The Impact of CEO Philanthropy Enthusiasm on Their Firm's M&A Performance

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Abstract. Bill Gates, as the co-founder of Microsoft, has led the company to immense success and has also been committed to numerous philanthropic initiatives globally, encompassing education, healthcare, and other spheres. In addition, Bill Gates has been responsible for many significant charitable endeavors. Additionally, throughout the tenure at Microsoft, the company has demonstrated exceptional performance in mergers and acquisitions. Under the leadership, Microsoft has successfully acquired companies such as Hotmail and Skype, thereby expanding its business scope and obtaining cutting-edge technologies. This has laid the groundwork for the company's long-term business success. It has been demonstrated that Chief Executive Officers possessing a robust sense of social responsibility tend to establish long-term sustainable business models. The social responsibility of CEOs is intricately linked to their philanthropic actions, resulting in a more extensive business scope. Finally, the CEO's passion for philanthropy can also motivate employees, stimulate teamwork, and enhance overall performance. Therefore, it can be said that CEO's passion for philanthropy has a positive impact on company performance and helps to enhance the overall value and social impact of the company. This study investigates whether a CEO's ardor for philanthropy can reflect company performance.

Keywords: CEO's charitable activities, corporate acquisition performance, impact.

1. Introduction

According to a study that analyzed personal financial contribution data from 1993 to 2006, firms' investment decisions tend to be influenced by the political ideology of their CEO. This finding is significant as it sheds light on the role of the CEO's political beliefs in charitable giving and consumer research. Another study by Elnahas et al. also found that the CEO's political ideology affects investment decisions. Specifically, the research indicates that Republican CEOs are less likely to engage in mergers and acquisitions, and when they do, they prefer to use cash as a payment method. This evidence underscores the importance of considering the CEO's political ideology when analyzing investment decisions [1].

Therefore, Republican CEOs may be more likely to choose to use cash as a payment method as it reduces the risk of M&A transactions to ensure the company's financial soundness. Second, the political ideology of CEOs may also influence their choice of acquisition targets. Research suggests that Republican CEOs are more likely to choose acquisition targets consistent with their political stance, which may lead them to be less involved in M&A activities [2]. From another perspective, the performance of business organizations is influenced by their strategies and operations in both market and non-market environments. The structure that may capture the main elements of these non-market strategies is corporate social performance (CSP). CSP is defined as a “business organization’s socially” responsible principles, socially responsive processes, policies, programmers and observable results as they relate to the firm's social ties [3]. Using a sample of 249 CEOs, Chin et al. measured their ideology by recording their political contributions in the 10 years prior to becoming CEO. The results show that their corporate social responsibility (CSR) profiles reflect CEOs’ political ideology [4].

This showed that philanthropy can be used as a medium to respond to CEO ideology as well as social engagement, and the link between the two reflects the importance of corporate leaders striking a balance between business and social responsibility. From the perspective of philanthropy, CEOs

enhance their corporate image while helping to solve social problems through their philanthropic activities. According to the findings of Chin's team, liberal CEOs shown more progress in CSR compared to conservative CEOs, and the impact of CEO political liberalism on CSR increases with the increase of CEO power [4]. Therefore, understanding the role of CEO political ideology in donation behavior will also provide predictions of company M&A performance and is the basis for consumer research [5].

An alternative explanation for CEO philanthropic behavior during their tenure has been offered: corporate philanthropic giving (CPG), defined as the unconditional and voluntary transfer of cash or other resources by a firm for a public purpose, has been found to help firms to build social reputations [6]. It can establish customer relationships, attracting and retaining a highly qualified workforce, reducing corporate capital constraints, and generating corporate legitimacy with key regulatory agencies. Creating a favorable business environment. As a result, CPG is increasingly being viewed as a strategic response of potential benefit to the focal firm [7].

CPG is considered to promote sustainable growth and long-term competitive advantage of the company. In turn, CEO philanthropic behavior has been seen as a strategic response that has potential benefits for the focal firm. Recent research suggests that firms with higher levels of social capital are more resilient to systemic shocks than their peers [8].

Side by side, it has been demonstrated that by actively engaging in philanthropy, CEOs can create favorable business environments that enhance the firm's position in the marketplace and respond to competitive pressures, thus contributing to profitability and long-term growth, i.e., the firm's sustainability. Whereas companies are increasingly incorporating concepts such as the triple bottom line (TBL), corporate social responsibility (CSR)), and sustainability into their businesses, and leading companies have recognized the need to proactively manage their social image and environmental impact to achieve business success. The corresponding term corporate sustainability (CS) can be seen as integrating sustainability considerations from a profit perspective [9]. Deng et al. showed that acquirers with higher levels of sustainability also have higher announcement returns long-term operating performance, and stock returns, and complete deals faster and with less likelihood of failure. Furthermore, in terms of objectives, Aktas et al. found a positive correlation between social and environmental risk management practices [10].

M&A performance is more significant. As for corporate mergers and acquisitions, managerial discretion and managerial values mediated then organizational slack as an alternative measure of organizational resources through an integrated model of the relationship between corporate resources and corporate philanthropy studied and tested by BUCHHOLTZ et al. As predicted, the results indicate that corporate resources on positively affect corporate philanthropy Ave a positive effect on corporate philanthropy [11]. Therefore, practitioners need to study the link between the CEO's leadership role and impact on CSR and corporate M&A to develop M&A strategies. This paper will explore three areas in depth.

2. The Nature of Charity

2.1. Philanthropy and CEO Hidden Traits

2.1.1. Social responsibility and Ethical values

Charitable giving is a good measure of CEO social responsibility (CSR), and Borghesi et al. found that to measure CSR, using data from KLD Research & Analytics, there were eight subcategories of potential strengths (philanthropic, innovative, and non-U.S. giving) for the community category of social responsibility scores [12]. Thus, at both the corporate and individual level, philanthropic giving is a glimpse of a CEO's awareness of and attitude towards social responsibility, and the results are not just a reflection of numbers but also a reflection of the CEO's and the organization’s level of care for social impact, public welfare, and the well-being of the community. The CEO's engagement with society is a direct reflection of the sense of responsibility for social values and different perceptions

and practices. Through Borghesi's validated regression model CSR = f (Firm, Governance Characteristics, Industry, and Year fixed- effects). This, in turn, confirms that CEO personality traits directly influence CSR [12].

2.1.2. Strategic thinking and networking

Firstly, frequent participation in philanthropic activities can prove that CEOs have a holistic thinking and long-term vision. By participating in philanthropic activities, CEOs can better understand social problems and trends, thus making more forward-looking strategies for enterprises. Secondly, philanthropic activities are an effective way to enhance CEOs' social influence and interpersonal network. By participating in philanthropic activities, CEOs can build a broader interpersonal network, which is conducive to obtaining more information and resources, promoting the formulation and implementation of strategic decisions. For example: Mark Zuckerberg, one of the founders of Facebook, is actively involved in philanthropy through the foundation's activities. By participating in these initiatives, Zuckerberg has gained access to information resources related to global social issues, technological innovation, and education. These insights contribute to more informed strategic decisions when leading Facebook and other companies. By engaging in charitable activities, CEOs can pursue self-fulfillment and social recognition, which can also serve as a driving force for greater success.

2.2. CEO’s Characteristics and Company M&A

By participating in philanthropic activities and interacting with diverse groups, individuals can help CEOs gain a deeper understanding of their surroundings and enhance their empathy towards the situations and needs of others, thereby fostering personal growth and development. In the process of participating in philanthropic activities, individuals need to plan and organize events, coordinate resources and human power, and resolve problems, and cope with challenges. These experiences contribute to improving self-management skills.

2.3. CEO Traits and Corporate Culture Reputation

The personality traits of the CEO as the leader of the company largely influence the behaviour of the employees, which in turn affects the corporate culture and the reputation of the company. This in turn affects the potential of the company in case of mergers and acquisitions. Research has shown that the personality of CEOs affects not only their own personal behaviour, but also the behaviour of the companies they lead (e.g., Hambrick and Mason, 1984; Hiller and Hambrick, 2005). A dominant area in the field of strategic management focuses on the role of top management in subsequent strategic choices such as involvement in mergers and acquisitions (M&A) [13]. CEOs with open and innovative personalities are likely to promote innovation and teamwork within the company and develop a positive corporate culture. It will also be more decisive in M&A decisions. Conversely, if the CEO's personality tends to be conservative and authoritative, it may lead to a company's culture that is conservative and lacks flexibility and innovation. In contrast, CEOs with integrity, accountability, and transparency can build a good reputation for the company, enhance its image, and increase investor and consumer trust. This also leads to a big increase in the acquisition potential of the company. On the flip side, corporate philanthropy is one of the areas in which managers often have the discretion to use the firm's idle resources independently of business objectives [14]. This also suggests that for CEOs with the trait of concern for philanthropy can make good use of potential resources to achieve M&A plans.

3. Performance Evaluation

3.1. Assessing Productivity Change Using DEM/MPI

At present, employing conventional financial metrics solely to assess an organization's overall strategic performance is inaccurate. Lee used the DEA/MPI method and the BSC indicator to assess

M&A performance in the study. Non-parametric Wilcoxon signed rank test and Malmquist productivity index can also analyze productivity changes [15].

Additionally, assess the productivity level of the acquired enterprise or department pre- and post-merger. It can utilize the DEA method to examine if there has been an increase or decrease in the productivity and efficiency levels. Apply the MPI method to analyze the productivity trend and ascertain if the merger has resulted in a significant improvement or decline in productivity.

3.2. Develop a BSC (Balanced Scorecard)

The collection of indicator systems that includes indicators for financial, customer, internal processes, and learning and growth aspects. Identify Key Performance Indicators (KPIs) for each strategic objective, which should quantitatively reflect the achievement of the objective. These KPIs can include financial, customer, internal business, and learning and growth. Setting target values for each KPI helps clarify the performance level the Organisation wants to achieve. These target values should be aligned with the Organisation's strategic objectives. Establishing a system to regularly assess and monitoring the performance of KPIs to ensure that the organisation stays on track in achieving its strategic objectives.

3.3. Combined the DEA /MPI with the BSC

Conducted a comprehensive analysis of the evaluation results from the DEA/MPI method and the BSC indicators to draw conclusions about performance assessment. Compare the evaluation results from both methods and analyze their consistency and differences. Develop corresponding improvement measures and management strategies to enhance the overall performance and performance post-merger. The combined use of the DEA/MPI method and BSC indicators can provide multi-faceted information and guidance for corporate merger performance evaluation, helping managers better understand the impact of the merger on the company.

3.4. Discussion

CEO's philanthropic behavior is a demonstration of the shaping of corporate values. philanthropic behaviour is a demonstration for the shaping of corporate values. Bereskin et al. used firms' philanthropic behavior as a means of estimating their corporate culture [16]. It appears that when CEOs demonstrate generous and caring behaviour, it sends a message that the company cares about social responsibility and social well-being. This helps to shape the image of the firm and enhances the favourable perception of the firm by employees, customers and the public, thus contributing to the creation of a positive corporate culture. And firms with positive corporate image are more likely to be partners of M&A firms. John MT’s hypothesis concluded through a recent study conducted by Mer Management Consulting that a commitment to effective management of corporate image and communication should be seen as a critical factor in the implementation of mergers and acquisitions, especially given the amount of confounding uncertainty and the media attention given to such events. Investors are also usually more inclined to do business with firms that have a good reputation and a positive image, as this represents a higher level of reliability and trust [17]. Therefore, a positive corporate image enhances a company's attractiveness in the marketplace and facilitates the search for more and more favourable M&A opportunities.

4. Conclusion

The purpose of this study is to explore how CEOs' philanthropic enthusiasm affects their companies' M&A performance. Through an in-depth analysis of existing literature, it can be concluded that CEOs' philanthropic enthusiasm is positively correlated with high levels of social responsibility. And social responsibility will affect corporate acquisition potential in most cases. For the consideration of M&A decisions, CEO social performance (CSP) has also become an assessment tool for measuring the company's corporate culture and social impact.

Furthermore, according to the research findings, highly philanthropically inclined CEOs tend to prioritize long-term value-added opportunities for their companies over short-term financial gains when making acquisition decisions. When considering whether all philanthropically inclined CEOs can achieve successful M&A performance. The author must also consider the significance of CEOs' charitable actions in different backgrounds and cultures. For instance, in some cultures, charitable actions are seen as an indispensable part of life. This could lead to excessive philanthropic activities by CEOs, resulting in inadequate resource allocation and hindering better M&A performance.

Future research should focus on the comprehensiveness of data collection, such as CEOs' philanthropic activities and evaluating CEOs' performance in corporate. M&A in different industries and cultures. A deeper analysis of these relationships will help provide more accurate insights into the extent to which CEOs' philanthropic enthusiasm is associated with their corporate M&A plans.

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