effect on

promoting CSR. On the other hand, local executives have more acquaintances in their hometowns, and their interpersonal networks are more dense. Especially the executives of state-owned enterprises who work in their hometowns have received more attention from the people of their hometowns after they have the status of government officials. If they evade their social responsibilities, they will be attacked by public opinion and criticized by relatives and friends more strongly. Based on this, hypothesis 2 is proposed:

H2: Compared with non-state-owned enterprises, the hometown feelings of state-owned enterprise executives have a more significant role in promoting enterprises to fulfill their social responsibilities.

3. RESEARCH DESIGN

3.1 Sample selection and data sources

The samples are selected from Shanghai and Shenzhen A-share listed companies from 2009 to 2019, and the samples from the financial insurance industry and ST category are deleted, and the samples with incomplete data are also deleted. The data on the place of origin to measure the executives' hometown feelings mainly comes from the CSMAR database, and combined with manual collection and crawler technology. CSR data comes from Rankins CSR Ratings (RKS) database, and the current release of social responsibility data in this database is only until 2019. The control variables are all

derived from the CSMAR database. To reduce the influence of outliers, all continuous variables are indented 1% above and below. Data processing is performed using stata15.

3.2 Variable definitions

Explained variable: Corporate Social Responsibility (CSR). This paper uses the CSR score of RKS database to quantify CSR. The higher the score, the better the performance of social responsibilities.

Explanatory variable: Executives' hometown feelings (NATI). The executives in this paper include the chairman and general manager of listed companies. Referring to the existing literature, the hometown of the executive is compared with the place where the enterprise is registered. If they are consistent, it is considered that the executive has hometown feelings and the value of NATI is 1; If they are inconsistent, it is considered that the executive does not have hometown feelings, and the value of NATI is 0. Since only about 30 percent of executives' hometown information can be collected in the CSMAR database, they are also collected manually through Internet tools such as Baidu Encyclopedia, Google, and 360. At the same time, through the crawler technology, the ID card information of the executives in the financial statements is collected and compared with the regional code to determine the place of origin of the executives. The information on the place of origin of the executives is as follows:

Table 1: Information on the place of origin of executives

Anhui	205	Hubei	171	Shanxi	125
Australia	1	Hunan	175	Shaanxi	95
Beijing	144	Jilin	67	Shanghai	166
France	6	Canada	9	Sichuan	118
Fujian	283	Jiangsu	344	Taiwan	32
Gansu	46	Jiangxi	105	Tianjin	18
Guangdong	225	Liaoning	152	Hongkong	8
Guangxi	34	U.S.	9	Singapore	4
Guizhou	20	Mongolia	38	Xinjiang	36
Hainan	11	Ningxia	1	Yunnan	88
Hebei	160	Qinghai	1	Zhejiang	491
Henan	196	Shandong	322	Chongqing	33
Heilongjiang	41				

Control variables (Controls): Referring to the existing literature, this paper mainly takes the influential factors of corporate characteristics such as financial leverage and

the influential factors of executive characteristics such as gender and age as control variables.

The specific variable definitions are shown in Table 2.

Table 2: Variable definitions

Variable type	Variable name	Variable description
Explained variable	Corporate social responsibility (CSR)	LN (RKS Social Responsibility Rating Score)
Explanatory variable	Executives' hometown feelings (NATI)	NATI=1 when the executive's place of origin is the same as the company's registration place, otherwise it is 0
Control variables	Financial leverage (Debt)	Assets and liabilities
	Profitability (ROA)	Net profit/total assets at the end of the year
	Operating cash flow (OCF)	Net cash inflow from operating activities/total assets at the end of the year
	Cash holding level (Cash)	Cash holdings/total assets at the end of the year
	Executive characteristics	Gender (Gend)/age (Age)/degree (Edu)
	Year/Industry dummy variable (YEAR/IND)	Year/Industry effect

3.3 Model building

In order to verify H1, the regression model 1 of executives' hometown feelings and CSR is constructed as follows:

$$\text{CSR}_{i,t} = \beta_0 + \beta_1 \text{NATI}_{i,t} + \gamma \text{Controls}_{i,t} + \text{YEAR}_t + \text{IND}_t + \varepsilon_{i,t} \quad (1)$$

$\text{CSR}_{i,t}$ represents the social responsibilities of enterprise i in year t , NATI represents the executives' hometown feelings, Controls represents the control variables, and YEAR and IND represent the control of time effect and industry effect.

4. EMPIRICAL ANALYSIS

4.1 Descriptive statistics

Table 3 reports the descriptive statistics of the above variables. The average value of CSR is 3.63 and the median is 3.60, showing a left-biased distribution. The standard deviation is 0.31, indicating that after logarithmic treatment of CSR, the level of CSR performance is still uneven, and the overall performance still needs to be improved. The average value of NATI is 0.25, that is to say, 25% of the samples have local executives, which means that 25% of the executives have hometown feelings for the city where the enterprise is registered. The descriptive statistics of other variables are shown in the table.

Table 3: Descriptive statistics

	Number of samples	Mean	SD	Min	Max	Median
CSR	3980	3.63	0.31	2.92	4.35	3.60
NATI	3980	0.25	0.43	0	1	0
Debt	3980	0.51	0.20	0.08	0.88	0.52
ROA	3980	0.04	0.05	-0.16	0.21	0.04

OCF	3980	0.06	0.07	-0.15	0.25	0.05
Cash	3980	0.16	0.11	0.02	0.56	0.13
IDR	3980	4.09	1.29	2	8	4
BSS	3980	4.69	1.86	3	11	4
First	3980	38.11	16.04	8.48	74.87	37.38
Gend	3980	0.96	0.19	0	1	1
Age	3980	54.01	6.48	39	71	54
Edu	3980	3.62	0.97	1	5	4

4.2 Regression analysis

Table 4 reports the regression results of hypothesis 1. On the basis of controlling the enterprise fixed effects, time and industry fixed effects, a hierarchical regression model with gradually increasing control variables is introduced to verify. In column (1), there are no control variables, and the regression coefficient and T value are 0.036 (2.57), indicating that the executives' hometown

feelings have a significantly positive impact on CSR at the level of 5%. In column (2), the financial data indicators at the enterprise characteristic level are added, the regression coefficient and T value are 0.037 (2.62), and the result is significantly positive at the 1% level. In column (3), the data indicators at the executive characteristic level are further added, and the regression coefficient and T value are 0.037 (2.62), which are significantly positive at the 1% level. The regression results in Table 4 support H1.

Table 4: Regression result

	(1)	(2)	(3)
CSR	CSR	CSR	CSR
NATI	0.036** (2.57)	0.037*** (2.62)	0.037*** (2.62)
Controls	No	Enterprise level	Yes
CONS	3.450*** (89.13)	3.432*** (68.30)	3.297*** (46.12)
YEAR/IND	Yes	Yes	Yes
Number of samples	3980	3980	3980
F	18.03	16.96	16.73
Pseudo R ²	0.431	0.432	0.433

Note: ***, ** and * represent significant at the level of 1%, 5% and 10% respectively, the same below.

In order to verify the heterogeneity of the property rights of enterprises, the samples are grouped according to the property rights of enterprises and the hierarchical regression of model (1) is carried out. As shown in Table 5, in the state-owned sample, the regression coefficients

of NATI are all significantly positive, while the regression coefficients of the non-state-owned sample are not significantly positive. The regression results in Table 5 support H2.

Table 5: Heterogeneity of property rights

	State-owned			Non-state-owned		
	CSR	CSR	CSR	CSR	CSR	CSR
NATI	0.034** (2.09)	0.034** (2.09)	0.034** (2.10)	0.041 (1.28)	0.038 (1.17)	0.037 (1.12)
Controls	No	Enterprise level	Yes	No	Enterprise level	Yes
CONS	3.519***	3.465***	3.283***	3.274***	3.317***	3.227***

	(65.83)	(49.75)	(32.50)	(63.65)	(46.42)	(32.87)
YEAR/IND	Yes	Yes	Yes	Yes	Yes	Yes
Number of samples	2543	2543	2543	1437	1437	1437
F	18.98	17.86	17.55	14.42	13.62	13.40
Pseudo R ²	0.456	0.457	0.459	0.408	0.411	0.412

4.3 Robustness check

For the sake of robustness, the executive's birthplace is used instead of the place of origin for testing. As shown in Table 6, there is no significant difference between the regression results measured by birthplace and the previous regression results measured by place of origin.

Table 6: Replace explanatory variable

	Full sample	State-owned	Non-state-owned
	(1)	(2)	(3)
NATI	0.034** (2.46)	0.030* (1.94)	0.030* (1.94)
Controls	Yes	Yes	Yes
CONS	3.302*** (46.19)	3.290*** (32.51)	3.231*** (32.93)
YEAR/IND	Yes	Yes	Yes
Number of samples	3973	2536	1437
F	16.75	17.60	13.40
Pseudo R ²	0.434	0.460	0.412

5. CONCLUSION

This paper is completed with the assistance of crawler technology, and the conclusions are as follows: the executives' hometown feelings can positively promote the fulfillment of CSR; compared with non-state-owned enterprises, the executives' hometown feelings of state-owned enterprises have a more significant role in promoting enterprises to fulfill their social responsibilities.

This paper enlightens: as an ethics-based country, traditional culture is the most basic informal institutions governing the behavior of managers. Informal institutions can drive enterprises to consciously fulfill their social responsibilities, and ignoring China's traditional cultural

background is not conducive to a profound interpretation of Chinese enterprises' social responsibility behavior. While actively improving the laws and regulations related to CSR, government departments also need to make full use of informal institutions such as traditional culture to integrate the two and continuously promote sustainable economic and social development. Adhere to cultural self-confidence, vigorously promote and give play to the charm of traditional culture, focus on the construction of corporate culture, combined with the characteristics of the times, it will create a new path for solving CSR problems.

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