

Age of Executives, Uncertainty Avoidance Culture and Corporate Social Responsibility Disclosure

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Abstract: Whether and how enterprises disclose social responsibility information is closely related to executives, and the individual characteristics of executives, as an important factor influencing executives' behavioural decisions, are also inextricably linked to CSR information disclosure. Based on the GLOBE culture model, this paper empirically examines the direct impact of executives' age on CSR information disclosure with the sample data of A-share listed companies in Shanghai and Shenzhen from 2010 to 2020, and finds that: the older the executives are, the higher the quality of CSR information disclosure is. We also introduced the informal system of uncertainty avoidance culture to empirically test the indirect effect of executive age on CSR disclosure under the influence of uncertainty avoidance culture, and found that: uncertainty avoidance culture plays a positive moderating role between executive age and CSR disclosure. Enterprises and countries should take regional cultural differences into account when formulating CSR disclosure strategies and adopt more locally adapted CSR disclosure initiatives.

1. Introduction

General Secretary has repeatedly stressed that the courage of enterprises to assume social responsibility is an important element of entrepreneurship. However, the frequent occurrence of safety accidents, environmental pollution, salary arrears, food safety and other non-compliance incidents has seriously betrayed the spirit of enterprises to bear social responsibility, and also seriously damaged the property safety of the enterprise's community of interests, and the fulfilment of social responsibility by enterprises has therefore received more and more attention. In order to alleviate the problem of information asymmetry, the disclosure of corporate social responsibility report has become an effective way of communication between enterprises and other stakeholders besides shareholders, and also an effective way of social supervision. However, existing studies show that the current level of social responsibility disclosure of listed companies in China is relatively low.

As key figures in company operations, executives often determine the production and operation decisions of enterprises, which will also affect the future development of enterprises (Cassells et al., 2011) [1]. Meanwhile, the quality of CSR disclosure is closely related to executives. Executives

need to understand all aspects of the internal and external environments of the enterprise and make appropriate strategic decisions to maintain the long-term stable development of the enterprise. However, higher-order theory suggests that executives are unable to have a comprehensive understanding of the enterprise due to a variety of external uncertainties, at which point the role of executives' individual characteristics becomes more significant, affecting executives' corporate decision-making and ultimately corporate behaviour (Hambrick, 2007) [2]. Therefore, scholars have launched a series of studies around the individual characteristics of executives to influence the disclosure of CSR information, mainly focusing on two aspects. On the one hand, from the perspective of executives' innate characteristics, we study the influence of executives' gender and executives' age on CSR information disclosure; on the other hand, from the perspective of executives' acquired experience, we study the influence of executives' acquired experience such as party membership, academic experience, overseas experience and military experience on CSR information disclosure. By collating the above literature, we can also find that (1) no matter from the perspective of executives' innate characteristics or from the perspective of acquired experiences, scholars mostly study the direct relationship between the two, and only a few scholars add moderating variables such as trust environment, rule of law environment, intrinsic control, and stakeholders' resources into empirical research; (2) most of the moderating variables introduced by scholars come from the formal system, and there are few scholars study the relationship between informal systems and CSR disclosure. Therefore, there is still a big gap in the research on the relationship between executive characteristics, informal system and CSR disclosure.

Culture, on the other hand, occupies a pivotal position in informal systems, which generally constrains people's thoughts and behaviours and is more representative of informal systems. Jiang Lu et al. (2009) found that older managers and younger managers in China have very different views on many cultural dimensions and cultural levels, and in the same cultural environment, their values and behaviours may also be different [3]. In studying the theory of cultural values, the theory of cultural dimensions by Dutch scholar Hofstede (1980) [4] provides quantitative indicators, which are recognised and commonly applied by international theoretical and practical communities. What role will uncertainty avoidance culture, as an important dimension of cultural value theory, play in the relationship between executive age and CSR disclosure?

To sum up, this paper empirically examines the direct impact of executive age on CSR disclosure by taking China's A-share listed companies in Shanghai and Shenzhen from 2010 to 2020 as a research sample. It further introduces the informal system of uncertainty avoidance culture to test how the effect of executive age on CSR disclosure changes under the influence of uncertainty avoidance.

2. Research Hypotheses

2.1. Age of Executives and Disclosure of CSR Information

Individual perceptions, values and behaviours change with age. On the one hand, as executives grow older, they are more eager to consolidate what they have gained and seek more reputation and achievements. To the outside world, the disclosure of social responsibility reports is a sign of good business performance, and the higher the quality of the reports, the better the business performance. At the same time, the disclosure of CSR reports also opens up a channel for communicating issues with stakeholders, which is conducive to the executives' good reputation in the society. Therefore, older executives tend to make decisions that are in line with social ethics, in which disclosing CSR information is a convenient way to maintain their reputation. On the other hand, the increase in age enriches the life experience of executives, but also affects their energy, brain power and action. As executives get older, they are less adaptable to certain things and tend to be risk averse in order to

avoid more unexpected situations, thus adopting a conservative strategy. Thus, conservative strategies are adopted. Wiersema (1992) argued that executives try to avoid risk-taking aggressive behaviours as they age [5]. Many scholars have shown that corporate disclosure of social responsibility reports can significantly reduce corporate risk (Gao Ensheng, 2018) [6]. And the higher the quality of disclosure, the easier it is for companies to cope with systemic risk. So as they grow older, executives tend to disclose CSR information as a way to reduce corporate risk. The opposite is true for young executives, who are more adventurous and innovative, and are more willing to challenge uncertain events to demonstrate their abilities in order to rise in their careers so as to gain promotion opportunities. Moreover, active corporate social responsibility often enhances the long-term value of a company, a phenomenon that many executives do not realise until they are sufficiently experienced and knowledgeable. Therefore, for reasons of reputation management, risk considerations, and enhancement of corporate value, executives will further increase the disclosure of CSR information as they get older. As a result, Hypothesis 1 is proposed.

H1: There is a significant positive relationship between executive age and CSR information disclosure, all else being equal.

2.2. Executive Age, Uncertainty Avoidance and CSR Disclosure

Uncertainty Avoidance, which describes "the extent to which members of a society reduce uncertainty about future events through social norms, rituals, and regulations," is an important indicator of regional culture. The more a region encourages its members to avoid uncertainty, the more relatively conservative the society is, and conversely, the more risk-taking it promotes (Badawy et al., 2019; Rongbin et al., 2022) [7-8]. According to Hofstede's cultural theory, culture affects firm behaviour by influencing the values of the firm's key decision makers. Therefore, in regions with low uncertainty avoidance, executives tend to be influenced by the culture of this region and become more adventurous, and consequently, become blindly optimistic, take the small with the big as well as short-term in their behaviour. According to behavioural finance, the risk-taking trait of managers is stable and persistent, and this behavioural trait of managers is ultimately reflected in the fact that the firm's strategic decisions are influenced by the characteristics of the risk-taking culture. Higher-order theory also suggests that executives cannot be absolutely rational and are likely to make irrational decisions due to their cognitive base and psychological characteristics. Managers may underestimate the future risks faced by the firm and overestimate the future performance of the firm. They may also misjudge the total amount of internal and external potential resources and their own ability to deal with resource shortages, and tend to believe that the enterprise has sufficient potential resources for development, ignoring the interaction of interests with other stakeholders under the channel of CSR, thus negatively affecting the input of CSR and reducing the disclosure of CSR. Whereas regional cultures with high uncertainty avoidance encourage members to avoid uncertainty, members tend to be less innovative and less challenging in dealing with uncertain events due to the informal constraints of the culture and the pointing effect of social norms. Therefore, under the influence of a high uncertainty avoidance culture, both younger and older executives will increase uncertainty avoidance and adopt relatively conservative strategies in an attempt to reduce the potential risk of the firm, and older executives' decision to increase CSR disclosure will be more likely to be adopted and will increase CSR disclosure. As a result, Hypothesis 3 is proposed:

H3: Uncertainty avoidance positively moderates the relationship between executive age and CSR disclosure, all else being equal.

3. Research Design

3.1. Sample Selection and Data Sources

This paper is based on the GLOBE culture model and takes the data of China's Shanghai and Shenzhen A-share listed companies from 2010 to 2022 as the sample data. At the same time, this paper excludes the financial industry, all ST-type companies, and samples with missing data in order to make the research results more reliable and real. Finally, in order to exclude the influence of extreme values of data, this paper shrinks the tails of all continuous variables at the upper and lower 1% level.

3.2. Model Design and Variable Definition

Drawing on related studies by Jun Li (2021) and others, this paper constructs the following two test models to examine the relationship between executive age, uncertainty avoidance, and CSR disclosure:

$$CSR_{i,t} = \alpha_0 + \alpha_1 Age_{i,t} + \sum \alpha Controlvariables + \sum Year + \sum Industry + \varepsilon_{i,t} \quad (1)$$

$$CSR_{i,t} = \gamma_0 + \gamma_1 Age_{i,t} + \gamma_2 UA_{i,t} + \gamma_3 Age_{i,t} \times UA_{i,t} + \sum \gamma Controlvariables + \sum Year + \sum Industry + \varepsilon_{i,t} \quad (2)$$

Where Age is the explanatory variable executive age, UA is the moderator variable uncertainty avoidance culture, and CSR is the explanatory variable corporate social responsibility disclosure. The control variables are firm size, firm age, financial leverage, profitability, proportion of shares held by the first largest shareholder, and proportion of shares held by the top ten shareholders.

3.2.1. Explained Variables

Quality of Corporate Social Responsibility (CSR) disclosure. Currently, there are different measures of CSR in academia. Considering the reliability and availability of data, referring to the value-taking approach of Liu Chunji et al, this paper adopts the CSR rating scores published by Hexun.com. The main reason is that the Hexun.com database has a larger sample capacity and more complete data. In addition, Hexun.com responsibility rating is in line with the international authoritative social responsibility standard ISO26000 system, and belongs to an independent third party, the data is more real and reliable.

3.2.2. Explanatory Variables

Based on the higher-order theory, this paper defines executives as all executive teams including directors, supervisors and senior managers. The age of executives is adopted as the average of the age of the executive team of listed companies.

3.2.3. Moderating Variables

The data are from the survey data of the 2018 China General Social Survey (CGSS2018). Since culture is historically inherited, it will not undergo major changes over a considerable period of time, and it can be stably passed on from one generation to the next (Zhao Xiangyang et al., 2015). Therefore, the 2018 survey data can be used to measure the regional culture of China's provinces, autonomous regions and cities during the period of 2009-2022. In this survey, uncertainty avoidance is measured by the questions "A life full of adventures and opportunities is more meaningful than an ordinary and stable life" and "If I have extra money, I am willing to make

investments with high returns, even if the risks of such investments are high," and "I am willing to make investments with high returns, even if the risks of such investments are high," and "I am willing to make investments with high returns, even if the risks of such investments are high. Assigning values 1-7 to "completely disagree - completely agree" for each question; refer to Chen (2020)[9] who measured uncertainty avoidance by averaging the values of the two questions for respondents in each province. The larger the value, the lower the level of uncertainty avoidance in the province.

4. Empirical Analysis

4.1. Descriptive Statistics

Table 1: Descriptive Statistics Variables for each variable

Variable	Max.	Min	Mean	p50	SD	N
CSR	72.87	-3.710	23.19	21.56	14.89	23629
Age	56.52	41.50	49.20	49.29	3.153	23629
TOPO	74.30	8.730	34.33	32.13	14.88	23629
TOPT	90.59	22.91	58.15	59.03	15.32	23629
Roa	0.0666	-0.0289	0.00914	0.00704	0.0147	23629
Lev	0.968	0.0413	0.423	0.411	0.219	23629
CO.Age	38	14	24.84	25	5.180	23629
Size	28.34	11.35	22.07	21.91	1.376	23629
UA	7.599	5.849	6.883	6.935	0.437	23629

As shown in the results of Table 1, the mean value of Corporate Social Responsibility (CSR) disclosure is 23.19, which indicates that the quality of CSR report disclosure of listed companies in China is at a lower level and needs to be improved on the whole. The maximum value of the age of the executive team of China's listed companies is 56.52, the minimum value is 41.5, and the mean value is 49.2, which indicates that the age of the executive team of China's listed companies has a certain gap. The maximum value of Uncertainty Avoidance (UA) is 7.599, the minimum value is 5.849, and the standard deviation is 0.437, which shows that there is a gap in the degree of acceptance and recognition of Uncertainty Avoidance among the people of the various provinces (municipalities and districts) in China.

4.2. Analysis of regression results

First, Hypothesis H1 is tested and the regression results obtained are shown in the columns of Table 2(1). The regression coefficient of Age and CSR is significantly positive at the 1% level. The corresponding economic implication is that the CSR disclosure score is 0.1974 points higher for every 1 year increase in the age of executives, and Hypothesis H1 is verified. Uncertainty avoidance (UA) is then brought into the regression model (2), and the empirical results are shown in columns (2), (3) and (4) of Table 2. The results show that the coefficient of Age*UA in (2) is 0.2132, with a positive coefficient, which is significantly positive at 1% level, indicating that compared to regions with low uncertainty avoidance, the positive correlation between the age of the executives in the regions with stronger uncertainty avoidance and the disclosure of corporate social responsibility is more significant. The more significant the positive correlation is. Hypothesis H2 is verified.

Table 2: Main regression results

	(1)	(3)
	CSR	CSR
Age	0.1974*** (6.6220)	0.1987*** (6.6638)
UA		0.9363*** (4.8460)
Age*UA		0.2132*** (3.5045)
TOPO	-0.0000 (-0.0046)	0.0005 (0.0734)
TOPT	0.0789*** (10.8215)	0.0777*** (10.6610)
Roa	276.8328*** (44.0558)	276.1934*** (43.9693)
Lev	-7.6563*** (-15.8423)	-7.6243*** (-15.7856)
CO.Age	3.1165*** (39.2012)	3.1406*** (39.4762)
Size	0.0389** (2.2318)	0.0345** (1.9815)
Industry	containment	containment
Year	containment	containment
_cons	-57.7393*** (-25.3145)	-64.3675*** (-24.1204)
N	23629	23629
adj. R2	0.298	0.299

Note: ***, **, and * indicate 1%, 5%, and 10% levels of statistical significance, respectively.

5. Robustness Tests

5.1. Reverse Causality Test

There may be a two-way causality problem between executive age and CSR. If older executives are more inclined to work for firms with higher levels of CSR disclosure, or firms with better CSR disclosure prefer to hire older contenders, then there is an endogeneity problem between executive age and CSR disclosure, which leads to non-consistency in the model estimation. For this reason this paper mitigates the effect caused by this problem by taking a lagged period for the quality of CSR disclosure. The results show that there is no significant reverse causality between executive age and CSR disclosure and the moderating effect of regional culture remains significant, making the above findings robust.

5.2. Replacement of Explanatory Variable Measures

The above defines executive age as the average age of the executive team, and this paper defines executive age as the age of executives in key positions in the stability test. The chairman and CEO of the company are the core leaders and key decision makers of the executive team. Unlike other

executives in the executive team, the chairman and CEO have a stronger voice in the company's decision making, their personal perceptions as well as their values are more likely to be manifested, and their decisions are more likely to be adopted. Therefore, serving as a company's chairman or CEO is recognized as a key position. The age of executives in key positions is regressed using KEYAGE to denote the age of executives in key positions. The results show that the conclusions above remain robust.

6. Conclusions and Policy Recommendations

Whether enterprises disclose CSR information and how to disclose are closely related to executives, while executives' individual characteristics, as an important factor influencing executives' behavioral decision-making, are also inextricably linked to CSR information disclosure. Based on the GLOBE culture model, this paper takes the A-share listed companies in Shanghai and Shenzhen in China from 2010 to 2020 as the research samples, and empirically examines the direct impact on CSR information disclosure from the perspective of the age of executives' innate characteristics, empirically examines the direct impact of the age of executives on the disclosure of CSR information, and the study finds that: with the increase of the age of executives, the quality of CSR disclosure will be higher. The study further introduces the informal system of uncertainty avoidance culture, and finds that executives in regions with stronger uncertainty avoidance are more willing to disclose CSR information and the quality of the information will be improved accordingly as their age increases compared to regions with low uncertainty avoidance.

The specific policy recommendations of this paper are as follows: (1) Enterprises and countries should consider the influence of regional culture when formulating CSR information disclosure strategies. Make good use of the differences in the three cultural dimensions of uncertainty avoidance in regional culture, and actively utilize the promotional effect of uncertainty avoidance culture on CSR information disclosure. (2) When selecting members of the executive team, enterprises should take the age of executives as one of the indicators, and select relatively old and experienced employees, so as to promote enterprises to fulfill their social responsibility.

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