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Local boy does good: The effect of CSR activities on firm value

Zicheng Lei, Dimitris Petmezas, P. Raghavendra Rau, and Chen Yang*

Abstract

We examine the relation between home CEOs and corporate social responsibility (CSR). Our analysis shows home CEOs are associated with higher CSR engagement and increased firm value. These firms exhibit higher asset turnover, lower cost of equity, improved productivity, sales, and profit margins. Home CEOs focus more on community, environmental, and employee-related CSR, and are linked to reduced carbon emissions. This relationship is stronger in firms with higher local business concentration and investor monitoring. Firms led by home CEOs earn higher returns during recent crises. Our results suggest the value increase is not primarily due to agency effects and remain robust to endogeneity concerns. The study indicates a CEO's community connection may influence CSR effectiveness, suggesting that mere CSR engagement may not suffice to boost trust and value. These results highlight the potential importance of local ties in corporate leadership and CSR strategy.

Keywords: Corporate Social Responsibility (CSR); CEOs; Birthplace Identity; Trust; Firm Value

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1. Introduction

In 2019, about 200 CEOs from the Business Roundtable issued press releases saying that firms should focus on more than just making money for shareholders. They stated that companies should also take care of their employees, protect the environment, and deal fairly with suppliers.[1] However, it is unclear from existing academic studies if these socially responsible actions actually increase firm value.

One strand of literature argues that companies that focus on the well-being of all stakeholders see better results and earn more money for shareholders. Lins, Servaes, and Tamayo (2017) find that during the 2008-2009 financial crisis, companies strongly committed to social responsibility earned higher stock returns and were more profitable than other companies. Naughton, Wang, and Yeung (2019) show that companies benefit from their social efforts especially when investors care about those efforts.

In sharp contrast, a second body of literature argues that social responsibility efforts by firms are undertaken for reasons that do not benefit their shareholders. Krüger (2015) and Masulis and Reza (2015) note that CEOs might use these efforts to get personal benefits or improve their reputation. Jiang, Qian, and Yonker (2019) argue that CEOs might also use these activities to boost their status and get awards or better connections. Manchiraju and Rajgopal (2017) find that when an Indian law required companies to spend 2% of their income on social responsibility, the stock prices of those companies dropped by 4.1%. Bartov, Marra, and Momenté (2021) also find that a company's social efforts can impact how its stock price reacts to bad news involving unintentional or fraudulent restatement announcements.

[1] See Gelles, David and Yaffe-Bellany, David (2019): "Feeling Heat, C.E.O.s Pledge New Priorities", *New York Times*, August 20, 2019, page A1 or Benoit, David (2019): "Move Over, Shareholders: Top CEOs Say Companies Have Obligations to Society", *Wall Street Journal*, August 19, 2019.

Importantly, neither strand of literature explores how the manager's idiosyncratic identity characteristics affects how communities view corporate social responsibility efforts and how these efforts impact company value. While there's some evidence that these identity traits can affect a company's social involvement,[2] the extant research on how CEO characteristics directly influence the link between social responsibility and company value is limited.[3]

In this paper, we examine how the presence of a CEO from the local area, a home CEO, affects the value companies earn from social responsibility efforts. We define home CEOs as those who lead companies located within 100 miles of where they were born. We focus on two main questions: First, do home CEOs' companies engage in more socially responsible activities than other companies? Second, do these efforts bring more value to companies led by home CEOs compared to others? Our findings show that the answer to both questions is yes.

Current research gives mixed answers to our questions. First, it is unclear whether home CEOs would engage in higher levels of CSR activity. For example, it is plausible that home CEOs would want to give back to their hometowns to keep good relationships and trust, suggesting that they would likely support social responsibility efforts. However, outsider CEOs might feel the need to engage in CSR to build trust with the local community. Home CEOs, already known and trusted, might not see the need to do as much. This would imply that companies led by outsider CEOs might actually be more involved in CSR activities.

Second, the relation between home CEOs' CSR activities and company value is not clear-cut either. Local stakeholders might trust home CEOs more. Ashforth and Mael (1989) note that

[2] Cronqvist and Yu (2017) document that when a firm's chief executive officer (CEO) has a daughter, the corporate social responsibility rating (CSR) is about 9.1% higher than the median firm. Di Giuli and Kostovetsky (2014) find that firms also score higher on CSR when they have Democratic rather than Republican founders.

[3] Three noticeable exceptions are Davidson, Dey, and Smith (2019) who document that CSR scores in firms with non-materialistic CEOs are positively associated with accounting and stock price performance, Banker, Ma, Pomare, and Zhang (2023) who show that innovating differentiators with higher CSR performance achieve higher financial performance, and Welch and Yoon (2022) who provide evidence that high-ability managers allocate resources to ESG in a way that enhances shareholder value.

people often group themselves by social identity, sharing common values and norms. This creates trust within the group (Brewer, 1999; Chen, Crossland, and Huang, 2016).[4] A specific social identity characteristic is "place identity", which is how people connect themselves to a specific place (Hernández, Hidalgo, Salazar-Laplace, and Hess, 2007). Place identity is typically not a deliberate choice by the CEO, but is usually decided by where they grew up (Proshansky, 1978). Because of this, home CEOs might have a stronger bond with the community than outsiders. Brewer (1999) posits that these "ingroups" are tight-knit communities built on trust. This trust is even more visible when people work together and depend on each other (Balliet, Wu, and De Dreu, 2014). So, it is likely that local stakeholders might value and respond more positively to decisions made by home CEOs, thereby increasing the company's value. However, home CEOs might also choose to engage in social responsibility efforts for personal benefits. CEOs might aim for political roles after their CEO jobs, hoping to gain from that position. They might obtain direct financial benefits by putting more money into these efforts. Dai, Gao, Lisic, and Zhang (2023) find that CEOs are less likely to leave if their company's social performance has recently improved. If home CEOs are driven by agency-related motivations when undertaking CSR activities, their companies might see a drop in value after such initiatives.

In our paper, we focus on non-financial, non-utility companies and use data from the Standard & Poor's Executive Compensation (ExecuComp) database for the years 1992 to 2018. We manually collect data about the birthplaces of the CEOs. About a quarter of these companies have home CEOs. We find clear differences between companies led by home and outsider (non-home) CEOs. Companies with home CEOs are usually in smaller communities with fewer

[4] Previous research indicates that local CEOs are often seen as more legitimate, reputable, and trustworthy (Legrand, Ariss, and Bozionelos, 2019). Bradshaw, Bushee, and Miller (2004) find that U.S. investors favor familiar accounting methods, showing a preference for companies that align more with U.S. accounting standards. This suggests a bias towards what's familiar or "local". Lei, et al. (2024) show that local CEOs are less likely to engage in financial misconduct.

people, less education, and fewer businesses. However, these communities tend to be wealthier with higher employment and more religious activity. This suggests that home CEOs often lead companies in tight-knit communities where trust and shared values are important.

Home CEOs engage in more CSR activities than outsider CEOs. Firms led by home CEOs have a CSR score about 3.19% higher than the median firm in the sample. When a firm changes from a non-local to a local CEO (or vice versa), we see a clear increase (or decrease) in CSR activities. The more connected a CEO is to their home state, such as spending more time there, getting their first degree there, or being on boards of other local companies, the greater the level of CSR activities they conduct. These results are consistent with Ren, Sun, and Tang (2023) who find similar effects in a sample of Chinese CEOs. Importantly, firms led by home CEOs show a positive link between their CSR activities and firm value, unlike those led by outsider CEOs. We see a steady rise in firm value (measured by Tobin's Q ratios) over 1 to 3 years when home CEOs drive CSR efforts. In practical terms, with all other factors considered, a one standard deviation increase in CSR by local CEOs boosts firm value by 3.58% over three years.

We decompose Tobin's Q to investigate the mechanisms underlying the higher firm value associated with home CEOs. Our analysis shows that home CEOs engaging in CSR exhibit higher asset turnover and a lower cost of equity. Internal CEOs and those with longer tenures are likely to demonstrate greater responsiveness to local stakeholders and better alignment with their preferences. Consistent with this, our results indicate that home CEOs who are internally promoted or have longer tenures are more likely to align their actions with local preferences, which is associated with enhanced firm value.

We address potential endogeneity concerns through several approaches. Using propensity score matching (PSM) analysis, we continue to observe a positive association between home

CEOs and CSR efforts. The positive relation between home CEOs and both CSR and firm value remains consistent in these tests. Furthermore, following Yonker (2017b) and Lai, Li, and Yang (2020), we employ desirable local weather at the firm's headquarters as an instrument for a firm's selection of a home CEO. This instrumental variable analysis continues to indicate a positive relation between home CEOs and CSR levels, and between CSR levels and firm value, helping to mitigate concerns about omitted variable bias.

We next investigate potential channels underlying the relation between CSR activity and firm value. We find that firms with home CEOs are associated with higher customer satisfaction, better supplier relationships, and improved employee satisfaction. These firms also exhibit increased productivity from local employees, which is linked to improved sales and profits following CSR activities compared to firms with outsider CEOs. We decompose the CSR score into five categories: community, environment, employee relations, diversity, and human rights. Our results show that home CEOs are more likely to engage in CSR activities related to community, environment, and employee relations, and they appear to effectively leverage these CSR strengths to create value. We also find an association between home CEOs and reduced carbon emissions directly tied to their company's operations, which may be related to local reputation considerations.

We address potential concerns about the broad CSR score potentially oversimplifying or misrepresenting the relationship between home CEOs and localized stakeholder interests. To do this, we construct a local CSR measure. We then show that home CEOs maintain a positive association with local CSR, which is linked to enhanced firm value. This effect is more pronounced in firms with higher local business concentration and stronger local investor monitoring. Our results suggest that both home CEOs' personal motivation to contribute to local

communities and potential scrutiny from local investors are associated with the observed relationship between home CEOs, increased CSR activities, and enhanced firm value. These findings are consistent with both the self-motivated birthplace identity theory and the external monitoring hypothesis.

Lastly, building on Lins et al. (2017), we study how these firms perform during times of low public trust, such as the 2008-09 financial crisis and the 2020 COVID-19 pandemic. Our findings indicate that only companies with home CEOs and a strong CSR history earn higher stock returns during these crises. This suggests investors value CSR efforts more in firms led by home CEOs during challenging periods.

The increase in firm value associated with CSR activities led by home CEOs does not seem attributable to agency effects. Tests of the agency hypothesis, using both a local CSR measure and an analysis of employment-related and overall CSR, consistently indicate that agency motivations do not sufficiently explain our results. Our findings remain consistent across a series of robustness tests. Specifically, they hold after ensuring that size is not driving the results (beyond simply controlling for firm size), using alternative measures of home CEO, employing different measures of CSR and data providers, using alternative industry classifications, excluding the top 3 CEO home counties, removing highly educated CEOs with advanced degrees or founder CEOs, and controlling for additional factors such as firm financial constraints, state-level religiosity, and various CEO characteristics such as political preferences (Republican/Democratic), overconfidence, narcissism, vega, delta, presence of daughters, and pilot status.

Our research offers new insights into the current literature. We are the first to link CEO-specific factors to the effect of CSR on firm value. While previous studies, like Borghesi et al.

(2014), Cronqvist and Yu (2017), Hegde and Mishra (2019), and Ren et al. (2023), show certain CEO types invest more in CSR, they do not connect CSR to firm value. Another group of studies, including Deng et al. (2013), Krüger (2015), Ferrell et al. (2016), and Lins et al. (2017), document a link between CSR and firm value but do not focus on CEO characteristics. We emphasize that CEO traits matter in these connections. In addition, our findings during the financial crisis and COVID-19 show that trust from CSR is tied to individual CEOs, not just the firms they lead, differing from suggestions by Lins et al. (2017) that the value of CSR is firm-specific, not individual-specific.

Second, our research adds to the growing body of work that connects CEO birthplaces with corporate decisions and outcomes. Previous research shows that where CEOs are born influences employment strategies (Yonker, 2017a), CEO pay (Yonker, 2017b), merger results (Jiang et al., 2019), bank lending (Lim and Nguyen, 2021), research spending (Lai et al., 2020), and innovation (Ren et al., 2021). We add to this literature by showing that a CEO's birthplace also impacts value through CSR activities. In addition, our study broadens the literature on CSR determinants by highlighting the influence of the CEO's geographic origin on firm value alongside CSR activities.[5] While much of the current discussion on CSR in the popular press and elsewhere centers on adjusting managerial incentives to influence CSR spending, it is crucial to recognize the unique aspects of a CEO's identity, like their place of origin, which can shape the effects of these incentives on CSR investment.

[5] These studies find that CSR activity is related, for instance, to mergers and acquisitions (Deng et al., 2013), political affiliation of the firm (Di Giuli and Kostovetsky, 2014), cash holdings (Cheung, 2016), analyst coverage (Adhikari, 2016), CEOs parenting daughters (Cronqvist and Yu, 2017), seasoned equity offerings (Dutordoir, Strong, and Sun, 2018), the cost of debt (Goss and Roberts, 2011), the cost of equity (Dhaliwal, Li, Tsang, and Yang, 2011), marital status of CEO (Hegde and Mishra, 2019), systematic risk (Albuquerque, Koskinen, and Zhang, 2019), the interactions with other product-market peers (Cao, Liang, and Zhan, 2019), and institutional investors (Chen, Dong, and Lin, 2020).

Third, our research adds to studies, such as those by Bertrand and Schoar (2003), Kaplan, Klebanov, and Sørensen (2012), and others, highlighting unique CEO styles that influence behavior.[6] We showcase another distinct CEO effect on how business policies impact value.

Our study relates closely to Ren, Sun, and Tang (2023). While both papers examine the relation between home CEOs and CSR, Ren, Sun, and Tang (2023) focus on Chinese firms and the extent of home CEOs' influence on CSR engagement. Our study, in contrast, primarily investigates how CSR activities conducted by home CEOs relate to firm value. We find that CSR activities led by home CEOs are associated with improved firm performance, particularly in areas such as community, environment, and employee relations. Our paper extends beyond the basic CSR-CEO connection by analyzing potential mechanisms through which home CEOs may enhance firm value. We find that home CEOs are associated with improved employee productivity, sales, and profit margins, as well as higher asset turnover and lower cost of equity. We also explore how the relation between home CEOs and CSR varies with firm characteristics, such as business concentration and local investor monitoring. Additionally, we examine the role of carbon emissions, finding that home CEOs are associated with reduced Scope 1 and Scope 2 emissions, possibly related to local reputation considerations, while showing less association with Scope 3 emissions. Thus, unlike Ren, Sun, and Tang (2023), we find that home CEOs are not uniformly associated with higher CSR. Notably, our analysis indicates that firms led by home CEOs experienced higher stock returns during the 2008-2009 financial crisis and the COVID-19 pandemic. In summary, our study provides a broader analysis of how home CEOs relate to firm

[6] Prior studies provide evidence that a CEO's life experience (Bernile, Bhagwat, and Rau, 2017, Cronqvist and Yu, 2017, and Hegde and Mishra, 2019), career experience (Custódio and Metzger, 2014), personal style (Islam and Zein 2020), overconfidence (Malmendier and Tate, 2005), gender (Ahern and Dittmar, 2012), age (Yim, 2013), cognitive and noncognitive ability (Adams, Keloharju, and Knüpfer, 2018), political ideology (Hutton, Jiang, and Kumar, 2014), and lifestyle (Sunder, Sunder, and Zhang, 2017), among others, affect corporate decisions.

value through CSR activities, extending beyond Ren, Sun, and Tang's (2023) focus on the impact of home CEOs on CSR activities alone.

The remainder of the paper is organized as follows. Section 2 describes the data, methodology, and our measures of home CEOs and CSR. Section 3 presents our main empirical analyses. Section 4 concludes.

2. Data

2.1. Sample construction and measures of home CEOs

Our initial sample consists of the universe of firms covered by the ExecuComp database over the period 1992–2018. We exclude financial firms (SIC 6000–6999) and regulated utilities (SIC 4900–4999) because our analysis uses firm characteristics (e.g., debt ratios) that are constrained by regulatory requirements in these industries. To create our measure of home CEOs, we manually collect birthplace data of CEOs from Marquis Who's Who, Standard and Poor's Register of Directors and Executives, Lexis-Nexis, NNDB.com, or Google searches. We classify a CEO as a home CEO if the distance between her place of birth and the firm's headquarters is less than 100 miles.[7]

Next, we match this sample to the MSCI ESG KLD database using CUSIP or TICKER identifiers and firm names.[8] To calculate the distance between the CEO's hometown and the

[7] In robustness tests, we use several alternative methods to identify home CEOs, including a continuous measure of distance (ln (distance+1)) and restricting distance between CEO hometown and firm headquarters to lie within 50 or 200 miles. To rule out possible confounding effects driven by CEOs who were born in a place but did not grow up there, we restrict our analysis to cases where the CEO was likely to have been both born and grown up in a particular state by using information from Yonker (2017b), who gathers the Social Security Number (SSN) from the LexisNexis online public records database. Bernile et al. (2017) argue that for over three-quarters of the cases in this sample, the birth state of CEO and SSN state coincide. Our results are qualitatively similar in these alternative models.

[8] We use firm names to match firms if the observations cannot be matched by CUSIP or tickers. Because some firms share the same ticker in KLD, we also check firm names by hand when matching the two datasets using ticker symbols.

firm's headquarters, we follow the procedure in Vincenty (1975).[9] After merging with financial data from Compustat and removing missing values of firm and CEO characteristics, our final sample consists of 1,116 unique CEOs in 851 firms and 6,257 firm-year observations. Table A1 in the online appendix details our sample construction process. This table outlines the filtering steps and specifies the number of observations excluded at each stage based on our criteria.

2.2. Measure of corporate social responsibility

We construct our measure of corporate social responsibility activities using data collected from the MSCI ESG KLD database. KLD rates large publicly traded US companies on environmental, social, and governance (ESG) activities and has been used in numerous studies that investigate the determinants and consequences of firms' CSR (see, e.g., Hong and Kostovetsky, 2012, Deng et al., 2013, Di Giuli and Kostovetsky, 2014, Krüger, 2015, Lins et al., 2017, Cronqvist and Yu, 2017, and Chen et al., 2020). Based on a wide variety of sources, including company filings, government data, non-governmental organization data, and media, KLD evaluates firms' social performance in seven major categories: community, diversity, employee relations, environment, human rights, product, and corporate governance. Following Servaes and Tamayo (2013), Lins et al. (2017), and Cao et al. (2019), we remove the product category because it contains several elements that lie outside the scope of CSR, such as product quality, safety, and innovation. We also remove the corporate governance category, as it is generally not a part of the CSR activities undertaken by the firm (Lins et al., 2017). Nevertheless, in section A3 of the online appendix, we control for the strength of firm's corporate governance using several proxies of corporate governance and obtain similar results.

[9] Headquarters' location data are obtained from Compustat. Changes in headquarters locations are obtained from the Notre Dame Software Repository for Accounting and Finance (SRAF). To calculate the distance between the coordinates of the CEO's hometown and the firm's headquarters, we also require that the geographic coordinates (longitude and latitude) can be obtained from the US Census (2014) Gazetteer.

For each of the categories, KLD classifies firms' activities into "strengths (good deeds)" and "concerns (harmful deeds)". A firm gets one point if it engages in a related activity and zero otherwise. For instance, a firm gets one point for a "Workforce Reduction Concern" if it "has made significant reductions in its workforce in recent years", and zero otherwise. A rough proxy for the firm's engagement in CSR activities is the raw measure of CSR activities, which is the sum of strength scores minus the sum of concern scores (used, for example, in Hong and Kostovetsky, 2012, Di Giuli and Kostovetsky, 2014, and Chen et al., 2020). However, because: i) KLD gives equal weight to individual indicators when comparing CSR activities across years and categories, and ii) the number of strength and concern indicators varies for each category every year (Deng et al., 2013, and Lins et al., 2017), comparing the raw CSR scores across categories and years might lead to biased results. Hence, following Servaes and Tamayo (2013) and Lins et al. (2017), we construct an adjusted measure by dividing the strength and concern scores for each of the five categories by the respective number of strengths and concerns. Our adjusted CSR score is the difference between the total adjusted CSR strength score and the total adjusted CSR concern score. We use this adjusted CSR score as our main measure of a firm's engagement in CSR activities.[10]

2.3. Descriptive statistics

Panels A and B of Table 1 report summary statistics for our firm and CEO variables for the overall sample, as well as for home and outsider CEOs, respectively. We winsorize all our non-binary variables at the 1st and 99th percentiles. To facilitate the interpretation of the economic size of the estimated home CEO effect, we follow Cronqvist and Yu (2017) and normalize the CSR score so that the minimum value is zero. Our sample firms are roughly similar to the samples in prior studies along firm and CEO characteristics (e.g., Deng et al., 2013, Di Giuli and

[10] In Table A6 of the online appendix, we show that our results hold if we use the raw CSR score.

Kostovetsky, 2014, and Cronqvist and Yu, 2017). Firms with home CEOs represent 24.5% of firm-year observations in our sample, which is between the proportions documented by Lai et al. (2020) and Yonker (2017b), 21.3% and 30%, respectively. Panel A also presents univariate statistics for firms with home CEOs versus outsider CEOs. Firms with home CEOs have lower Tobin's Q than firms with outsider CEOs. They have similar size, leverage, and return on assets as firms with outsider CEOs.

Panel B presents statistics for CEO characteristics. Home CEOs are more likely to be male and tend to have longer tenures and greater ownership stakes than outsider CEOs. Panel C provides summary statistics for county variables. Home CEOs manage firms that are located in counties with smaller populations and lower per capita incomes, lower levels of education, and a smaller number of business establishments. The counties are also characterized by higher levels of employment and religiosity. These county characteristics are consistent with the view that local stakeholders in small communities with shared values and fewer business establishments are likely to trust a local home CEO more than an outsider CEO.[11]

3. Results

3.1. Are firms run by home CEOs associated with higher CSR scores?

To answer this question, we employ the following pooled OLS regression model:

$$CSR\ Score_{i,t+1} = \alpha + \beta\ Home\ CEO_{j,t} + \mu F_{i,t} + \lambda C_{j,t} + \gamma_i + \delta_t + \varepsilon_{i,j,t} \qquad (1)$$

where i indexes firms, j indexes CEOs, and t indexes time. All independent variables are lagged by one year. γ and δ denote firm and year fixed effects respectively. ε is the error term.

[11] In Table A2 of the online appendix, we conduct a direct comparison of county-level social capital in locations where companies with home CEOs are based, relative to those with outsider CEOs. Home CEOs are more likely to be found in counties characterized by higher levels of social capital, and the social capital within these local communities enhances the positive relationship between home CEOs and CSR initiatives.

The dependent variable, CSR score, is the sum of adjusted CSR scores calculated from five CSR categories (community, environment, employee relations, diversity, and human rights) in year t+1. The main explanatory variable, *Home CEO*, is a dummy variable that equals one if the distance between the CEO's birth county and the firm headquarters county is less than 100 miles, and zero otherwise. F and C are vectors of firm and CEO control variables that have been found to affect firm CSR engagement in the prior literature (Cronqvist and Yu 2017). Specifically, firm-level controls consist of size (proxied by ln (total assets)), profitability (proxied by return on assets (ROA)), leverage, and a proxy for growth opportunities, the market-to-book ratio. CEO control variables include a female CEO indicator, CEO age, CEO age^2, CEO tenure, CEO tenure^2, and CEO ownership.

To control for time-invariant firm characteristics that might affect CSR, we add firm fixed effects. We also include year fixed effects to control for a possible time trend of firms becoming more concerned about CSR over time.[12] We do not use CEO fixed effects in our regression models for the same reason as in Cronqvist and Yu (2017). Most CEOs retire after their tenures and only 37 out of the 963 CEOs in our sample manage two different firms during the period we study, making the use of CEO fixed effects empirically challenging. Across all models, we use heteroscedasticity-robust standard errors double-clustered at the county-year level (Lim and Nguyen 2020). Overall, our model compares firms with home CEOs versus those with outsider CEOs within the same firm and year, and with similar firm and CEO characteristics.

Table 2 presents the regression results from Equation (1). Model (1) includes only firm control variables, model (2) includes only CEO control variables, and model (3) includes both firm- and CEO-level controls. Across all three models, there is an economically sizeable and consistently strong positive association between home CEOs and CSR, significant at better than

[12] There is no corresponding trend in the proportion of home CEOs.

the 5% level. In economic terms, firms managed by a home CEO are associated with higher CSR ratings which range between 3.02% (= 0.085/2.817 in model (2)) and 3.19% (= 0.090/2.817 in model (3)), relative to the median firm in our sample. This corresponds to approximately 16.07% (= 0.090/0.560) of one standard deviation of the CSR score distribution. Home CEOs appear to undertake significantly higher CSR activities in their local communities relative to outsider CEOs. Our results are consistent with Ren et al. (2023) who find similar results for a sample of publicly listed Chinese firms.

3.2. The effects of CEO changes and CEO home connection

If the level of a company's CSR engagement correlates with the CEO's status as a home CEO, this effect should be particularly pronounced during CEO transitions. Within our dataset, we identify a total of 207 CEO changes and categorize them into four distinct types: turnovers from an outsider CEO to a home CEO, turnovers from a home CEO to an outsider CEO, turnovers from a home CEO to another home CEO, and turnovers from an outsider CEO to another outsider CEO.

Our analysis employs a difference-in-differences methodology. This approach enables us to investigate whether the change in CEOs between the pre-treatment (control) period and the post-treatment period differs between treated firms, i.e., those experiencing a CEO change, and control firms. To accomplish this, we employ a one-to-one matching process for each observation within the treatment group, using criteria such as the calendar year, 2-digit SIC industry classification, market-to-book ratio, and ROA. The control group comprises matched observations of firms that do not undergo a CEO change in year *t*. We calculate the change in the CSR score by comparing values from one year prior to the CEO change until two years subsequent to the CEO change (*t*-1, *t*+2), with year *t* representing the year of the CEO transition.

Subsequently, we evaluate differences in the means of these CSR score changes between the treatment group and the control group.

In Table 3 Panel A, the first treatment group contains observations where an outsider CEO is replaced by a home CEO. There are 33 CEO changes in this category. The average change of the CSR score in the treatment group is 0.121 in comparison to -0.097 in the control group. The mean difference is positive and statistically significant at the 5% level, indicating that the CSR score significantly increases when an outsider CEO is replaced by a home CEO. The second treatment group in Panel A contains 28 observations where a home CEO is replaced by an outsider CEO. Using a similar matching approach with the control group containing matched firms with home CEOs in year *t*-1 and no CEO change in year *t*, we find that the average change of CSR score in the treatment group is -0.137 relative to 0.345 in the control group. The mean difference is negative and statistically significant at the 1% level, which suggests that the CSR score plunges when a home CEO is replaced by an outsider CEO.

The third and fourth treatment groups contain treated samples of firms where an outsider CEO is replaced by another outsider CEO, and a home CEO is replaced by another home CEO. In neither case is the difference in changes of the CSR score between the treatment and control group statistically significant at conventional levels. Firm CSR engagement does not change when an outsider CEO is replaced by another outsider CEO or when a home CEO is replaced by another home CEO.

Existing literature indicates that the influence of home CEOs becomes more pronounced as the level of connectivity between CEOs and their hometowns increases (see, e.g., Jiang et al. 2019). If the birthplace identity effect on CSR is not spurious, we should expect the effect to be more pronounced for home CEOs with stronger home ties. We use three variables to capture

home connections as in Pool et al. (2012) and Jiang et al. (2019). The first one is the variable "attended home college or university", which is a dummy set to one if the CEO was educated in a home state college or university, and zero otherwise. The second variable to capture home ties is the "long home tenure", which is a dummy set to one if the number of years that the CEO lived in her home state is greater than the sample median, and zero otherwise. The third, "hometown board position", is a binary variable that is equal to one if the CEO is the board member of another firm in her hometown state in a given year, and zero otherwise.

Table 3 Panel B reports the results for the analysis on CEO home connections. We augment the model (3) in Table 2, by interacting home CEOs with the three CEO home connection variables. The positive association between home CEOs and CSR remains statistically significant in all three models. Importantly, in all three models, the interaction terms between the home CEO indicator and the home connections variables are significant and positively related to the CSR score. This indicates that the positive correlation between the CEO's birthplace identity and CSR initiatives becomes more pronounced among CEOs who maintain stronger connections to their hometowns.

3.3. The impact of home CEOs' CSR activities on firm value

The prior literature finds mixed evidence on the relation between CSR and firm performance. Friedman (1970) suggests that CSR investments that ultimately benefit other stakeholders at the expense of shareholders will lead to reduced corporate profits and stock prices. Servaes and Tamayo (2013), Flammer (2015), and Albuquerque et al. (2019) show, however, that CSR affects Tobin's Q positively. In our analysis, we investigate whether having a home CEO affects the impact of CSR on firm value. Specifically, we examine whether CSR

activities by home CEOs add to or destroy firm value relative to activities undertaken by outsider CEOs, using the following pooled OLS regression model:

$$Tobin's\ Q_{i,\,t+1} = \alpha + \beta_1\ Home\ CEO_{j,t} + \beta_2\ Home\ CEO_{j,t} \times CSR\ Score_{i,t} + \beta_3\ CSR\ Score_{i,t} + \mu F_{i,t} + \lambda C_{j,t} + \gamma_i + \delta_t + \varepsilon_{i,j,t} \quad (2)$$

where *i* indexes firms, *j* indexes CEOs, and *t* indexes time. All independent variables are lagged by one year. γ and δ denote firm and year fixed effects. ε is the error term.

The dependent variable is Tobin's Q as a measure of firm value in year *t*+1 (model (1)), *t*+2 (model (2)), and *t*+3 (model (3)).[13] The main explanatory variable of interest is the interaction term between home CEO and CSR. *F* and *C* are vectors of the same firm and CEO control variables used in previous analysis. We also include contemporaneous Tobin's Q as an additional control variable to address the potential reverse causality argument, where higher-performing firms may allow their hometown CEOs to "give back" to the community through CSR. Yonker (2017a) notes that a firm fixed effects model allows us to control for time-invariant unobservable firm-specific variation that may be related to a specific firm's CSR decision-making, i.e., it captures differences in CSR activities between home and outsider CEOs within the same firm.

The results are reported in Table 4 Panel A. In models (1) through (3), the interaction variable has a positive and significant coefficient (at better than the 5% level). This indicates a significant positive association between Tobin's Q and CSR for firms with a home CEO compared to those with an outsider CEO. In economic terms, from model (3), a one standard deviation increase in CSR activities performed by home CEOs leads to an increase in firm value by 3.58% (=0.0.64×0.560) within a three-year period. These results maintain their validity when

[13] KLD scores exhibit a robust persistence over time, rendering any attempts to gauge the impact of annual fluctuations in KLD ratings on changes in Tobin's Q essentially fruitless.

explicitly controlling for weak corporate governance (in Table A4 of the online appendix) and are robust across a battery of additional tests (in Table A5 of the online appendix). Furthermore, they hold for alternative definitions of home CEO and CSR (as detailed in Table A6 of the online appendix).

Panel A of Table 4, however, shows a negative relation between the uninteracted home CEO variable and Tobin's Q in years *t*+2 and *t*+3. This might suggest that being a home-grown CEO is for many firms not a good idea. To examine whether an omitted variable drives away this effect, we fully saturate the model with as many CEO characteristic variables as possible. Specifically, we include variables for Republican CEOs, CEO overconfidence, CEO vega, CEO delta, narcissistic CEOs (Patel and Cooper, 2014), pilot CEOs (Cain and McKeon, 2016), and CEOs with daughters (Cronqvist and Yu, 2017). Di Giuli and Kostovetsky (2014) find that the CSR score of firms differs significantly based on the political preferences of their CEOs with CSR scores being higher for firms with Democratic than Republican CEOs. To control for the political preferences of CEOs, we rely on personal political contributions data from Hutton et al. (2014). We create an indicator variable *Republican CEO*, which is a dummy variable that is equal to one if a CEO is identified as a Republican CEO, and zero otherwise. We also control for CEO overconfidence using the status of CEOs' option packages. Specifically, as in Malmendier and Tate (2005), the overconfidence dummy, *Holder67*, is set to one from the first year in which CEOs did not exercise 67% in-the-money options in at least two occasions, and zero otherwise. In addition, CEO vega is the dollar change in a CEO's wealth associated with a 1% change in the firm's stock price (in $ million). CEO delta is the dollar change in a CEO's wealth associated with a 1% change in the standard deviation of the firm's returns (in $ million). Narcissistic CEO is proxied as the ratio of the CEO's cash compensation to that of the second-highest paid

executive in the firm. Pilot CEO is a dummy variable that is equal to one if the CEO has a pilot license, and zero otherwise. CEO daughter is a dummy variable that is equal to one if the CEO has a daughter, and zero otherwise. We also add firm and year fixed effects, and the results are presented in Table 4 Panel B. The negative coefficient for home CEOs becomes insignificant in most specifications, and only marginally significant at the 10% level for Tobin's Q_{t+3} in column (4). This suggests that the previously documented negative relationship between home CEOs and Tobin's Q is not consistent or robust when additional CEO characteristics and time-invariant firm attributes are controlled for. Since our sample size drops by half due to missing observations when we add these additional variables, we do not include these variables in our main tests.

3.4. Decomposition of Tobin's Q

To better understand what drives the improved valuation of firms with hometown CEOs, it is useful to decompose Tobin's Q into its components. We break down Tobin's Q into asset turnover, sales growth, profitability, cost of debt, and cost of equity. Firm and year fixed effects are included in the analysis, and the results presented in Table 5.

Our main variable of interest is the interaction term (home CEO × CSR). In model (1), the dependent variable is asset turnover, defined as the ratio of sales to total assets. Our analysis reveals a positive association between home CEOs engaging in CSR activities and asset turnover, indicating that CSR investments made by home CEOs are linked to higher asset turnover. In models (2) through (4), where the dependent variables are sales growth, profitability, and cost of debt, respectively, the interaction term is statistically insignificant. In model (5), the dependent variable is cost of equity, defined as the expected return from the Fama-French three-factor model, estimated on the final trading day of the year. We find that the interaction term carries a negative and significant coefficient (at the 5% level), suggesting that CSR investment by home CEOs

is associated with a lower cost of equity. In summary, our decomposition of Tobin's Q reveals that home CEOs who engage in CSR benefit from higher asset turnover and a lower cost of equity.

3.5. Cross-sectional heterogeneity: Internal CEOs and CEO tenure

The previously documented valuation effects can also be extended to differentiate between internal and external CEOs. Internal CEOs, having served the firm prior to becoming CEOs, are likely more attuned to local stakeholders and more inclined to align with their preferences. A similar argument applies to CEOs with longer tenures. Both internal and long-tenure CEOs are expected to be more responsive to local stakeholders. To explore this further, we analyze the influence of internal CEOs and CEO tenure on the relationship between CSR investments and firm value for home versus outsider CEOs. Firm and year fixed effects are included, and the results are presented in Table 6.

In models (1) and (2), we compare subsamples of internal CEOs and external CEOs. Internal CEOs are defined as those who joined the company before assuming the CEO role. We find that the interaction term "Home CEO × CSR" is positive and statistically significant only in column (1), for the internal CEO subsample, when Tobin's Q is the dependent variable. In models (3) and (4), we split the sample based on CEO tenure, categorizing CEOs into long-tenure and short-tenure groups, with long-tenure CEOs defined as those with tenure greater than the sample's median in a given year. The previously observed valuation effect of home CEOs' CSR activities is concentrated in long-tenure CEOs, as indicated in column (3). This finding suggests that home CEOs with longer tenure may be more inclined to align their actions with local preferences in ways that benefit firm value.

3.6. Addressing endogeneity through propensity score matching

A major concern with our causal interpretation of the relation between home CEOs and CSR activities is endogeneity. There are two possible sources of endogeneity. The first is reverse causality. It is possible that boards choose the firm's desired CSR strategies and hire CEOs to implement these strategies. If home CEOs are better able to articulate or implement these CSR strategies, then the positive relation between home CEOs and CSR may be driven by reverse causality. The second is an omitted variables bias, arising from unobservable characteristics that are related both to CEO selection by firms and to CSR activities.

To solve the matching issue and ensure that our results are not driven by observable characteristics which induce home CEOs to invest in CSR, we first implement a propensity score matching (PSM) analysis as in Drucker and Puri (2005). We match firms that hire home CEOs (treated) with firms exhibiting analogous characteristics but do not have a home CEO (control). The treatment effect from the PSM estimation is the difference between the treated sample and the matched control sample, as measured by the home CEO coefficient.

To match firms, we calculate a one-dimensional propensity score, which is a function of observable characteristics used in model (3) of Table 2 plus six more county-level variables to capture location characteristics that might drive CSR activities. These are: i) population ii) income per capita, iii) employment; iv) education; v) number of establishments; and vi) religiosity levels, all variables that are significantly different across the locations of firms managed by home and outsider CEOs, respectively (see Table 1, Panel C). We implement a one-to-one (i.e., nearest neighbor) matching estimator with replacement.[14] To ensure the adequacy of the matching estimation method, we require that the absolute difference in propensity scores between pairs does not exceed 0.01. Table 7 Panel A reports the PSM results. Using the matched

[14] For robustness, we also use 30-nearest-neighbors, 50-nearest-neighbors, and Gaussian and Epanechnikov kernel-based matching estimators. We find similar (untabulated) results with these different estimators.

sample, we re-run the regression with the same control variables and fixed effects as the model (3) of Table 2. The results remain robust, confirming that selection on observable characteristics does not bias the positive impact of home CEO on CSR activities.

Table 4 documented a positive correlation between Tobin's Q and CSR for companies led by home CEOs compared to those helmed by outsider CEOs. To ensure that those findings are not influenced by observable attributes that might encourage home CEOs to invest in CSR, we replicate the PSM approach for that analysis. Using the same matching process with the observable characteristics in model (1) of Table 4 Panel A and the six supplementary county-level variables, we construct a similar propensity score. Within the matched sample, as presented in Panel B of Table 7, we then proceed to re-run the regression using the same control variables and fixed effects applied in models (1) through (3) of Table 4 Panel A.[15] The results validate the robustness of our findings, confirming that selection based on observable attributes does not introduce bias into the positive impact of home CEO on the relationship between CSR score and firm value.

3.7. Addressing endogeneity: Two-stage instrumental variable analysis

To address the possibility that an omitted variable bias drives our results in Table 2 and Table 4, we perform two-stage instrumental variable (IV) analyses (2SLS) and present the results in Table 8. The IV approach requires an instrumental variable that is correlated with the choice of home CEOs to manage the firm but is uncorrelated with CSR activities. Following Yonker (2017b) and Lai et al. (2020), we use desirable weather in the county of the firm's headquarters as an instrument for the firm's decision to select a home CEO. In general, as people prefer sunny

[15] In Panels A and B of Table A3 in the online appendix, we present the difference-in-means analysis of the independent variables for firms led by home CEOs and those led by outsider CEOs within the matched sample. The comparability of all the examined independent variables within the matched sample shows the effectiveness of the PSM process in mitigating any evident sample selection biases.

weather, firms in counties with more desirable weather are likely to have a larger pool of talented CEOs from across the country to attract and are, thus, less likely to hire locally. Hence, this instrument is likely to satisfy the relevance requirement of instrumental variables. Simultaneously, the desirable weather in the headquarters' county is arguably unlikely to be correlated with the firm's choice of CSR or firm value, satisfying the exclusion condition of instrumental variables.

To construct our instrumental variable, we use data from the US National Oceanic and Atmospheric Administration (NOAA), which records the historical weather data on i) abnormal temperature days (i.e., freezing days with minimum temperature 32 °F or less, and very hot days with maximum temperature 90 °F or higher), and ii) the amount of sunshine (the percentage of the maximum amount of sunshine from sunrise to sunset with clear sky conditions). The desirable weather measure is calculated as the average of (1) the percentage of days with normal temperature (1- abnormal temperature days/365) and (2) the amount of sunshine. For every county, this variable is measured with historical data from the nearest weather station within 50 miles (the average distance is 10.404 miles). It is important to note that we use industry fixed effects instead of firm fixed effects in Table 8, as our instrumental variable is based on state-level weather conditions.

In Panel A, we conduct the IV analysis to re-examine the relationship between home CEOs and CSR levels (i.e., the results in Table 2). In the first stage (Panel A model (1)), we regress the variable Home CEO on the *Desirable Weather* as well as on all other firm- and CEO-level control variables used in model (3) of Table 2. As expected, we find a strong negative relation between *Desirable Weather* and *Home CEO*. Importantly, we find that the Kleibergen-Paap Rk Wald F statistic for the weak identification test is comfortably higher (79.614) than the critical

value and satisfies the relevance condition (23.109), allowing us to reject the null of weak identification. In the second stage (model (2)), we run the regression as in the model (3) of Table 2 where the instrumented home CEO variable is our main variable of interest. The significantly positive relation between the instrumented home CEO and CSR score remains (at the 1% level).

In Panel B, we conduct the IV analysis to re-estimate the impact of home CEOs on the relation between CSR score and firm value (i.e., the results in Table 4). In model (1), we regress the variable *Home CEO* on the *Desirable Weather* as well as on all other firm- and CEO-level control variables used in model (1) of Table 4 Panel A. As expected, we find a significantly negative relation between desirable weather and *Home CEO*. Importantly, we find that the effective F statistic for the weak identification test is comfortably higher (53.826) than the critical value (11.590) and satisfies the relevance condition, allowing us to reject the null of weak identification.

Following Wooldridge (2010), we also use a second first-stage IV regression where we instrument the interaction variable to satisfy the rank condition. This is because interactions with an endogenous variable, such as CSR, are themselves endogenous (Murnane and Willett, 2011). Specifically, in model (2), we regress the interaction term *Home CEO* × *CSR* on desirable weather in firm headquarters county and desirable weather in firm headquarters county × CSR as well as on all other control variables. We obtain similar results in this first-stage regression.

In the second stage (model (3)), we run the same regression as in the models of Table 4 Panel A where the instrumented home CEO × CSR variable is our main variable of interest. The significantly positive relation between the instrumented home CEO × CSR score and Tobin's Q remains (at the 1% level).[16] These results, combined with our extensive set of controls, help

[16] In Table 8, we observe larger coefficients for the instrumented variables, Home CEO and Home CEO × CSR, in comparison to their OLS counterparts. This phenomenon, often encountered in finance research, has been noted by

alleviate endogeneity concerns and confirm the robustness of our finding that home CEOs engage in higher levels of CSR activities and these CSR activities conducted by home CEOs lead to higher firm value than those conducted by outsider CEOs.

3.8. Are home CEOs better regarded? Evidence from customer satisfaction, suppliers' trade credit and employee satisfaction

Our findings demonstrate that when home CEOs participate in CSR activities, they contribute value to the firm. One plausible explanation for this phenomenon is that home CEOs possess a deeper well of local knowledge, which includes advantageous insights into the local business landscape and valuable connections within the local business and political spheres (Yonker, 2017b). These localized skills are likely to empower home CEOs in making targeted CSR decisions that effectively nurture social trust on behalf of the firm. If it holds true that local stakeholders place greater trust in CEOs from their own community, we should anticipate a higher level of stakeholder satisfaction in companies led by home CEOs. In this section, we examine the impact of home CEOs on various aspects of satisfaction, including customer satisfaction, suppliers' trade credit, and employee satisfaction.

The results are presented in Table 9. Beginning with model (1), we employ a linear probability model to investigate whether firms led by home CEOs exhibit higher levels of customer satisfaction. In this analysis, the dependent variable is a dummy variable that equals one if the firm's customer satisfaction score is higher than its industrial benchmark in the American Customer Satisfaction Index (ACSI) each year, and zero otherwise. As anticipated, we

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Jiang (2017), who suggests that substantially inflated estimates in instrumental variables may not necessarily represent an improvement over OLS estimates. Such inflation can be attributed to various factors, including an overestimation of the local average treatment effect and the presence of weak instruments in the first stage. However, it's important to emphasize that our IV approach successfully passes the weak identification test and the IV estimates are only 2-4 times larger than the OLS estimates (if both are estimated with industry fixed effects).

find that firms managed by home CEOs indeed have higher levels of customer satisfaction than their counterparts led by outsider CEOs.

Moving onward, we shift our focus to explore whether suppliers to firms with home CEOs are inclined to provide more generous trade credit relative to firms with outsider CEOs. We posit that the level of asymmetric information faced by these firms' suppliers, particularly local ones, diminishes when these firms are under the leadership of home CEOs. The higher level of trust that suppliers have in home CEOs results in an increase in the amount of trade credit extended to the firm. In models (2) and (3), we use payables scaled by sales and cost of goods sold, respectively, as proxies for the trade credit granted to the firm. These models reveal that firms with home CEOs are indeed associated with an increase in account payables.

In the final segment of our analysis, we use a novel dataset sourced from Glassdoor to explore employee satisfaction. Glassdoor has collected employee satisfaction ratings and reviews of employers since 2008. Specifically, these reviews include employees' ratings on a scale of one to five, along with assessments in various categories such as work/life balance, culture and values, career opportunities, and compensation and benefits.

In model (4), we deploy the average score from Glassdoor Rating as a dependent variable to gauge overall employee satisfaction. Notably, the presence of a home CEO within a firm is accompanied by a positive and statistically significant coefficient at the 5% level, suggesting that firms with home CEOs are associated with higher employee satisfaction. To put this into economic perspective, firms with a home CEO at the helm are linked to an 1.91% increase in employee satisfaction (=0.065/3.400), relative to the median firm within our sample.

Furthermore, we conduct a detailed examination of employee satisfaction across various areas, including work/life balance, culture and values, career opportunities, and compensation

and benefits in models (5) to (8). In all models except one (model (6) for culture and values), there is a strong and consistently positive correlation between the presence of home CEOs and employer ratings, which is statistically significant at levels above 5%. In economic terms, firms led by home CEOs are associated with a 3.54% (=0.124/3.503) improvement in work/life balance, a 10.42% (=0.331/3.177) enhancement in career opportunities, and a 3.66% (=0.125/3.418) boost in compensation and benefits, relative to the median firm.

In models (9) and (10), we construct two additional variables to gauge employee satisfaction. The first variable is the firm recommendation ratio, calculated as the proportion of employees who recommend the firms they are employed at. The second variable is the CEO Approval Ratio, computed as the proportion of employees who approve of their CEO.[17] Remarkably, firms led by home CEOs are associated with higher firm recommendation and CEO approval ratios, further highlighting the positive impact of home CEOs on employee satisfaction.

3.9. The effects of CSR on gross margin, sales growth, and employee productivity

In the preceding sections, our analysis has established two key findings: i) firms led by home CEOs who engage in CSR activities exhibit higher firm value; and ii) home CEOs are associated with increased levels of customer satisfaction, suppliers' trade credit, and employee satisfaction. In this section, we examine the mechanisms through which customers, suppliers, and employees contribute to enhanced firm value, distinguishing between local and non-local stakeholders.

[17] The average overall Glassdoor Rating in our sample is 3.34 stars, which is very similar to Green, Huang, Wen, and Zhou (2019). Additionally, 51% of employees, on average, recommend the firms they are employed at, while about 44.39% of employees approve of their CEO.

The outcomes of this analysis are presented in Table 10, with each model focusing on the interaction between Home CEO and CSR.[18] In models (1) and (2), our primary variable of interest is gross margin, defined as total sales minus costs of goods sold, scaled by total assets. We aim to investigate whether home CEOs who actively engage in CSR activities tend to price their products with higher mark-ups. Model (1) assesses the effects on local customers or suppliers, while model (2) analyzes the impact on non-local customers or suppliers. To identify local customers and suppliers, we extract data from the Compustat Segments Customer File. Using manual search procedures, we identify US-listed customers with their corresponding Compustat identifiers (GVKEY). The variables "Local" and "Non-local" customers or suppliers are binary indicators that take the value of one if customers or suppliers are situated within (or outside) 100 miles from the firm's headquarters, and zero otherwise.

Model (1) shows that firms led by home CEOs that engaged in CSR activities enjoy higher gross margins than those led by outsider CEOs. In economic terms, a one-standard-deviation increase in the CSR score translates to an 1.68% (=0.560×0.030×100) increase in gross margin for home CEOs relative to their outsider CEO counterparts. In contrast, no significant effect is observed for non-local customers or suppliers, highlighting the key role of local stakeholders in supporting home CEOs.

One important concern here is whether the higher mark-ups observed in model (1) are connected to reduced sales growth for the firm, potentially putting shareholders in a risky position. To address this concern, models (3) and (4) examine sales growth, calculated as the percentage growth in sales relative to the previous year, as the dependent variable. Interestingly,

[18] We use industry fixed effects rather than firm fixed effects for the tests related to customer satisfaction, trade credit, employee satisfaction (Table 9), and CSR's impact on operating performance (Table 10). In these cases, the key variation of interest arises from differences across firms and CEOs, rather than within the same firm over time. Including firm fixed effects would absorb much of the between-firm variation, which is essential for understanding the influence of home CEOs on these outcomes.

firms led by home CEOs that actively engage in CSR activities exhibit higher sales growth compared to those led by outsider CEOs. A one-standard-deviation increase in CSR is associated with a 2.97% (=0.560×0.053×100) boost in sales growth over the sample period. Once again, this positive effect is evident solely for local customers (model (3)), with no significant impact on non-local customers (model (4)). Collectively, models (1) and (3) suggest that firms with home CEOs involved in CSR achieve higher sales figures despite implementing higher mark-ups. This implies that customers of these firms are more likely to stay loyal to a company led by a trusted CEO (i.e., a home CEO), who is also dedicated to maintaining that trust through CSR activities.

In models (5) and (6), we investigate whether firms led by home CEOs that engaged in CSR activities have higher sales per employee than those led by outsider CEOs. Model (5) examines the impact on local employees, while model (6) considers non-local employees. The "Local" and "Non-local" employee variables are binary indicators that take the value of one if a firm has a higher-than-median number of local (or non-local) employees. To estimate the number of local employees for a firm, we calculate it by multiplying its annual market share by the number of employees in the same industry within the firm's headquarters county. Data regarding county-specific industrial employment stems from the County Business Patterns (CBP) database, while market share is computed based on market capitalization and 2-digit SIC codes.

Our analysis reveals a positive association between the interaction of home CEOs and CSR activities and employee productivity in model (5) for local employees. In economic terms, a one-standard-deviation increase in the CSR score corresponds to a remarkable $49,164 (=87.793×0.560) surge in sales per employee for firms led by home CEOs in comparison to firms led by outsider CEOs. Considering that the mean (median) firm throughout the estimation

period reports sales per employee of $471,522 ($283,272), with a standard deviation of $560,791, this result highlights the considerable impact of CSR on employee productivity.

Moreover, models (7) and (8) examine employee growth and find no evidence of higher layoffs in firms led by CEOs involved in CSR. Instead, these firms show an increase in employee numbers, particularly for local employees, as seen in model (7). In summary, these findings collectively suggest that firms led by home CEOs, and engaged in CSR, benefit from three distinct channels through which value is created: i) greater effort exerted by local employees, as reflected in their heightened productivity; ii) a higher propensity of local customers to maintain their support for these firms, resulting in increased sales growth, and iii) a willingness to accept higher mark-ups. The latter observation also partially mirrors the support extended by suppliers through more lenient funding terms.

3.10. Decomposition of CSR

In the previous sections, we find that home CEOs engage in more CSR activities, and these efforts contribute to increased firm value. In this section, we decompose the CSR score into five categories: community, environment, employee relations, diversity, and human rights. We add firm and year fixed effects and report the results in Table 11. In Panel A of Table 11, we examine the association between home CEOs and each CSR category. From models (1) to (4), we find that home CEOs are positively associated with CSR scores related to community, environment, employee relations, and diversity (weakly significant at the 10% level). In contrast, home CEOs show no significant association with CSR scores related to human rights.

Next, we examine the environmental metric in more detail, specifically investigating the relationship between home CEOs and carbon emissions using the Trucost dataset. Emissions data are typically categorized into three scopes—Scope 1, Scope 2, and Scope 3—based on the

Greenhouse Gas Protocol, which standardizes greenhouse gas (GHG) emissions reporting across industries. Scope 1 refers to direct emissions from sources owned or controlled by the company, Scope 2 covers indirect emissions from purchased electricity, heat, or steam, and Scope 3 accounts for emissions from the company's value chain, which are not directly controlled by the firm.

We examine the relationship between home CEOs and each scope of GHG emissions, with the results presented in Panel B of Table 11. Firm and year fixed effects are included in the regressions. In models (1) and (2), we find that home CEOs are negatively associated with Scope 1 and Scope 2 GHG emissions, and the coefficients are statistically significant. As expected, given that home CEOs care about their local reputation, Scope 1 and Scope 2 emissions—those most directly tied to the company's operations—resonate more with local stakeholders. Therefore, home CEOs are likely to focus on reducing these emissions to protect their local reputation.

In contrast, the coefficient for home CEOs is positive and statistically significant at the 1% level when the dependent variable is Scope 3 GHG emissions. Since Scope 3 emissions originate from assets not directly owned or controlled by the company but within its value chain, home CEOs may shift focus away from these emissions for reputational reasons. They may prefer to distance their firm from responsibility for these emissions, as it is the company's partners who are more likely to be "blamed". As shown by Li, Xu, and Zhu (2024), when carbon emissions are unavoidable, home CEOs may be motivated to shift emissions to more remote areas, which are more likely to be captured under Scope 3 (i.e., supply chain emissions). These emissions, being largely extraneous to local stakeholders, may not elicit the same level of concern. This finding highlights that the relation between home CEOs and CSR is not always positive, but it depends on whether the activities in question directly impact their personal or corporate reputation.

In Panel C of Table 11, we present the results on the effect of home CEOs on the relation between CSR investments and firm value for each CSR component. Similarly, from models (1) to (3), there is a significant and positive association between Tobin's Q and CSR components related to community, environment, and employee relations for firms with home CEOs compared to those with outsider CEOs. However, the interaction term (home CEO×CSR Component) becomes insignificant in models (4) and (5) when focusing on CSR investments related to diversity and human rights.

Next, we separately analyze CSR strengths and CSR concerns for each category to determine which factors drive our results. These findings are presented in Panels D (CSR strengths) and E (CSR concerns) of Table 11. We find that our results are mainly driven by CSR strengths. For instance, in Panel D, home CEOs are positively associated with Tobin's Q for CSR strengths related to community, environment, employee relations, and diversity. In Panel E, we observe that home CEOs appear to be positively associated with Tobin's Q for CSR concerns related to human rights, although this is only marginally significant.

In summary, we find robust evidence that home CEOs are significantly more likely to engage in CSR activities related to community, environment, and employee relations, and they effectively leverage these CSR strengths to create value. Given the local stakeholder focus of this study, we argue that community, environment, and employee relations are the most relevant CSR dimensions. In contrast, we argue that diversity and human rights are unlikely to directly align with our core arguments. For instance, local stakeholders, such as employees and communities, are more likely to expect home CEOs to advocate for their welfare and treatment, but they may not expect home CEOs to prioritize diverse board appointments or monitor human rights compliance. Therefore, while diversity and human rights are important aspects within the broader CSR

framework, they are less relevant to the core arguments of this paper - consistent with our findings.

3.11. Localized CSR, business concentration and local investor monitoring

To alleviate concerns that relying on a broad CSR score may oversimplify or misrepresent the relationship between home CEOs and localized stakeholder interests, we focus on localized CSR in this section. Specifically, we manually review all items in the MSCI KLD dataset and identify items more closely related to localized CSR. Since it is often difficult to definitively categorize certain items as localized CSR (e.g., Representation, Labor Management, Retirement Benefits Concern), instead we adopt an alternative strategy by *excluding* items that are clearly *unrelated* to localized CSR (e.g., Tax Disputes, Board Diversity – Gender, Positive Record in South Africa, Support for Controversial Regimes) or not clearly defined (e.g., Other Community Strength, Environment - Other Concerns). Using the remaining items, we construct a local CSR measure and re-run our baseline tests with this new measure. The results, reported in models (1) and (2) of Table 12, show that home CEOs remain positively associated with local CSR investments, which continue to enhance firm value.

Additionally, we examine the impact of business concentration on our valuation results, specifically focusing on local business concentration. Local business concentration is a dummy variable that takes the value of one if, in the firm's 10-K report for the year, the number of times its headquarters state is cited exceeds 50 percent of all U.S. state citations. The results, reported in model (3) of Table 12, show that the triple interaction term is positive and statistically significant at the 5% level. This indicates that the value-enhancing effect of home CEOs' local CSR activities is concentrated in firms with higher local business concentration.

It is possible that home CEOs engage in more CSR in their hometowns either out of a personal desire to benefit the local community or due to increased scrutiny from local investors. Home CEOs may feel they face greater scrutiny because the local community knows them better, making their CSR efforts more genuine. These two effects—personal motivation and external monitoring—can coexist. To shed light on this issue, we next disentangle whether the effect is driven by a CEO's inherent desire to give back to their community or by external monitoring from local investors. If we find no effect from external monitoring, the results are solely driven by birthplace identity and personal motivations. However, if we observe an incremental effect from external monitoring, it indicates that both personal motivation and external oversight contribute to the outcomes.

To explore these mechanisms, we examine whether the baseline results in Tables 2 and 4 are stronger in firms with a higher proportion of local investors. A larger local investor base may have greater incentives to monitor the CEO's actions, potentially amplifying the effect. We use the local importance ratio from Xu, Yu, and Zurbruegg (2020) as a proxy for local investor monitoring, which measures a firm's sales relative to all firms in the same region.

Table 13 present the results. In model (1) of Panel A, we interact home CEOs with local investor monitoring, where the dependent variable is the CSR score. We find that the interaction coefficient is positive and statistically significant at the 5% level. This suggests that local investor monitoring amplifies the positive association between home CEOs and CSR. In models (2) to (4), where the dependent variables are Tobin's Q_{t+1}, Q_{t+2}, and Q_{t+3}, respectively, the triple interaction term remains positive and statistically significant at better than the 5% level. These results suggest that CSR activities led by home CEOs provide more value to the firm compared to outsider CEOs, particularly in firms with strong local investor monitoring. In Panel B of Table 13,

we conduct a subsample analysis and find that the value-enhancing effects of CSR activities conducted by home CEOs are concentrated in firms with high local investor monitoring over the next 1, 2, and 3 years.

As mentioned earlier, if the effect were solely driven by birthplace identity and personal motivations, we would not expect to see any incremental impact from local investors. However, our findings suggest that both the home CEOs' personal motivation to give back and the scrutiny from local investors contribute to the observed relationship between home CEOs, increased CSR activities, and enhanced firm value. This supports both the self-motivated birthplace identity hypothesis and the external monitoring hypothesis.

3.12. Do high CSR firms perform better during crisis periods?

Lins et al. (2017) argue that a firm's social capital, which fosters stakeholder trust and cooperation (inspired by Putnam, 1993), becomes especially valuable during unforeseen crisis periods. In our analysis, we use two quasi-natural experiments: the 2008-09 financial crisis and the 2020 COVID-19 pandemic. Beyond investigating whether trust serves as the mechanism for the CSR-firm value relationship, these tests allow us to draw causal inferences regarding the effects of CSR on firm value, comparing firms led by home CEOs with those led by outsider CEOs.

Panel A of Table 14 presents the results for the 2008-09 financial crisis period. Following the methodology of Lins et al. (2017), we employ difference-in-differences models with continuous treatment and incorporate firm and time fixed effects spanning from 2007 to 2013. In particular, we construct a panel of monthly returns for all firms prior to and after the financial crisis period. The financial crisis period is represented as a binary variable equal to one during August 2008 to

March 2009, and zero otherwise. The post-crisis period is similarly coded as one from April 2009 to December 2013, and zero otherwise.

Our dependent variables comprise raw return (in models (1) and (3)) and abnormal return (in models (2) and (4)), defined as raw return minus the expected return derived from the market model, using the CRSP value-weighted index as the market proxy. The market model parameters are estimated based on monthly data spanning 60 months up to July 2008. To address issues stemming from outliers, we winsorize these returns at the 1st and 99th percentiles. In line with Lins et al. (2017), we link these returns to our CSR measure for the preceding year, 2006, to mitigate any anticipatory changes in CSR policies by firms. Our key variable of interest is the interaction term *CSR* × *financial crisis period*. This interaction term's coefficient captures the differential impact of CSR on monthly stock returns during the financial crisis period, controlling for the firm's four-factor loadings and financial characteristics similar to those used by Lins et al. (2017). Additionally, we include the variable *CSR* × *post-crisis period* to explore whether the CSR-firm value relationship is unique to periods of low trust, like financial crises, or extends to most periods, perhaps owing to some unobservable (omitted) risk factor correlated with CSR.

Assessing home CEOs in models (1) and (2), we find that firms with higher CSR ratings significantly outperform their counterparts during the financial crisis period. This CSR effect on stock returns is economically substantial: a one-standard-deviation increase in 2006 CSR (0.498) corresponds to a 1.54% (=0.031×0.498) rise in raw return or a 1.49% (= 0.030 × 0.498) increase in abnormal return during the financial crisis period. This translates into a $140.98 ($41.25) million increase in value for an average (median) firm, as assessed using raw returns, and a $136.40 ($39.92) million increase in value for an average (median) firm when using abnormal returns. Much like Lins et al. (2017), we do not observe consistent reversals in abnormal returns

during the post-crisis period, suggesting that it is less likely that an unobservable (omitted) risk factor is correlated with CSR, driving the documented positive relationship. In contrast, the analysis for outsider CEOs in models (3) and (4) reveals no significant effect, implying that the market rewards CSR engagement during crises exclusively for firms managed by home CEOs.

Panel B of Table 14 provides analogous results using the COVID-19 pandemic period as an alternative exogenous negative shock. Here, we estimate difference-in-differences models with continuous treatment and introduce firm and time fixed effects, focusing on a sample of US firms spanning from January 2019 to December 2020. Parallel to the methodologies of Ding, Levine, Lin, and Xie (2021) and Augustin, Sokolovski, Subrahmanyam, and Tomio (2022), we represent the COVID-19 period as an indicator variable equal to one during January 2020 to May 2020, and zero otherwise. Consequently, the post-COVID-19 period is coded as one from June 2020 to December 2020, and zero otherwise. Notably, firms with higher CSR ratings demonstrate superior performance exclusively during the COVID-19 period when led by home CEOs (models (1) and (2)). In contrast, firms managed by outsider CEOs display worse outcomes (models (3) and (4)).

These findings show that the excess returns achieved by high CSR firms during challenging periods, such as the 2008-09 financial crisis and the COVID-19 pandemic, are exclusive to firms led by home CEOs. This aligns with our conjecture that when trust in firms unexpectedly diminishes, social capital cultivated through CSR pays off solely for firms led by home CEOs. This outcome is significant because it sheds new light on Lins et al.'s (2017) findings, suggesting that the trust fostered by CSR is not firm-specific, as previously implied, but rather individual-specific. In particular, it suggests that the valuation effects appear to be driven by the individual (home CEO) rather than the firm conducting the CSR activities.

4. Conclusions

In our study, we explore how a CEO's birthplace affects a firm's commitment to corporate social responsibility (CSR). We find that CEOs who lead firms in their hometowns are more dedicated to CSR than those who do not. When a CEO is replaced, the CSR commitment changes based on the incoming CEO's connection to the birthplace. Simply put, the stronger the CEO's ties to their hometown, the more they prioritize CSR in their firms.

Our study also shows that companies involved in CSR activities can increase their value, especially when led by CEOs born in the same county as the company headquarters, who we call "home CEOs". These CEOs boost value through higher asset turnover, lower cost of equity, improved employee productivity, sales growth, and higher markups compared to other companies. Home CEOs are much more inclined to conduct CSR activities related to community, environment, and employee relations, using these areas to drive value creation. By cutting carbon emissions linked directly to the company's operations, they protect their local reputation. The strong connection between home CEOs and local CSR is especially evident in firms with higher local business concentration and increased local investor monitoring. Additionally, during tough times, companies with home CEOs perform better than those with outsider CEOs. Our findings do not appear to be influenced by agency concerns.

Di Giuli and Kostovetsky (2014) argue that CSR can harm a firm's finances, suggesting only companies directly benefiting from CSR would adopt it. If CSR were financially beneficial, they believe that all firms would embrace it. However, our research challenges this idea. We find that CSR does not always harm finances, especially when led by trusted home CEOs. So, while CSR alone might not always build trust and value, especially in tough times (Lins et al., 2017), the CEO's connection to the community plays a vital role in creating value.

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Appendix. Variable Definitions

Variable	Definition	Source
Firm variables		
Tobin's Q	The ratio of the total assets minus book value of equity plus market value of equity minus deferred taxes, divided by total assets.	Compustat
Ln (Total Assets)	The natural log of total assets.	Compustat
Leverage	The sum of long-term debt and current liabilities divided by book assets.	Compustat
ROA	Return on assets, computed as net income before extraordinary items and discontinued operations divided by total assets.	Compustat
Market-to-Book	Market value of equity divided by book value of equity.	Compustat
Desirable Weather	The average of (1) the percentage of days with desirable temperature (from 32 °F to 90 °F) and (2) the amount of sunshine (the percentage of the maximum amount of sunshine from sunrise to sunset with clear sky conditions). For each county, this variable is measured with the historical data from the nearest weather station within 50 miles (the average distance is 10.404 miles).	US NOAA
High Customer Satisfaction	A dummy variable that is equal to one if the firm's customer satisfaction score is higher than its industrial benchmark in the American Customer Satisfaction Index (ACSI) in a given year, and zero otherwise.	ACSI
Payables/Sales	Accounts payable divided by sales, using annual data.	Compustat
Payables/COGS	Accounts payable divided by cost of goods sold, using annual data.	Compustat
Glassdoor Rating	The average rating of a firm by its employees on a five-point Likert scale in a given year.	www.glassdoor.com
Work-Life Balance	The average rating for "work-life balance" dimension by a firm's employees on a five-point Likert scale in a given year.	www.glassdoor.com
Culture and Values	The average rating for "culture and values" dimension by a firm's employees on a five-point Likert scale in a given year.	www.glassdoor.com

Career Opportunity	The average rating for "career opportunity" dimension by a firm's employees on a five-point Likert scale in a given year.	www.glassdoor.com
Compensation and Benefits	The average rating for "compensation and benefits" dimension by a firm's employees on a five-point Likert scale in a given year.	www.glassdoor.com
Recommendation Ratio	The percentage of a firms' employees that would like to recommend their employer to others.	www.glassdoor.com
CEO Approval Ratio	The CEO approval rating of a firm, in percentages.	www.glassdoor.com
Gross Margin	Sales minus cost of goods sold, divided by total assets.	Compustat
Sales Growth	The percentage change in sales from the previous year.	Compustat
Sales per Employee	The annual sales divided by the number of employees.	Compustat
Employee Growth	The percentage change in the number of employees from the previous year.	Compustat
Local Customers	A dummy variable that is equal to one if customers are within 100 miles from the firm's headquarters, and zero otherwise. Using manual search procedures, US listed customers are identified and matched to their Compustat identifiers (i.e., GVKEY).	Compustat Segments Customer Database
Local Suppliers	A dummy variable that is equal to one if suppliers are within 100 miles from the firm's headquarters, and zero otherwise. Using manual search procedures, US listed customers are identified and matched to their Compustat identifiers (i.e., GVKEY).	Compustat Segments Customer Database
Local Employees	A dummy variable that is equal to one if a firm has a higher-than-median number of local employees. The number of local employees of a firm is proxied by its annual market share multiplied by the number of employees in the same industry in its headquarter county. The county-specific industrial employment data is from the County Business Patterns (CBP) database. The market share is based on market capitalization and 2-digit SIC codes.	United States Census Bureau CBP Database
Asset Turnover	The ratio of sales divided by total assets.	Compustat
Cost of Debt	The ratio of interest payment divided by	Compustat

	long-term debt and short-term debt.	
Cost of Equity	The expected return from the Fama-French 3 factor model, estimated at the final trading day in a given year.	CRSP
Local Business Concentration	A dummy variable that is equal to one if, in the firm's 10-K report of the year, the number of times that its headquarters state is cited is more than 50 percent of its citations of all US states.	Diego Garcia's website (http://leeds-faculty.colorado.edu/garcia/page3.html)
Local Investor Monitoring	The ratio of a firm's sales to the aggregate sales of all firms with the same zip code.	Compustat
Ln (Market Cap)	The natural logarithm of the number of ordinary shares outstanding multiplied by price closed, using quarterly data.	Compustat
Short-Term Debt	Short-term debt divided by total assets, using quarterly data.	Compustat
Long-Term Debt	Long-term debt divided by total assets, using quarterly data.	Compustat
Cash Holding	Cash and marketable securities divided by assets.	Compustat
Book-to-Market	Book value of equity divided by market value of equity.	Compustat
Negative B/M	A dummy variable that is equal to one if the book-to-market ratio is negative, and zero otherwise.	Compustat
Raw Return	The monthly holding period return of a stock.	CRSP
Abnormal Return	Abnormal returns are computed based on the market model using the CRSP value-weighted index as the market proxy. Market model parameters are estimated using monthly data over the 60-month period ending in July 2008 for the financial crisis test, and in December 2019 for the COVID-19 pandemic test, respectively.	CRSP
Momentum	The raw return of a stock over the previous 12 months.	CRSP
Idiosyncratic Risk	The residual variance of a stock from the market model estimated over the previous five-year period, using monthly data.	CRSP
CEO Variables		
Home CEO	A dummy variable that is equal to one if the distance between the CEO's birth coun-	Bernile et al. (2017) extended with manual collection from Marquis Who's

	ty and the headquarters county is less than 100 miles, and zero otherwise.	Who, Standard and Poor's Register of Directors and Executives, Lexis-Nexis, NNDB.com, or Google
Female CEO	A dummy variable that is equal to one if a CEO is female, and zero otherwise.	ExecuComp
CEO Age	The age of the CEO, in years.	ExecuComp
CEO Tenure	The tenure of the CEO, in years. In the regressions we use the "long-tenure CEO" which is a dummy variable that is equal to one if tenure of a CEO is greater than the sample median.	ExecuComp
CEO Ownership	The percentage of shares owned by the CEO (set to zero if data is not available).	ExecuComp
Attended Home College or University	A dummy variable that is equal to one if a CEO was educated in a home state college or university, and zero otherwise.	BoardEx, Marquis Who's Who Database, the Notable Names Database, and Google
Long Home Tenure	A dummy variable that is equal to one if the number of years that the CEO lived in her home state is greater than the sample median, and zero otherwise. A particular CEO's home tenure is equal to her age if the CEO's home state matches the state in which the firm is headquartered. If the two states do not match, then, if the CEO attended college in the same state as her home state, the age at which the CEO graduated from her degree program is considered the CEO's home tenure. If the CEO did not attend college in her home state and does not work for a firm headquartered in her state, then the CEO is assumed to have left the state 4 years prior to obtaining a degree at an institution outside her home state (Pool et al., 2012).	BoardEx and manually collected data from the Marquis Who's Who Database, the Notable Names Database, and Google
Hometown Board Position	A dummy that is equal to one if the CEO is the board member of another firm in her hometown state in a given year, and zero otherwise (Jiang et al. 2019).	BoardEx
Internal CEO	A dummy variable equal to one if the CEO joined the company prior to becoming CEO, and zero otherwise.	ExecuComp
Republican CEO	A dummy variable that is equal to one if a CEO's political contributions in a given election cycle all go to Republican-affiliated candidates or party committees,	Hutton et al. (2014)

	and zero otherwise.	
CEO Overconfidence	A dummy variable that is equal to one from the first year in which CEOs did not exercise 67% in-the-money options in at least two occasions, and zero otherwise.	ExecuComp
Delta	The dollar change in a CEO's wealth associated with a 1% change in the firm's stock price (in $ million)	ExecuComp, Compustat, and CSRP
Vega	The dollar change in a CEO's wealth associated with a 1% change in the standard deviation of the firm's returns (in $ million).	ExecuComp, Compustat, and CSRP
Narcissistic CEO	The ratio of the CEO's cash compensation to that of the second-highest paid executive in the firm.	ExecuComp
CEO with Daughters	A dummy variable that is equal to one if the CEO has a daughter, and zero otherwise.	Marquis Who's Who, Standard and Poor's Register of Directors and Executives, Lexis-Nexis, NNDB.com, or Google
Pilot CEO	A dummy variable that is equal to one if the CEO has a pilot license, and zero otherwise.	FAA (Cain and McKeon, 2016)
County- and State-Level Variables		
Population	The county-level population.	US BEA
Income per Capita	The county-level income per capita.	US BEA
Employment	Annual average of monthly employment levels for a given year and county, divided by the county population.	US BLS; US BEA
Education	The percent of adults completing a college or associate's degree in one county. Data on education is available for five years (1970, 1980, 1990, 2000, and 2015). We follow previous studies (e.g., Hilary and Hui, 2009) and linearly interpolate the data to obtain the values in the missing years.	USDA Economic Research Service
Number of Establishments	Annual average of quarterly establishment counts for a given year and county.	US BLS
County-Level Religiosity	Calculated as the number of religious adherents in the county divided by the population in the county. Data on religiosity is available for six years (1952, 1971, 1980, 1990, 2000, and 2010). We follow previous studies (e.g., Hilary and Hui, 2009) and	US Association of Religion Data Archives

	linearly interpolate the data to obtain the values in the missing years.	
CSR Measures		
CSR Score	The sum of adjusted CSR scores calculated from the five CSR categories below. All adjusted scores are calculated following Lins et al. (2017) by dividing the strength (concern) subcategory scores for the respective categories below by the respective number of strength (concern) subcategories to get adjusted strength (concern) score for this category and then taking the difference between adjusted strength scores and adjusted concern scores.	MSCI KLD
Community Score	The adjusted CSR score calculated for the community category.	MSCI KLD
Environment Score	The adjusted CSR score calculated for the environment category.	MSCI KLD
Diversity Score	The adjusted CSR score calculated for the diversity category.	MSCI KLD
Employee Relations Score	The adjusted CSR score calculated for the employee relations category.	MSCI KLD
Human Rights Score	The adjusted CSR score calculated for the human rights category.	MSCI KLD
Carbon Emission (Scope 1, Scope 2, Scope 3)	Greenhouse gas (GHG) emissions. Scope 1 represents emissions from sources owned or controlled by the company. Scope 2 covers emissions from the consumption of purchased electricity, heat, or steam. Scope 3 includes emissions from assets not owned or controlled by the company but indirectly affected through its value chain.	Trucost
Local CSR	The sum of adjusted CSR scores is calculated from five CSR categories (community, environment, diversity, employee relations, and human rights) after removing items not related to local stakeholders. A detailed list of items is provided in the Online Appendix.	MSCI KLD
Definitions of Time Periods		
Financial Crisis Period	A dummy variable that is equal to one in the period August 2008 to March 2009, and zero otherwise.	Lins et al. (2017)
Post-Crisis Peri-	A dummy variable that is equal to one in	Lins et al. (2017)

od	the period April 2009 to December 2013, and zero otherwise.	
COVID-19 Period	A dummy variable that is equal to one in the period January 2020 to May 2020, and zero otherwise.	Ding et al. (2021) and Augustin et al. (2022)
Post-COVID-19 Period	A dummy variable that is equal to one in the period June 2020 to December 2020, and zero otherwise.	Ding et al. (2021) and Augustin et al. (2022)

Table 1. Descriptive statistics

This table reports summary statistics for a sample of US firms with data in the ExecuComp, Compustat, and MSCI KLD databases, and with birthplace data for the period between 1992 and 2018. Panels A, B, and C report the mean, standard deviation, and number of observations for firm, CEO, and county characteristics, respectively, for the overall sample as well as for home CEOs and outsider CEOs. *Home CEO* is a dummy variable that is equal to one if the distance between the CEO's birth county and the firm headquarters county is less than 100 miles, and zero otherwise. All other variables are defined in the appendix. T-tests for differences in means of each characteristic for home CEOs versus outsider CEOs are also presented.

	All Sample (1) N= 6,257		**Home CEOs (2) N= 1,531**		**Outsider CEOs (3) N= 4,726**		**Difference (2)-(3)**
Panel A: Firm characteristics							
Variables	**Mean**	**SD**	**Mean**	**SD**	**Mean**	**SD**	***p*-value**
CSR	2.893	0.560	2.885	0.543	2.895	0.566	0.236
Tobin's Q	1.753	0.837	1.657	0.778	1.785	0.853	0.000***
Ln (Total Assets)	7.625	1.323	7.616	1.275	7.628	1.339	0.394
ROA	0.052	0.089	0.053	0.073	0.052	0.093	0.186
Leverage	0.255	0.219	0.238	0.165	0.261	0.234	0.791
Market-to-Book	3.593	5.971	3.211	4.912	3.717	6.272	0.000***
Panel B: CEO characteristics							
Home CEO	0.245	0.430	–	–	–	–	–
Female CEO	0.030	0.172	0.016	0.127	0.035	0.184	0.000***
CEO Age	58.035	7.423	57.792	7.684	58.114	7.338	0.854
CEO Tenure	8.823	8.110	10.169	8.730	8.386	7.850	0.000***
CEO Ownership	2.217%	6.116%	3.401	6.779	1.836	5.838	0.000***
Panel C: County characteristics							
Population (Millions)	1.570	1.793	1.312	1.417	1.655	1.893	0.000***
Income per Capita (Thousands)	49.532	24.941	47.802	26.849	50.128	24.261	0.002***
Employment	0.607	0.278	0.623	0.308	0.602	0.267	0.012**
Education	25.047	4.983	24.800	5.130	25.104	4.907	0.065*
Number of Establishments (Thousands)	53.385	66.548	45.553	53.488	55.996	70.187	0.000***
Religiosity	0.583	0.133	0.591	0.118	0.580	0.137	0.005***

Table 2. Home CEOs and CSR

This table reports coefficients from OLS regressions for the relation between home CEOs and CSR activities for a sample of US firms with available data in MSCI KLD database for the period between 1992 and 2018. The dependent variable is the CSR score, which is the sum of adjusted CSR scores calculated from five CSR categories (community, environment, employee relations, diversity and human rights). *Home CEO* is a dummy variable that is equal to one if the distance between the CEO's birth county and the firm headquarters county is less than 100 miles, and zero otherwise. All other variables are defined in the appendix. Specification (1) includes only firm-level controls. Specification (2) includes only CEO-level controls. Specification (3) includes both firm-level and CEO-level controls. All models include firm and year fixed effects, with coefficients suppressed. These are based on firm ID and calendar year, respectively. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	CSR Score		
	(1)	**(2)**	**(3)**
Home CEO	0.088**	0.085***	0.090***
	(2.435)	(2.629)	(2.735)
Ln (Total Assets)	-0.028*		-0.026
	(-1.735)		(-1.551)
ROA	-0.115*		-0.128*
	(-1.723)		(-1.854)
Leverage	0.193***		0.185***
	(3.296)		(3.099)
Market-to-Book	0.000		-0.000
	(0.016)		(-0.369)
Female CEO		-0.000	-0.008
		(-0.002)	(-0.096)
CEO Age		-0.008	-0.005
		(-0.764)	(-0.434)
CEO Age^2		0.000	0.000
		(0.338)	(0.007)
CEO Tenure		0.005*	0.005
		(1.703)	(1.628)
CEO Tenure^2		-0.000***	-0.000***
		(-2.912)	(-2.587)
CEO Ownership		0.001	0.000
		(0.684)	(0.282)
Year FEs	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes
Observations	6,257	6,257	6,257
Adjusted R^2	0.547	0.547	0.548

Table 3. The effects of CEO transition and CEO home connection

This table presents evidence from CEO changes, and OLS regressions for the relation between home CEOs and CSR activities for CEOs who have higher home connections. In Panel A, the change of CSR is calculated from one year before the CEO change until two years after the CEO change (*t-1*, *t+2*), with year *t* being the year of the CEO change. The first treatment group contains observations where an outsider CEO is replaced by a home CEO. The control group contains matched observations of firms with outsider CEOs in year *t*-1 and no CEO change in year *t*. The second treatment group contains observations where a home CEO is replaced by an outsider CEO. The control group contains matched observations of firms with home CEOs in year *t*-1 and no CEO change in year *t*. The third treatment group contains observations where an outsider CEO is replaced by another outsider CEO. The control group contains matched observations of firms with outsider CEOs in year *t*-1 and no CEO change in year *t*. The fourth treatment group contains observations where a home CEO is replaced by another home CEO. The control group contains matched observations of firms with home CEOs in year *t*-1 and no CEO change in year *t*. For each observation in the treatment group, we conduct one-to-one matching based on calendar year, 2-digit SIC industry classification, market-to-book ratio, and ROA. We test for differences in means and present t-statistics for the significance of differences in changes of CSR score between the treatment groups and control groups. In Panel B, the dependent variable is the CSR score, which is the sum of adjusted CSR scores calculated from five CSR categories (community, environment, employee relations, diversity and human rights). *Home CEO* is a dummy variable that is equal to one if the distance between the CEO's birth county and the headquarters county is less than 100 miles, and zero otherwise. The variables used to proxy for home connection are: i) attended home college or university; ii) long home tenure; and iii) hometown board position. All variables are defined in the appendix. All models include the firm and CEO control variables used in Table 2. All models include firm and year fixed effects, with coefficients suppressed. These are based on firm ID and calendar year, respectively. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A. The effect of CEO changes on CSR

		ΔCSR (*t*-1, *t*+2)			
	N	**Treatment Group**	**Control Group**	**Difference**	**T-Statistics**
From Outsider CEO to Home CEO	33	0.121	-0.097	0.218	1.972**
From Home CEO to Outsider CEO	28	-0.137	0.345	-0.482	-2.663***
From Outsider CEO to Outsider CEO	129	0.028	0.133	0.105	1.496
From Home CEO to Home CEO	17	0.277	0.246	0.031	0.853

Panel B. The role of CEO home connections

	CSR score		
	(1)	**(2)**	**(3)**
Home CEO	0.074**	0.098***	0.102***
	(2.073)	(2.976)	(3.143)
Attended Home State College or University	0.008		
	(0.854)		
Long Home Tenure		0.036	
		(0.563)	
Hometown Board Position			-0.152
			(-0.752)
Home CEO × Attended Home State College or University	0.043*		
	(1.877)		
Home CEO × Long Home Tenure		0.065**	
		(2.017)	
Home CEO × Hometown Board Position			0.028**
			(1.982)
Control Variables in Table 2	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes
Observations	5,298	6,257	3,895
Adjusted R^2	0.561	0.619	0.684

Table 4. Do home CEOs affect the relation between CSR and firm value?

This table presents the results of OLS regressions for the effect of home CEOs on the relation between CSR investments and firm value. In Panel A, we present our baseline results, whereas in Panel B, we control for additional CEO characteristics. The dependent variable is Tobin's Q in year *t*+1, year *t*+2, and year *t*+3, respectively. *Home CEO* is a dummy variable that is equal to one if the distance between the CEO's birth county and the firm headquarters county is less than 100 miles, and zero otherwise. *CSR* is the sum of adjusted CSR scores calculated from five CSR categories (community, environment, employee relations, diversity and human rights). All other variables are defined in the appendix. All models include firm and year fixed effects, with coefficients suppressed. These are based on firm ID and calendar year, respectively. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A. The impact of home CEOs' CSR activities on firm value

	Tobin's Q_{t+1}	**Tobin's Q_{t+2}**	**Tobin's Q_{t+3}**
	(1)	**(2)**	**(3)**
Home CEO	-0.064	-0.100*	-0.159***
	(-1.115)	(-1.863)	(-2.849)
CSR	-0.034***	-0.035***	-0.053***
	(-2.576)	(-2.676)	(-4.037)
Home CEO × CSR	0.054**	0.062***	0.064***
	(2.335)	(2.880)	(3.053)
Ln (Total Assets)	-0.143***	-0.122***	-0.115***

	(-5.954)	(-4.752)	(-4.672)
ROA	-0.221**	-0.160	0.071
	(-2.008)	(-1.473)	(0.710)
Leverage	-0.012	0.003	0.099
	(-0.175)	(0.042)	(1.625)
Market-to-Book	0.001	0.001	0.000
	(0.996)	(1.138)	(0.133)
Contemporaneous Tobin's Q	0.629***	0.635***	0.634***
	(26.745)	(26.815)	(25.644)
Female CEO	-0.025	-0.010	-0.058
	(-0.604)	(-0.224)	(-1.342)
CEO Age	0.029**	0.008	0.013
	(2.261)	(0.694)	(1.044)
CEO Age^2	-0.000**	-0.000	-0.000
	(-2.274)	(-0.612)	(-0.853)
CEO Tenure	-0.001	0.003	-0.001
	(-0.462)	(1.119)	(-0.228)
CEO Tenure^2	0.000	-0.000	-0.000
	(0.983)	(-1.034)	(-0.244)
CEO Ownership	0.000	-0.001	0.000
	(0.204)	(-0.884)	(0.146)
Firm FEs	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes
Observations	6,257	6,041	5,824
Adjusted R^2	0.853	0.855	0.863

Panel B. Controlling for additional CEO characteristics

	CSR Score (1)	**Tobin's Q_{t+1} (2)**	**Tobin's Q_{t+2} (3)**	**Tobin's Q_{t+3} (4)**
Home CEO	0.061**	-0.250	-0.257	-0.360*
	(2.161)	(-1.203)	(-1.240)	(-1.674)
CSR		-0.129***	-0.163***	-0.233***
		(-2.923)	(-3.310)	(-4.419)
Home CEO × CSR		0.104**	0.119***	0.144**
		(2.480)	(2.670)	(2.048)
Republican CEO	-0.078**	0.023	0.012	-0.026
	(-2.060)	(0.317)	(0.144)	(-0.309)
CEO Overconfidence	-0.015	0.129***	0.127***	0.102***
	(-0.777)	(3.652)	(3.371)	(2.685)
CEO Vega	0.000***	-0.000***	-0.000***	-0.000***
	(3.961)	(-4.023)	(-4.388)	(-4.215)
CEO Delta	0.000	0.000	-0.000	0.000
	(0.790)	(0.349)	(-1.276)	(0.681)
Narcissistic CEO	0.005	-0.084	-0.105	-0.087
	(0.181)	(-1.533)	(-1.622)	(-1.415)
CEO with Daughters	0.053*	0.023	-0.030	-0.100
	(1.830)	(0.260)	(-0.285)	(-0.909)

Pilot CEO	-0.095	-0.126	-0.039	0.085
	(-1.456)	(-1.621)	(-0.549)	(1.149)
Control Variables in Table 2	Yes	No	No	No
Control Variables in Table 4 Panel A	No	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Observations	3,251	3,143	2,961	2,808
Adjusted R^2	0.686	0.766	0.760	0.757

Table 5. Decomposition of Tobin's Q

In this table, we decompose Tobin's Q to investigate which components are higher for home CEOs. The dependent variables are (1) asset turnover, which is sales divided by total assets (2) sales growth, (3) ROA, (4) cost of debt, which is interest expenses divided by the sum of short-term and long-term debt, and (5) cost of equity, which is the expected return from the Fama-French 3 factor model. *CSR* is the sum of adjusted CSR scores calculated from five CSR categories (community, environment, employee relations, diversity and human rights). *Home CEO* is a dummy variable that is equal to one if the distance between the CEO's birth county and the firm headquarters county is less than 100 miles, and zero otherwise. All other variables are defined in the appendix. All models include the firm and CEO control variables used in Table 4. All models also include firm and year fixed effects, with coefficients suppressed. These are based on firm ID and calendar year, respectively. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	Asset Turnover$_{t+1}$	**Sales Growth$_{t+1}$**	**ROA$_{t+1}$**	**Cost of Debt$_{t+1}$**	**Cost of Equity$_{t+1}$**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**
Home CEO	-0.119***	0.013	-0.004	0.055	-0.002
	(-2.623)	(0.323)	(-0.297)	(0.967)	(-0.905)
CSR	-0.022**	-0.005	-0.005	-0.003	-0.001**
	(-2.489)	(-0.753)	(-1.596)	(-0.293)	(-2.198)
Home CEO × CSR	0.029**	-0.007	0.001	-0.003	-0.001**
	(2.164)	(-0.576)	(0.317)	(-0.168)	(-2.111)
Ln (Total Assets)	-0.145***	-0.073***	-0.031***	-0.013	-0.001***
	(-12.295)	(-6.586)	(-5.617)	(-0.751)	(-3.138)
ROA	0.181***	-0.008		-0.207	-0.002
	(3.068)	(-0.154)		(-1.431)	(-1.077)
Leverage	-0.072*	0.017	-0.045***	-0.196***	0.002**
	(-1.882)	(0.501)	(-3.101)	(-2.824)	(1.997)
Market-to-Book	0.003***	0.002***	0.002***	0.001*	-0.000**
	(3.392)	(4.528)	(6.015)	(1.885)	(-2.435)
Female CEO	0.125**	0.031	-0.021	0.085	-0.001
	(2.543)	(1.210)	(-1.389)	(1.289)	(-0.698)
CEO Age	0.013*	0.002	0.006	-0.011	0.000
	(1.707)	(0.265)	(1.579)	(-0.918)	(0.815)
CEO Age^2	-0.000	-0.000	-0.000	0.000	-0.000
	(-1.472)	(-0.442)	(-1.551)	(0.983)	(-0.538)
CEO Tenure	-0.003*	0.000	-0.001	-0.002	-0.000***

	(-1.735)	(0.021)	(-0.845)	(-0.574)	(-4.262)
CEO Tenure^2	0.000	0.000	0.000	0.000	0.000***
	(0.312)	(0.434)	(1.085)	(0.387)	(3.021)
CEO Ownership	0.002**	0.001	-0.000	0.003*	0.000
	(2.142)	(1.038)	(-0.295)	(1.688)	(0.595)
Firm FEs	Yes	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes
Observations	6,203	6,203	6,203	5,666	5,838
Adjusted R^2	0.942	0.232	0.455	0.239	0.717

Table 6. Valuation effects of home CEOs' CSR: Internal and long-tenured CEOs

This table presents the results of OLS regressions examining the effect of home CEOs on the relationship between CSR investments and firm value across four subsamples. The first pair of subsamples consists of internal and external CEOs. Internal CEOs are defined as those who joined the company before becoming CEOs. The second pair of subsamples distinguishes between long-tenure and short-tenure CEOs, where long-tenure CEOs have a tenure greater than the sample's median for a given year. The dependent variable is Tobin's Q in year *t*+1. *Home CEO* is a dummy variable that is equal to one if the distance between the CEO's birth county and the firm headquarters county is less than 100 miles, and zero otherwise. *CSR* is the sum of adjusted CSR scores calculated from five CSR categories (community, environment, employee relations, diversity and human rights). All variables are defined in the appendix. All models include the firm and CEO control variables used in Table 4 Panel A. All models also include firm and year fixed effects, with coefficients suppressed. These are based on firm ID and calendar year, respectively. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	Internal CEOs	**External CEOs**	**Long-Tenure CEOs**	**Short-Tenure CEOs**
	(1)	**(2)**	**(3)**	**(4)**
Home CEO	-0.262***	-0.357	-0.298**	-0.119
	(-2.869)	(-0.644)	(-2.009)	(-0.845)
CSR	-0.082***	0.003	-0.126***	-0.036
	(-4.411)	(0.044)	(-4.256)	(-1.451)
Home CEO × CSR	0.098***	0.062	0.117***	0.060
	(3.403)	(0.509)	(2.890)	(1.305)
Control Variables in Table 4 Panel A	Yes	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Observations	4,731	1,526	3,442	2,815
Adjusted R^2	0.773	0.690	0.783	0.798

Table 7. Propensity score matching (PSM)

This table presents the results on propensity score matching (PSM) analysis for treatment (home CEOs) and control (outsider CEOs) firm-year observations. In Panel A, we re-estimate the model in specification (3) of Table 2 using the PSM-matched sample. The propensity score is estimated as a probit function of ln(total assets), ROA, leverage, market-to-book, female CEO, CEO age, CEO tenure, CEO ownership, population, income per capita, employment rate, education rate, number of establishments, and religiosity at county-level. In Panel B, we re-estimate models in Table 4 using the PSM-matched sample. The propensity score is estimated as a probit function of Ln(total assets), ROA, leverage, market-to-book, Tobin's Q, female CEO, CEO age, CEO tenure, CEO ownership, population, income per capita, employment rate, education rate, number of establishments, and religiosity at county-level. The definitions of all variables are provided in the appendix. We match each home CEO observation with an outsider CEO observation using the nearest neighbor (i.e., one-to-one matching) with replacement subject to caliper (i.e., maximum difference in propensity score) of 0.05 using *psmatch2*, a STATA function written by Leuven and Sianesi (2003). All models include firm and year fixed effects, with coefficients suppressed. These are based on calendar year and firm ID, respectively. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A. Regression with PSM matched sample: Effect on CSR scores

	CSR score
Home CEO	0.104**
	(2.531)
Control Variables in Table 2	Yes
Year FEs	Yes
Firm FEs	Yes
Observations	1,756
Adjusted R^2	0.723

Panel B. Regression with PSM matched sample: Effect on firm values

	Tobin's Q_{t+1}	**Tobin's Q_{t+2}**	**Tobin's Q_{t+3}**
	(1)	**(2)**	**(3)**
Home CEO	-0.096	-0.046	-0.098
	(-0.854)	(-0.402)	(-0.876)
CSR	-0.050	-0.014	-0.039
	(-1.627)	(-0.440)	(-1.185)
Home CEO × CSR	0.045***	0.042***	0.055***
	(2.947)	(2.836)	(2.665)
Control Variables in Table 4 Panel A	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes
Observations	1,795	1,734	1,661
Adjusted R^2	0.874	0.856	0.876

Table 8. Two-stage instrumental variable (IV) analysis

This table presents the results of two-stage instrumental variable (IV) regression analyses. The instrument used in the first stage regressions is *Desirable Weather*, which is the average of (1) the percentage of days with desirable temperature (from 32 °F to 90 °F) and (2) the amount of sunshine (the percentage of the maximum amount of sunshine from sunrise to sunset with clear sky conditions). In Panel A, we conduct the IV analysis to re-examine the relationship between home CEOs and CSR score. In the first stage, the dependent variables are *Home CEO*. The instrumented *Home CEO* is then used in the second-stage regression, where the dependent variable is the CSR score. In Panel B, we conduct the IV analysis to re-examine the impact of home CEOs on the relationship between CSR score and firm value. In the first stage, the dependent variables are *Home CEO* and the interaction of *Home CEO* × *CSR*, respectively. The instrumented *Home CEO* and instrumented interaction of *Home CEO* × *CSR* are then used in the second-stage regression, where the dependent variable is Tobin's Q in year *t*+1. All variables are defined in the appendix. All models include year and industry fixed effects, whose coefficients are suppressed, and are based on calendar year and 2-digit SIC industry classification, respectively. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A. IV regression: home CEOs and CSR levels

	First Stage Home CEO	Second Stage CSR Score
	(1)	(2)
Desirable Weather	-1.172***	
	(-4.583)	
Instrumented Home CEO		0.271***
		(3.164)
Control Variables in Table 2	Yes	Yes
Industry FEs and Year FEs	Yes	Yes
Effective F-Statistic	79.614	
LIML size of nominal 10% Wald	23.109	
Observations	5,942	5,942
Adjusted R^2	0.360	0.178

Panel B. IV regression: home CEOs, CSR, and firm value

	First Stage	First Stage	Second Stage
	Home CEO	Home CEO × CSR	Tobin's Q_{t+1}
	(1)	(2)	(3)
CSR	0.021	0.251**	0.174**
	(0.671)	(2.184)	(2.310)
Desirable Weather	-1.196***	0.723	
	(-3.844)	(0.631)	
Desirable Weather × CSR	0.057	-1.202***	
	(0.762)	(-3.615)	
Instrumented Home CEO			1.834
			(0.893)
Instrumented Home CEO × CSR			0.527***
			(2.994)
Control Variables in Table 4 Panel A	Yes	Yes	Yes
Industry FEs and Year FEs	Yes	Yes	Yes
Effective F Statistic	53.826	47.673	
LIML size of nominal 10% Wald	11.590	11.590	
Observations	6,025	6,025	6,025

Adjusted R^2	0.145	0.141	0.340

Table 9. The relation between home CEOs and customer satisfaction, suppliers' trade credit, and employee satisfaction

This table presents the results of OLS regressions (apart from specification (1), which employs a linear probability model) for the effect of home CEOs on customer satisfaction, suppliers' trade credit, and employee satisfaction. In specification (1), the dependent variable is high customer satisfaction. In specifications (2) and (3), the dependent variable is suppliers' trade credit, proxied by *Payables/Sales*, and *Payable/COGS*, respectively. In specifications (4) to (10), the dependent variable captures employee satisfaction measured using Glassdoor data. All models include the firm and CEO control variables used in Table 2; they also include year, industry, and county fixed effects, whose coefficients are suppressed, and are based on calendar year, 2-digit SIC industry classification, and county dummies, respectively. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	High Customer Satisfaction	**Payables/Sales**	**Payables/COGS**	**Glassdoor Rating**	**Work-Life Balance**	**Culture and Values**	**Career Opportunities**	**Compensation and Benefits**	**Recommendation Ratio**	**CEO Approval Ratio**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Home CEO	0.210***	0.022**	0.058**	0.065**	0.124**	0.071	0.331***	0.125***	0.042***	0.085**
	(3.972)	(2.015)	(2.223)	(2.266)	(2.011)	(0.541)	(3.864)	(2.384)	(2.657)	(2.142)
Control Variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
County FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	970	6,155	6,155	1,668	1,666	909	1,666	1,666	1,668	1,668
Adjusted R^2	0.355	0.306	0.283	0.336	0.385	0.440	0.390	0.449	0.322	0.390

Table 10. The effect of CSR on operating performance variables: Local vs. non-local stakeholders

This table reports the results of OLS regressions for the effect of home CEOs engaging in CSR investments on operating performance. We use four proxies of operating performance: i) *Gross Margin* (in specifications (1) and (2)); ii) *Sales Growth* (in specifications (3) and (4)); iii) *Sales per Employee* (in specifications (5) and (6)); and iv) *Employee Growth* (in specifications (7) and (8)). Specifications (1) and (2) report the results for local customers or suppliers and non-local customers or suppliers, respectively; specifications (3) and (4) report the results for local customers and non-local customers, respectively; specifications (5) and (6) report the results for local employees and non-local employees, respectively; and specifications (7) and (8) report the results for local employees and non-local employees, respectively. For regressions (1) to (4) we use data from the Compustat Segments Customer File. Using manual search procedures, we identify and match US listed customers to their Compustat identifiers (i.e., GVKEY). The number of local employees of a firm is proxied by its annual market share multiplied by the number of employees in the same industry in its headquarter county. The county-specific industrial employment data is from County Business Patterns (CBP) database. The market share is based on market capitalization and 2-digit SIC codes. All models include the firm and CEO control variables used in Table 2; they also include year, industry, and county fixed effects, whose coefficients are suppressed, and are based on calendar year, 2-digit SIC industry classification, and county dummies, respectively. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	Gross Margin		**Sales Growth**		**Sales per Employee (in $000's)**		**Employee Growth**	
	Local Customers or Suppliers	**Non-Local Customers or Suppliers**	**Local Customers**	**Non-Local Customers**	**Local Employees**	**Non-Local Employees**	**Local Employees**	**Non-Local Employees**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**
Home CEO	-0.050***	0.022	-0.143**	0.011	-120.860***	-242.400***	-0.470	7.257**
	[-4.067]	[0.501]	[-1.981]	[0.204]	[-6.531]	[-2.988]	[-0.293]	[2.338]
CSR	-0.002	-0.023	0.034	-0.128	-97.469***	48.855	0.100	1.808
	[-0.239]	[-0.666]	[0.500]	[-1.466]	[-2.601]	[0.689]	[0.074]	[0.772]
Home CEO × CSR	0.030***	-0.115	0.053***	0.013	87.793**	-97.095	1.463**	-3.670
	[2.761]	[-1.428]	[2.873]	[0.134]	[2.419]	[-1.012]	[2.523]	[-1.250]
Control Variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
County FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,125	214	248	847	2,690	2,380	2,463	2,126
Adjusted	0.795	0.869	0.112	0.061	0.719	0.241	0.350	0.116

R^2

Table 11. Decomposition of CSR scores

This table reports the results of decomposing CSR scores. In Panel A, the dependent variables are the CSR scores for five categories: community, environment, employee relations, diversity, and human rights. In Panel B, the dependent variables are the natural log of Scope 1, 2, and 3 carbon emissions, serving as proxies for environment-related CSR. In Panels C, D, and E, the dependent variable is Tobin's Q in year t+1. For each CSR component, we examine the overall component score in Panel C, the strengths score in Panel D, and the concerns score in Panel E. *Home CEO* is a dummy variable that is equal to one if the distance between the CEO's birth county and the firm headquarters county is less than 100 miles, and zero otherwise. All models in Panels A and B include the control variables from Table 2, along with firm and year fixed effects. Similarly, all models in Panels C, D, and E include the control variables from Table 4 Panel A, as well as firm and year fixed effects. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A. Home CEOs and the Five Components of CSR

	Community	**Environment**	**Employee Relations**	**Diversity**	**Human Rights**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**
Home CEO	0.025***	0.010**	0.031***	0.021*	0.012
	(2.645)	(2.247)	(3.207)	(1.724)	(1.299)
Control Variables in Table 2	Yes	Yes	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes
Observations	6,257	6,257	6,257	6,257	6,257
Adjusted R^2	0.293	0.544	0.494	0.554	0.215

Panel B. Home CEOs and Carbon Emissions

	Scope 1	**Scope 2**	**Scope 3**
	(1)	**(2)**	**(3)**
Home CEO	-0.142**	-0.343***	0.171***
	(-1.970)	(-3.036)	(4.727)
Control Variables in Table 2	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes
Observations	3,137	3,137	3,137
Adjusted R^2	0.965	0.915	0.972

Panel C. Home CEOs, CSR Components, and Firm Value

	DV: Tobin's Q_{t+1}				
	Community	**Environment**	**Employee Relations**	**Diversity**	**Human Rights**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**
Home CEO	0.035	0.016	0.012	0.001	0.017
	(1.236)	(0.563)	(0.429)	(0.044)	(0.565)
CSR Component	-0.028	-0.185***	-0.178***	-0.129***	0.088
	(-0.853)	(-2.976)	(-3.953)	(-3.265)	(1.302)
Home CEO × CSR Component	0.109**	0.244***	0.249***	0.138	-0.109
	(2.164)	(2.603)	(3.399)	(1.126)	(-0.992)
Control Variables in Table 4 Panel A	Yes	Yes	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes
Observations	6,257	6,257	6,257	6,257	6,257
Adjusted R^2	0.702	0.730	0.731	0.733	0.729

Panel D. Home CEOs, CSR Strengths, and Firm Value

	DV: Tobin's Q_{t+1}				
	Community	**Environment**	**Employee Relations**	**Diversity**	**Human Rights**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**
Home CEO	0.017	-0.013	-0.011	-0.009	0.032
	(0.559)	(-0.417)	(-0.327)	(-0.249)	(1.173)
CSR Component (Strengths)	-0.110***	-0.247***	-0.139**	-0.225***	-0.002
	(-2.589)	(-3.117)	(-2.182)	(-3.762)	(-0.018)
Home CEO × Component (Strengths)	0.101**	0.379***	0.277**	0.188**	-0.006
	(2.491)	(3.265)	(2.471)	(2.138)	(-0.033)
Control Variables in Table 4 Panel A	Yes	Yes	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes
Observations	6,257	6,257	6,257	6,257	6,257
Adjusted R^2	0.763	0.763	0.763	0.764	0.763

Panel E. Home CEOs, CSR Concerns, and Firm Value

	DV: Tobin's Q_{t+1}				
	Community	**Environment**	**Employee Relations**	**Diversity**	**Human Rights**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**
Home CEO	0.036	0.026	0.048	0.034	0.019
	(1.258)	(0.813)	(1.637)	(1.224)	(0.655)
CSR Component (Concerns)	-0.003	0.158**	0.180***	-0.036	-0.152*
	(-0.085)	(2.096)	(3.200)	(-0.760)	(-1.838)
Home CEO × Component (Concerns)	-0.043	0.075	-0.094	-0.028	0.281*
	(-0.752)	(0.718)	(-1.094)	(-0.346)	(1.833)
Control Variables in Table 4 Panel A	Yes	Yes	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes	Yes

Year FEs	Yes	Yes	Yes	Yes	Yes
Observations	6,257	6,257	6,257	6,257	6,257
Adjusted R^2	0.763	0.763	0.763	0.763	0.763

Table 12. Localized CSR activities and the role of business concentration

This table examines the relationship between home CEOs and localized CSR, as well as the role of local business concentration. The dependent variable, Local CSR, is the sum of adjusted CSR scores calculated from five categories—community, environment, employee relations, diversity, and human rights—after excluding CSR items not related to local stakeholders. *Home CEO* is a dummy variable that is equal to one if the distance between the CEO's birth county and the firm headquarters county is less than 100 miles, and zero otherwise. Specification (1) includes control variables in Table 2, as well as firm and year fixed effects. Specifications (2) and (3) include control variables in Table 4 Panel A, as well as firm and year fixed effects. All other variables are defined in the appendix. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	Local CSR	**Tobin's Q_{t+1}**	**Tobin's Q_{t+1}**
	(1)	**(2)**	**(3)**
Home CEO	0.070***	-0.053	0.286
	(2.586)	(-1.612)	(1.033)
Local CSR		-0.030**	-0.000
		(-2.216)	(-0.006)
Home CEO × Local CSR		0.027***	-0.074
		(2.745)	(-0.746)
Local Business Concentration (Conc.)			0.615
			(1.610)
Home CEO × Conc.			-1.493**
			(-2.400)
Local CSR × Conc.			-0.230*
			(-1.650)
Home CEO × Local CSR × Conc.			0.531**
			(2.501)
Control Variables in Table 2	Yes	No	No
Control Variables in Table 4 Panel A	No	Yes	Yes
Firm FEs	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes
Observations	6,257	6,257	3,405
Adjusted R^2	0.544	0.724	0.784

Table 13. The role of local investor monitoring

This table examines the role of local investor monitoring. In specification (1), the dependent variable is the CSR score, calculated as the sum of adjusted CSR scores from five categories: community, environment, employee relations, diversity, and human rights. In specifications (2) through (4), the dependent variable is Tobin's Q in years t+1, t+2, and t+3, respectively. Home CEO is a dummy variable that is equal to one if the distance between the CEO's birth county and the firm headquarters county is less than 100 miles, and zero otherwise. *Local Investor Monitoring* is the ratio of a firm's sales to the aggregate sales of all firms in the same zip code. All other variables are defined in the appendix. Specification (1) includes control variables in Table 2, as well as firm and year fixed effects. Specifications (2)-(4) include control variables in Table 4 Panel A, as well as firm and year fixed effects. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county-year level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A. Interaction variables

	CSR	**Tobin's Q_{t+1}**	**Tobin's Q_{t+2}**	**Tobin's Q_{t+3}**
	(1)	**(2)**	**(3)**	**(4)**
Home CEO	0.078*	0.063	-0.068	-0.220
	(1.704)	(0.470)	(-0.491)	(-1.438)
CSR		-0.005	-0.038	-0.091**
		(-0.158)	(-1.114)	(-2.449)
Home CEO × CSR		-0.042	-0.000	0.064
		(-0.996)	(-0.002)	(1.320)
Local Investor Monitoring	0.080	0.227	0.075	-0.138
	(1.554)	(1.529)	(0.499)	(-0.866)
Home CEO × Local Investor Monitoring	0.037**	-0.467**	-0.281	-0.109
	(2.125)	(-2.132)	(-1.267)	(-0.470)
CSR × Local Investor Monitoring		-0.112**	-0.067	-0.018
		(-2.500)	(-1.423)	(-0.358)
Home CEO × CSR × Local Investor Monitoring		0.203***	0.145**	0.071**
		(2.964)	(2.057)	(1.977)
Control Variables in Table 2	Yes	No	No	No
Control Variables in Table 4 Panel A	No	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Observations	6,257	6,257	6,041	5,824
Adjusted R^2	0.548	0.764	0.760	0.765

Panel B. Subsample analysis

	Tobin's Q_{t+1}		Tobin's Q_{t+2}		Tobin's Q_{t+3}	
	High Local Monitoring	**Low Local Monitoring**	**High Local Monitoring**	**Low Local Monitoring**	**High Local Monitoring**	**Low Local Monitoring**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Home CEO	-0.264**	0.008	-0.227*	-0.107	-0.264**	-0.222*
	(-2.227)	(0.072)	(-1.913)	(-0.917)	(-2.400)	(-1.743)
CSR	-0.051**	-0.010	-0.051**	-0.033	-0.060***	-0.081***
	(-2.277)	(-0.389)	(-2.201)	(-1.154)	(-2.669)	(-2.643)
Home CEO × CSR	0.099***	-0.013	0.089**	0.020	0.102***	0.068*
	(2.817)	(-0.361)	(2.517)	(0.516)	(3.158)	(1.652)
Control Variables in Table 4 Panel A	Yes	Yes	Yes	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,395	2,862	3,308	2,733	3,200	2,624
Adjusted R^2	0.772	0.816	0.765	0.819	0.777	0.811

Table 14. Do home CEOs get rewarded during tough times? Evidence from the 2008-09 financial crisis period and the COVID-19 pandemic period

This table presents OLS regression estimates of the 2008-09 crisis-period returns (in Panel A) and the COVID-19 pandemic period returns (in Panel B) on *CSR* and control variables for firms with home CEOs (specifications (1) and (2)) and outsider CEOs (specifications (3) and (4)), respectively. The dependent variables *Raw Return* and *Abnormal Return* are the monthly raw and abnormal returns. In Panel A, for the financial crisis test, we use a sample of US firms over the period 2007–2013. In Panel B, for the COVID-19 pandemic test, we use a sample of US firms over the period 2019-2020. All models also include the control variables used in Lins et al. (2017): *Ln (Market Cap)*, *Short-Term Debt*, *Long-Term Debt*, *Cash Holdings*, *ROA*, *Book-to-Market*, *Negative B/M*, *Momentum* and *Idiosyncratic Risk*. We also control for the firm's factor loadings which are re-estimated each month over the 60 months prior to the onset of the crisis and the pandemic, respectively, based on the Fama-French three-factor model plus the momentum factor. We include month and firm fixed effects, whose coefficients are suppressed, and are based on calendar month and firm ID, respectively. T-statistics, which are based on heteroscedasticity-robust standard errors clustered at the county and month level, are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A: 2008-09 Financial crisis period

	Home CEOs		Outsider CEOs	
	Raw Return	**Abnormal Return**	**Raw Return**	**Abnormal Return**
	(1)	**(2)**	**(3)**	**(4)**
CSR 2006 × Financial Crisis Period	0.031***	0.030**	0.047	0.044
	[2.671]	[2.456]	[0.752]	[1.158]
CSR 2006 × Post-Crisis Period	0.010*	0.009	0.007	0.009
	[1.766]	[1.532]	[0.672]	[0.515]
Ln (Market Cap)	0.029***	0.021***	0.019***	0.011***
	[2.704]	[5.197]	[2.985]	[4.016]

Short-Term Debt	-0.036	-0.078**	-0.012	-0.076**
	[-0.459]	[-1.988]	[-0.159]	[-2.044]
Long-Term Debt	-0.022	-0.008	-0.029	-0.008
	[-0.699]	[-0.445]	[-1.069]	[-0.498]
Cash Holdings	-0.069**	0.038*	-0.041	0.046**
	[-2.328]	[1.814]	[-1.559]	[2.403]
ROA	0.093	0.008	0.074	-0.020
	[1.389]	[0.253]	[1.323]	[-0.734]
Book-to-Market	-0.037*	-0.027***	-0.022	-0.021***
	[-1.922]	[-3.980]	[-1.618]	[-4.190]
Negative B/M	-0.069**	-0.002	-0.066***	0.005
	[-2.508]	[-0.163]	[-2.824]	[0.531]
Momentum	-0.043***	-0.032***	-0.037***	-0.034***
	[-4.033]	[-7.652]	[-4.981]	[-9.394]
Idiosyncratic Risk	0.608***	0.541***	0.383***	0.213***
	[4.078]	[5.742]	[3.338]	[2.873]
Four Factor Loadings	Yes	Yes	Yes	Yes
Month FEs	Yes	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes
Observations	3,571	3,571	8,920	8,920
Adjusted R^2	0.370	0.376	0.404	0.401

Panel B: COVID-19 pandemic period

	Home CEOs		**Outsider CEOs**	
	Raw Return (1)	**Abnormal Return (2)**	**Raw Return (3)**	**Abnormal Return (4)**
CSR 2018 × COVID-19 Period	0.112**	0.115**	-0.076**	-0.066
	[2.274]	[2.267]	[-2.513]	[-0.646]
CSR 2018 × Post-COVID-19 Period	0.092*	0.086*	0.092	0.093
	[1.928]	[1.672]	[0.540]	[0.541]
Ln (Market Cap)	0.282***	0.271***	0.104***	0.098***
	[5.729]	[5.289]	[4.159]	[3.620]
Short-Term Debt	-0.458	-0.479	0.190	0.181
	[-1.369]	[-1.521]	[1.168]	[1.029]
Long-Term Debt	0.103	0.161	0.233	0.243
	[0.237]	[0.392]	[1.099]	[1.039]
Cash Holdings	0.062	0.044	-0.185*	-0.159
	[0.267]	[0.190]	[-1.831]	[-1.504]
ROA	-0.678	-1.031	0.106	0.134
	[-0.837]	[-1.377]	[0.236]	[0.298]
Book-to-Market	0.001	0.000	0.000	0.000
	[0.531]	[0.069]	[0.157]	[0.153]
Negative B/M	0.103	0.069	-0.031	-0.033
	[0.949]	[0.664]	[-0.190]	[-0.194]
Momentum	-0.219***	-0.227***	-0.144***	-0.150***
	[-5.099]	[-5.502]	[-6.097]	[-6.110]

Idiosyncratic Risk	8.854***	8.822***	2.402***	2.267***
	[4.374]	[4.490]	[3.382]	[2.985]
Four Factor Loadings	Yes	Yes	Yes	Yes
Month FEs	Yes	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes
Observations	495	495	1,047	1,047
Adjusted R^2	0.471	0.255	0.411	0.110