

CEO Psychological characteristics as a Predictor of Organizational Decoupling in the context of Corporate Sustainability

Summary

A significant number of organizational studies focus on the gap between what firms say and what they do, which is often framed as contrasting ‘talks and actions’ or ‘rhetoric and reality,’ or ‘espoused value and enacted value’ (Bowen, 2014). Organizational theory literature often refers the above gap as decoupling or organizational hypocrisy (Brunsson, 1993), whereas strategic management literature refers it as a gap between strategy formulation and implementation (Andrews, 1971). Despite the different ways decoupling has been explained, as a phenomenon, it is at the center of interest in management research and is drawing significant attention from management scholars (Yoshikawa, Tsui-Auch, & McGuire, 2007).

In this essay, I examine CEO psychological characteristics as predictors of organizational decoupling in the context of corporate sustainability. I begin by discussing how CEO personality, value, and cognition are related to policy-practice decoupling in the context of corporate sustainability using an upper echelon theoretical lens. I argue that “Big Five Personality Traits”(FFM) of CEOs such as conscientiousness, agreeableness, and openness to experience are negatively related to environmental and social policy-practice decoupling whereas extraversion and neuroticism are positively related. Next, I propose that self-transcendence value of CEO as well as cognitive complexity are negatively related to environmental and social policy-practice decoupling. Further, I will examine how board power and adoption of sustainability criteria in CEO compensation moderate the above relationship.

I will be using the U.S. manufacturing firms in the S&P 1500 for a period of 10 years starting from 2009 to 2018, for examining the above-mentioned relationships. Using ASSET4

ratings, policy -practice decoupling will be measured as the difference between policy and implementation scores of various subcategories of the environmental and social dimension of corporate sustainability. CEOs' letter to shareholders and conference calls transcripts will be used to derive CEO psychological characteristics. The five-factor model of personality (FFM) measures and CEO values will be derived by using 'The IBM Watson™ Personality Insights service.' Text analysis using Linguistic Inquiry and Word Count (LIWC) will be used to derive cognitive complexity measure.

CONTRIBUTIONS

Traditional research on organizational decoupling has been mostly descriptive and has primarily relied on qualitative methods. Moreover, organizational decoupling in the context of corporate sustainability has not been examined although this is a context in which the potential for decoupling is high. An empirical study may contribute to future empirical research on decoupling, especially in the context of corporate sustainability.

This paper will contribute to both literatures on organizational decoupling and upper echelons. Identification of the antecedents of decoupling will enable us to understand how and why decoupling occurs in organizations. Examining psychological characteristics of CEOs as antecedents will advance TMT research by moving beyond the reliance on demographic proxies that characterizes most prior research. I employ novel research methods such as linguistics and textual analysis. I believe that by demonstrating the use of these new analytical techniques in organizational research, my dissertation can contribute to their wider use to answer a number of research questions.