Journal of Business Ethics (2024) 194:211–228
https://doi.org/10.1007/s10551-024-05623-0

ORIGINAL PAPER

Local Tournament Incentives and Corporate Social Responsibility

Yiqing Tan[1]

Received: 8 June 2023 / Accepted: 12 January 2024 / Published online: 27 February 2024

Abstract
The objective of this research is to examine whether and how enterprises adjust their corporate social responsibility (CSR) activities in response to top executives' local tournament incentives. The findings provide evidence to support the claim that local compensation gaps encourage top executives to reduce their CSR performance; furthermore, they indicate that this reduction is accomplished mainly through the CSR categories of diversity, community, the environment and product. The enforceability of noncompete agreements (NCAs) is examined, and the negative relationship between local compensation gaps and CSR is documented to be weaker in states that feature stronger enforcement of NCAs, which constrains labour mobility and imposes turnover costs. The findings of this research are robust to concerns regarding endogeneity and reverse causality.

Keywords Tournament theory · Local tournament incentives · Corporate social responsibility · Noncompete agreements · Social capital

JEL Classification G32 · G34 · M14

Introduction

The reasons for which companies participate in corporate social responsibility (CSR) projects have long been debated. In one stream of research, a value-enhancing view has been proposed, which posits that engagement in CSR activities benefits firm performance and value in various respects, such as by directly reducing firm risks (Chang et al., 2014; Jo & Na, 2012), enhancing the firm's brand and reputation (Menon & Kahn, 2003; Miller et al., 2020), improving employee satisfaction and productivity (Valentine & Fleischman, 2008), improving customer loyalty (Pérez & del Bosque, 2015; Servaes & Tamayo, 2013), promoting competitive strategies (Flammer, 2015), and thus enhancing product revenue growth (Lev et al., 2010). The positive impact of such activities on the product market creates value for firms and shareholders. Engagement in CSR activities also benefits firm value in the capital market by increasing stock price returns and reducing stock price risk (Harjoto & Jo, 2015; Kim et al., 2014; Luo & Bhattacharya, 2009) as well as by reducing financing costs (Dhaliwal et al., 2011; Richardson & Welker, 2001). Another stream of research has proposed that engagement in CSR is a value-destroying activity. Brown et al. (2006) propose that agency cost is a prominent reason for corporate giving, which is one of the core dimensions of CSR performance. According to McWilliams and Siegel (2000), a company should have optimal CSR performance based on its relative cost and benefit; however, as the key decision maker and the primary driver of firm-level social performance (Davidson et al., 2019; Gillan et al., 2021), CEOs may use CSR to advance their own self-interest, such as their individual fame, social status and social networks, although using corporate resources in this manner is not optimal and reduces firm value, thus implying that CSR gives rise to an agency problem (Barnea & Rubin, 2010; Chin et al., 2013; Masulis & Reza, 2015) and that excess CSR activities occur in companies with boards that cannot effectively play an overseeing role in monitoring CSR performance (Zhou, 2022). In accordance with the agency problem, overinvestment in CSR is recognized as how executives extract private benefits at the cost of shareholders; therefore, the benefits generated by CSR activities for companies may not outweigh the costs, especially during difficult times when stakeholders may be more sensitive to nontrivial CSR costs (Liu et al., 2020; Yi et al.,

✉ Yiqing Tan
tanyq@hnu.edu.cn

[1] Business School, Hunan University, Changsha, China

2022). Consequently, overinvestment in CSR causes a decline in corporate profitability (Di Giuli & Kostovetsky, 2014) as well as leads to negative responses on the part of capital market participants, such as pessimistic analyst recommendations (Ioannou & Serafeim, 2015), lower cumulative stock returns (Cheng et al., 2023; Krüger, 2015), and a reduction in firm values (Chahine et al., 2019; Nguyen et al., 2023). In addition, CEOs adopt CSR as an earnings management strategy, which is the result of the agency problem (Petrovits, 2006).

Another body of literature has argued that since CEOs are top executives who play a key role in the development of investment policies, their compensation incentives and personal experiences and backgrounds are definitely important determinants of decisions pertaining to CSR performance (Cho & Lee, 2019; Choi et al., 2023; Fabrizi et al., 2014; Mayberry, 2020). However, little is known about how geographic peer effects influence CEOs' CSR engagement decisions. The main objective of this study is to answer the calls for research aimed at obtaining a deeper understanding of whether CSR is value-enhancing or value-destroying by analysing the geographic compensation tournament that influences CEOs' preferences. The theoretical basis of this research is the argument that tournament prizes, as assessed by one's relative position in a competition, provide managers with rank-order incentives that influence their managerial behaviour and risk preference (Lazear & Rosen, 1981). While industry peer effects are based on information spillover and economic linkages among firms within a particular industry, geographic peer effects on finance and accounting are less likely to be observed directly, and research on this topic remains underdeveloped. Yonker (2017) suggests the presence of market segmentation and finds that executives' turnover and compensation depend on the local labour market. Zhao (2018) also emphasizes the importance of the local market and argues that executive markets are locally segmented rather than nationally integrated. Following the logic underlying local competition, CEOs compete with their local peers to obtain local tournament prizes, and the opportunities for local promotion create incentives for CEOs to adjust their risk preferences to win local competitions and tournaments, thereby impacting firm policy and performance (Ma et al., 2020; Yin, 2018). Although several studies have explored the geographic peer effect on corporate financial performance, until recently, the importance of local peer influence on corporate social performance has not been well addressed. Motivated by the studies discussed above, this research tries to bridge the gap between geographic segmentation determinants and company social performance in the literature and to resolve the considerable debate between value-enhancing and value-destroying theories in the context of decisions regarding CSR activities by exploring CEOs' geographic tournament incentives.

This study proposes a negative causal association between local payment gaps and CSR performance based on an examination of observations in the United States. This finding is consistent with the value-destroying perspective of the CSR engagement motive, which claims that to obtain external tournament prizes, CEOs are incentivized to avoid risky and long-term CSR projects that may fail to use firm resources in an optimal manner at the expense of shareholders. The local tournament incentive is an external mechanism designed to mitigate agency costs between managers and corporate owners. To confirm causality in further detail, in this study, the change in the enforceability of noncompete agreements (NCAs) in the United States is assessed. These NCAs impose turnover costs and thus constrain labour mobility. The negative linkage between local tournament incentives and CSR performance is found to be less sensitive in states that have made improvements in NCA enforceability because, although local compensation gaps offer incentives for managers to adjust their risk preferences and managerial styles, the actual possibilities of obtaining a promotion and acquiring tournament prizes are constrained by noncompete provisions. To account for concerns regarding endogeneity and reverse causality, this research conducts a change design analysis and controls for firm fixed effects, resulting in consistent conclusions. The findings indicate that local tournament incentives affect corporate social performance through the dimensions of diversity, community, environment and product. Tenure, gender, and age are employed as measures of CEO demographic characteristics, and state gross domestic product (GDP) is employed as a measure of the state's economic development, demonstrating that the influence of local compensation gaps on CSR performance is stronger for companies in more developed states but does not differ significantly across firms with different CEO characteristics.

This paper first contributes to the literature by enriching the scholarly knowledge of the determinants of CSR performance. As the decision maker, the CEO factor explains more than 50% of the variation in CSR scores (Davidson et al., 2019) and many studies have identified CEO backgrounds and equity incentives as the main drivers of CEO decisions related to social investments (e.g., Chen et al., 2019; Choi et al., 2023; Mayberry, 2020; Meier & Schier, 2021). However, the claim that local compensation gaps influence CSR performance has not been supported by empirical evidence. To the best of the researcher's knowledge, this research is the first to identify the influence of local tournament incentives as a key determinant of corporate social performance. This research provides a new perspective by highlighting the importance of local competition, makes a timely contribution to the ongoing debate on the contrasting motives of CSR and provides empirical evidence supporting the value-destroying view by applying agency theory to reveal how

external incentives affect CEOs' decisions about CSR; i.e., the pressure arising from local competition and tournament prizes acts as a mechanism that mitigates agency problems and constrains overinvestment in CSR..

Second, this paper contributes to tournament studies regarding whether and how CEOs compete with their local peers and subsequently adjust their managerial styles (Coles et al., 2018; Huang et al., 2019; Kale et al., 2009), and emphasizing the importance of companies' geography. A recent development in tournament theory has focused on the extension of this logic to local tournament competition, but empirical evidence regarding how and whether local tournaments influence managerial behaviour and firm policies remains limited. Unlike the industry peer effect, which is based on economic links and knowledge spillovers, the geographic peer effect, which is based on local knowledge and social connections, is less likely to be observed directly. In this paper, empirical evidence is provided concerning the existence of local tournament incentives linked to CEOs' moral values and ethical standards, which are reflected in CSR performance. This paper provides a new perspective by underscoring the ethical and social consequences of geographic tournaments and draws the attention of regulators and market participants to the local executive market and local compensation gaps.

The remainder of the paper is organized as follows. "Theoretical Background and Hypothesis Development" section reviews the literature on executive incentives and CSR and presents the hypothesis of this research. "Research Design and Data" section discusses the sample and construction of the empirical research. "Empirical Analyses" section presents the primary empirical results and tests them for robustness. "Conclusion" section concludes the paper.

Theoretical Background and Hypothesis Development

Theoretical Basis

CSR engagement is regarded as a way to enhance corporate reputation and fame and is a factor that cannot be observed directly. The literature has proposed two contradictory views on the underlying intentions and consequences of engagement in CSR activities, i.e., on whether such activities are value-creating or value-destroying. According to the value-enhancing perspective, as CSR focuses on long-term benefits and mitigates myopic decisions, engagement in CSR reduces firms' risk (Chang et al., 2014; Jo & Na, 2012). Additionally, the reputation and fame acquired through CSR performance help firms generate higher valuations through better social networks, better customer awareness, and better overall support (Miller et al., 2020; Servaes & Tamayo, 2013; Valentine & Fleischman, 2008). These improved sources, which are observed indirectly, have positive influences on the environment in which corporations exist and thereby improve corporate operations, suggesting that engagement in CSR improves firm value and performance (Lev et al., 2010; Lins et al., 2017). The value-enhancing view posits that CSR is an investment project with positive value that maximizes shareholders' wealth in the long term. According to the value-decreasing view, social investments are generally nontrivial, and their benefits are not observable directly. Because of the segregation of ownership and control, managers have a self-interested preference for overinvestment in corporate social activities to advance their personal reputations through the use of company resources, although doing so may negatively affect firm value (Barnea & Rubin, 2010; Bénabou & Tirole, 2010; Chin et al., 2013; Jensen & Meckling, 1976), causing agency problems. Davidson et al. (2019) demonstrate that CEO-related factors explain 52–74% of the variation in CSR performance, whereas firm-related factors explain only 11–32% of the variation in CSR performance, which highlights the key role of CEOs in determining CSR performance. Yin et al. (2023) divide CSR performance into external and internal CSR and demonstrate that CEOs are motivated to improve CSR performance at the expense of the welfare of internal stakeholders in the pursuit of CEO personal awards. If the board structure is not optimal and cannot effectively monitor CSR performance, CEOs are more likely to engage in excessive CSR (Zhou, 2022); in contrast, if the board includes more talented inside directors who fulfil oversight responsibilities more efficiently, CEOs are less likely to engage in CSR (Bu et al., 2021). In some cases, CSR activities are used as an effective entrenchment strategy to ensure that inefficient CEOs retain their current positions (Cespa & Cestone, 2007); therefore, for firms with higher CEO centrality, which helps CEOs entrench themselves, CSR performance reduces firm value (Chahine et al., 2019). Consequently, CSR performance is bad news in the eyes of the capital market, leading to adverse market reactions (Cheng et al., 2023; Krüger, 2015; Wang et al., 2021), especially during difficult times when firm stakeholders are more concerned about the considerable cost of CSR and thereby damage firm value (Liu et al., 2020; Yi et al., 2022). Following this logic, mechanisms that align the interests of managers and shareholders, such as compensation and managerial ownership (Fabrizi et al., 2014; Ongsakul et al., 2021), and mechanisms that improve oversight efficiency (Nguyen et al., 2023), which mitigates agency problems and lowers agency costs, could reduce CSR performance.

As in the case of performance-based compensation, tournament prizes impact firm policy and performance (Kale et al., 2009; Kini & Williams, 2012). Following Coles et al. (2018), who extend the logic of tournaments to the industrial field, researchers have documented that, similar to intrafirm

tournaments, industry tournaments affect managers' risk preference and further influence firm policy and productivity (Huang et al., 2019; Nguyen & Zhao, 2021; Tan, 2021). While industry peer effects are based on information spillover and economic linkages among firms within a particular industry, geographic peer effects on finance and accounting are less likely to be directly observed and are still underdeveloped. A recent development in tournament theory has further extended the influencing factors to encompass geographic effects, indicating the existence of a local executive labour market and executive competition (Yonker, 2017; Zhao, 2018). Alongside this argument, researchers document that local tournament incentives, which indicate that CEOs compete within local states, affect managerial preference and affect financial performance (Ma et al., 2020; Yin, 2018). However, whether and how local tournament incentives affect managers' ethical standards and social performance have not been addressed. As in the case of performance-based compensation, promotion-based tournaments encourage top executives to work diligently and efficiently to win tournament prizes through competition. The incentive channel provides the possibility that this external factor shapes managerial behaviour and risk preference and thus affects firm policy and performance.

Hypothesis Development

Based on the extant theoretical literature, it can be conjectured that managerial incentives resulting from geographic peer competition may influence managerial behaviour and risk preference and thereby impact CSR performance. Researchers have recognized that, as the top corporate manager, the CEO's preferences and priorities are crucial for determining the degree of a company's commitment to CSR (e.g., Meier & Schier, 2022). According to tournament theory, a local competition tournament acts as an incentive mechanism that motivates managers to signal their ability and outperform competitors to win this external prize. However, prior studies have provided inconclusive findings regarding how CEO incentives affect CSR performance because it remains uncertain whether value-creating or value-decreasing incentives dominate this process. Consistent with the value-destroying view, Chowdhury et al. (2022) report a negative association between industry tournaments and CSR engagement. Kim et al. (2023) argue that CEOs whose interests are strongly aligned with those of shareholders are less likely to enhance CSR performance. In contrast, Hong et al. (2016) show that linking CSR performance with CEO compensation is an effective mechanism for enhancing corporate performance, which is in line with the value-enhancing view. Dupire and M'Zali (2018) find that industrial competition creates incentives that encourage managers to increase their CSR investments, thus enhancing their corresponding competitive advantages. This finding implies that investment in CSR is a way to maximize shareholders' value in a way that enables managers to outperform their competitors and display their ability to the labour market through engagement in CSR. Similar to previously identified incentives, local tournament incentives also have two possible effects on CSR performance. In line with the value-enhancing perspective, geographic compensation gaps provide promotion opportunities and tournament incentives that encourage managers to increase their engagement in CSR projects, which is an effective strategy for obtaining competitive advantage, increasing firm value and enhancing the reputations of both firms and executives. By increasing valuable CSR investments and improving CSR performance, managers outperform their local competitors and thereby obtain a higher probability of winning tournament prizes. According to the value-decreasing view, however, local tournament incentives act as an effective mechanism for aligning managers' interests with those of shareholders and mitigating agency problems, thus constraining managers' intentions to invest in CSR to promote their own self-interest at the expense of owners. Additionally, overinvestments in CSR may harm shareholders' wealth and thus cannot help managers signal their outstanding ability to local labour markets and enable them to win the tournament prize. Hence, the local compensation gap may discourage managers from engaging in CSR activities. Whether local tournament incentives affect CSR performance positively or negatively is an empirical question; thus, the main hypothesis of this research is as follows:

Hypothesis Local tournament incentives are associated with corporate social responsibility.

Research Design and Data

Sample

The focus of this research is on firm-year observations in the United States for several reasons. First, the U.S. owns a vast amount of territory across its fifty states. Different states with different regulations and labour constraints make it necessary and important to address issues related to local tournament incentives. Second, the U.S. is one of the earliest countries to emphasize CSR performance. The findings of this research could provide empirical

evidence that is applicable to other developed countries. Third, executive markets in the U.S. are locally segmented rather than nationally integrated, thus making it practical to examine the impact of geographic peers on CSR performance. The sample explored in this research covers the period from 1994 to 2013,[1] and the data used for the main analysis are drawn from various sources. Financial statement data are from the Compustat database, compensation data are from the Execucomp database, and CSR data are from the most comprehensive database, i.e., the MSCI (formerly KLD and GMI) database. Financial and utility companies are excluded from the sample because they face different forms of regulatory oversight.

Variable Measurement

Firm-Level CSR Performance

Previous studies have typically measured CSR scores using KLD ratings, which have advantages and disadvantages in different areas (e.g., Cheng et al., 2023; Choi et al., 2023; Liu et al., 2020). In this study, CSR is measured based on seven categories: community, diversity, governance, employee relations, environment, human rights, and product. Then, positive and negative indicators are assigned to each category. The net score of the CSR rating (the sum of the advantages minus the sum of the disadvantages) represents corporate social performance, which is defined as CSR1. Because executives' incentives are one aspect of corporate governance, this study calculates the CSR rating based on six categories (i.e., excluding corporate governance indicators) and defines this rating as CSR2.[2]

Local Tournament Incentives

The data used to measure CEO incentives are drawn from the Execucomp database. The core independent variable, local tournament incentive (LT), is measured as the logarithm of the total compensation difference between the CEO being considered and the second-highest-paid CEO at a similarly sized firm in the same state (Ma et al., 2020; Yin, 2018).

Controls

To investigate the impact of the CEO's local tournament incentive, equity incentives, i.e., Vega and Delta, are first controlled for (Coles et al., 2006). Vega is calculated as the logarithm of the change in the value of the CEO's equity holdings resulting from a 1% change in the standard deviation of stock returns, and Delta is calculated as the logarithm of the change in the value of the CEO's equity holdings resulting from a 1% change in stock price. Internal tournament incentives, which are measured in terms of the logarithm of the compensation difference within the company, and industry tournament incentives, which are measured in terms of the logarithm of the compensation difference within the 2-digit industry, are also included. Firms that exhibit better operating performance and lower financial constraints have more access to resources and opportunities to invest in CSR projects. Therefore, to ensure comparability and consistency with recent social responsibility studies (e.g., Chen et al., 2020; Chowdhury et al., 2022), firm-specific factors that may influence CSR performance are also included as controls, including firm size (Size), return on assets (ROA), R&D expenses (RD),[3] capital expenditure (Capx), inventory and accounts receivable (Invrec), financial leverage (Leverage), cash flows from operating activities (Cash), and market competition pressure (HHI).[4] To examine Hypothesis H, the study begins by estimating the following regression:

$$\begin{aligned} \mathrm{CSR}_t =& \beta_0 + \beta_1 \mathrm{LT}_{t-1} + \beta_2 \mathrm{Internal}_{t-1} \\ &+ \beta_3 \mathrm{Industry}_{t-1} + \beta_4 \mathrm{Vega}_{t-1} \\ &+ \beta_5 \mathrm{Delta}_{t-1} + \beta_6 \mathrm{Size}_{t-1} + \beta_7 \mathrm{ROA}_{t-1} \\ &+ \beta_8 \mathrm{RD}_{t-1} + \beta_9 \mathrm{Capx}_{t-1} + \beta_{10} \mathrm{Invrec}_{t-1} \\ &+ \beta_{11} \mathrm{Leverage}_{t-1} + \beta_{12} \mathrm{Cash}_{t-1} + \beta_{13} \mathrm{HHI}_{t-1} \\ &+ \mathrm{Fixedeffects} + \varepsilon. \end{aligned} \tag{1}$$

[1] The sample period ends in 2013 because the enforceability of the NCA index covers the period from 1980 to 2013; therefore, the sample period was selected to ensure the data availability.

[2] As suggested by Cronqvist and Yu (2017), KLD includes corporate governance as a core category, but this notion is different from social behaviour.

[3] According to McWilliams and Siegel (2000), R&D plays crucial role in affecting corporate social performance, and omitting control of R&D may cause endogeneity problem. Since not all firms report R&D expenses, I replace missing value of R&D with zero. Some studies replace missing value of R&D with 0.5% of revenues (e.g., Havlinova and Kukacka 2023), I re-estimate regression with R&D missing value replaced by 0.5% of revenues and have similar findings.

[4] Variable definitions are provided in the "Appendix".

Table 1 Descriptive statistics

Variable	*N*	Mean	Standard deviation	25th Percentile	Median	75th Percentile
CSR1	6876	−0.108	2.782	−2.000	0.000	1.000
CSR2	6876	0.233	2.624	−1.000	0.000	1.000
LT	6876	8.230	2.770	8.127	9.009	9.697
Internal	6876	7.120	1.425	6.365	7.320	8.125
Industry	6876	8.885	2.308	8.731	9.549	9.957
Vega	6876	2.617	1.507	1.651	2.694	3.665
Delta	6876	3.674	1.499	2.679	3.604	4.595
Size	6876	7.378	1.553	6.267	7.272	8.436
ROA	6876	0.055	0.085	0.026	0.059	0.097
RD	6876	0.035	0.052	0.000	0.009	0.053
Capx	6876	0.049	0.047	0.019	0.034	0.060
Invrec	6876	0.260	0.152	0.143	0.246	0.348
Leverage	6876	1.415	1.956	0.468	0.923	1.547
Cash	6876	0.114	0.075	0.068	0.109	0.156
HHI	6876	0.032	0.064	0.001	0.007	0.027

Empirical Analyses

Descriptive Statistics and Correlations

Table 1 reports the descriptive statistics of the main variables. The average values of CSR indicators CSR1 and CSR2 are −0.108 and 0.233, respectively. This finding indicates that when the corporate governance category is included in CSR performance, on average, companies exhibit more concerns than strengths, while when the corporate governance category is excluded from CSR performance, companies exhibit more strengths than concerns. The standard deviations of CSR1 and CSR2 are 2.782 and 2.624, respectively, thus indicating significant variation among firms in terms of social performance. These descriptive statistics of CSR are comparable to those employed in the extant literature (e.g., Amin et al., 2020; Borghesi et al., 2014; Hegde & Mishra, 2019). The average value of local tournament incentives is 8.230, and the median value is 9.009. The average value of intrafirm tournaments is 7.120, while the average value of industry tournaments is 8.885, thus suggesting the existence of a larger external compensation gap within the industry and within the local state. Other variables are comparable to those employed in previous studies (e.g., Chen et al., 2020; Cho & Lee, 2019; Choi et al., 2023). The findings show that the average ROA for the sample is 5.5%, the average leverage ratio is 1.415, and the ratio of cash flows from operating activities to total assets is 11.4%. Among these firms, research and development intensity has a mean value of 3.5%, and capital expenditure intensity has a mean value of 4.9%. The average value of HHI is 0.032, indicating that market competition is not intense in the firms included in the sample.

Table 2 reports the correlations between the variables of interest and covariates. Because of the specific construction of CSR1 and CSR2, these factors are strongly correlated. The results of the ADF test confirm that the main variables are stationary and that all variance inflation factor scores range from 1.05 to 2.38 and are less than 10, confirming that no multicollinearity exists in the research design that may affect the stability of the estimates (Dielman, 2001).

Local Tournament Incentives and Corporate Social Responsibility

Table 3 shows the empirical findings of the test of the primary hypothesis. Lead-lag regression is used to alleviate endogeneity concerns. The coefficients on LT are −0.033 and −0.032, which are displayed in Columns (1) and (3), respectively. Regarding economic magnitude, a 1 standard deviation increase in local tournament incentives results in a 0.091 (0.089) reduction in CSR1 (CSR2), which represents an 84% (38%) decrease in the average value of CSR1 (CSR2). The empirical findings suggest that local compensation gaps encourage CEOs to reduce CSR investments in the subsequent period, which supports the value-decreasing view that agency problems are the reason for CSR engagement. This finding implies that the local compensation gap plays a role in aligning the interests of executives with those of owners, lowering agency costs and thereby constraining managers' motivation to engage in CSR for self-interest, such as by enhancing their personal reputations and social networks at owners' expense. The coefficients on Delta are significantly negative, and the coefficients on Vega are significantly

Table 2 Correlations

	CSR2	LT	Internal	Industry	Vega	Delta	Size	ROA	RD	Capx	Invrec	Leverage	Cash	HHI
CSR1	0.968	0.016	0.128	−0.038	0.195	0.160	0.257	0.098	0.100	−0.010	−0.072	0.022	0.090	0.102
CSR2	1.000	0.017	0.183	−0.061	0.246	0.202	0.315	0.103	0.115	−0.020	−0.087	0.039	0.101	0.127
LT		1.000	−0.131	0.142	−0.006	0.008	0.011	−0.017	0.049	−0.003	0.037	−0.028	−0.020	−0.039
Internal			1.000	−0.219	0.285	0.208	0.458	0.053	−0.003	−0.033	−0.060	0.167	0.034	0.169
Industry				1.000	−0.138	−0.129	−0.358	−0.007	0.220	−0.042	−0.015	−0.141	0.024	−0.603
Vega					1.000	0.702	0.388	0.119	0.088	−0.011	−0.090	0.066	0.099	0.175
Delta						1.000	0.381	0.220	0.029	0.067	−0.072	0.044	0.198	0.197
Size							1.000	0.122	−0.307	0.048	0.155	0.281	0.067	0.542
ROA								1.000	−0.154	0.098	0.069	−0.149	0.594	0.020
RD									1.000	−0.169	−0.183	−0.122	−0.051	−0.223
Capx										1.000	−0.176	−0.047	0.290	0.038
Invrec											1.000	0.044	−0.136	0.033
Leverage												1.000	−0.134	0.197
Cash													1.000	−0.005
HHI														1.000

Table 3 Local tournament incentives and corporate social responsibility

	Dep = CSR1		Dep = CSR2		Dep = CSR1		Dep = CSR2		Dep = CSR1		Dep = CSR2	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value
LT	**−0.033****	**−2.22**	**−0.032****	**−2.33**	**−0.058*****	**−2.80**	**−0.050*****	**−2.73**	**−0.050***	**−1.89**	**−0.047***	**−1.90**
Internal	−0.130***	−4.99	−0.079***	−3.38	−0.063***	−2.76	−0.029	−1.32	−0.122***	−3.85	−0.076***	−2.63
Industry	0.013	0.61	0.005	0.24	−0.021	−0.86	−0.024	−1.16	0.042	1.58	0.039	1.55
Vega	0.139***	4.59	0.155***	5.57	0.038	0.59	0.033	0.59	0.186***	4.86	0.199***	5.66
Delta	−0.059**	−2.16	−0.058**	−2.29	−0.048	−0.91	−0.030	−0.67	−0.072**	−2.15	−0.066**	−2.13
Size	0.707***	17.38	0.776***	21.04	−0.027	−0.17	0.075	0.49	0.676***	12.79	0.747***	15.68
ROA	1.558***	3.41	1.241***	2.91	0.475	1.21	0.369	1.14	1.364**	2.14	1.033*	1.73
RD	6.684***	8.30	7.168***	9.67	−3.489	−1.44	−2.732	−1.34	10.021***	8.47	10.598***	9.72
Capx	2.630***	3.14	2.170***	2.81	0.304	0.25	0.317	0.36	1.978*	1.85	1.368	1.39
Invrec	−1.383***	−5.29	−1.654***	−6.82	0.786	0.79	0.416	0.44	−1.292***	−4.02	−1.529***	−5.11
Leverage	−0.038*	−1.77	−0.031	−1.56	−0.005	−0.21	−0.001	−0.07	−0.031	−1.27	−0.029	−1.27
Cash	0.722	1.39	0.933*	1.93	0.132	0.22	0.208	0.38	1.135	1.64	1.328**	2.08
HHI	−1.352	−1.32	−1.872**	−2.03	2.507	0.77	2.135	0.67	−0.940	−0.81	−1.303	−1.24
Intercept	Yes		Yes		Yes		Yes		Yes		Yes	
Ind FE	Yes		Yes		No		No		Yes		Yes	
Firm FE	No		No		Yes		Yes		No		No	
State FE	Yes		Yes		Yes		Yes		Yes		Yes	
Year FE	Yes		Yes		Yes		Yes		Yes		Yes	
N	6876		6876		6876		6876		4572		4572	
Adj. R^2	23.93%		27.00%		57.55%		61.57%		24.39%		27.70%	

Interest are marked in bold

This table reports the impact of LT on CSR. The dependent variables are CSR1 and CSR2, which are measured based on categories drawn from the MSCI (formerly KLD and GMI) database and are used to capture overall CSR standing. LT represents local tournament incentives, which are measured in terms of the difference between the CEO under consideration and the CEO with the second-highest compensation in the same state. Columns (1)–(4) represent models controlling for industry, state and year fixed effects; Columns (5)–(8) represent models controlling for firm, state and year fixed effects; and Columns (9)–(12) represent models using matched samples and controlling for industry, state and year fixed effects

*$p < 0.1$, **$p < 0.05$, ***$p < 0.01$

positive. These results support the influence of CEO equity incentives and are consistent with the conclusions drawn by Kim et al. (2023), who claim that CSR engagement can be motivated by the agency problem. The coefficients on Internal are − 0.130 and − 0.079, as shown in Columns (1) and (3), respectively. These results are in line with the findings of Zhao et al. (2023) and indicate that internal promotion opportunities discourage CSR engagement. However, the coefficients on Industry, which represents another external tournament, as suggested by Chowdhury et al. (2022), are not significant. One possible reason is that the influence of external promotion incentives is reflected mostly in local tournaments rather than industry tournaments, thus further confirming and emphasizing the key role of geographic peer effects in this context. The effects of the covariates are broadly in line with those reported in prior corporate social responsibility research (e.g., Choi et al., 2023; Dunbar et al., 2020). Enterprises that are larger, have greater profitability, and have higher cash flows have more resources available to them and are thereby more likely to engage in CSR activities. The positive and significant coefficient on RD confirms the findings reported by Padgett and Galan (2010) and is consistent with the argument that both R&D development and CSR performance are strategies used to gain competitive advantages. Similar to the results reported by Chowdhury et al. (2022), the intensity of capital expenditure is related to the life cycle of corporations and has a positive impact on CSR performance. Additionally, leverage, inventory and receivable intensity, and market competition have slightly negative impacts on CSR performance.

To alleviate concerns regarding endogeneity and omitted variables, a model that includes firm fixed effects is employed. As shown in Column (5), the coefficient on LT is − 0.058 with a t value of − 2.80. When the dependent variable is CSR2, which excludes the governance factor, the coefficient on LT is − 0.050. These findings confirm the hypothesis that geographic compensation gaps have a negative influence on corporate social performance after taking into account equity incentives, other tournament incentives and firm-level time-variant factors. Some unknown factors might affect both the level of local compensation and a firm's CSR scores. To mitigate this issue, this study employs a propensity score matching approach. As illustrated in Columns (9) and (11), the coefficient on LT is − 0.050 when the dependent variable is CSR1, and the coefficient on LT is − 0.047 when the dependent variable is CSR2. These consistently negative coefficients suggest that in comparison to enterprises that exhibit similar firm characteristics, enterprises with CEOs who face greater local tournaments are associated with lower investments in CSR projects.

The consistent and robust findings across all models displayed in Table 3 provide evidence to support the main hypothesis, which posits that the local compensation gap acts as an incentive mechanism that shapes top managers' risk preferences and behaviour. This gap decreases agency costs and constrains managers from making self-interesting investment decisions. Consistent with the argument that geographic segregation exists in the labour market (Zhao, 2018), these findings indicate that in addition to industrial peer effects based on economic links, geographic compensation tournaments have separate and significant influences on managerial behaviour and corporate social investment decisions.

Although the lead-lag analysis shown in Table 3 establishes a negative causal association between local payment gaps and subsequent CSR activities, the ways in which different aspects of social performance are affected are not identified. In this study, the effects of local compensation gaps on seven categories of corporate social performance are analysed, and the results are displayed in Table 4. Panel A shows the descriptive statistics for the seven categories. The mean values of community, diversity, employee relations, and environment are 0.117, 0.103, 0.055, and 0.112, respectively. These findings indicate that within these four categories, the average company exhibits more strengths than concerns. However, the mean values of human rights, product, and governance are − 0.038, − 0.122, and − 0.337, respectively. These findings indicate that within these three categories, the average company exhibits more concerns than strengths. The descriptive statistics of these categories are also comparable to those reported in prior studies (e.g., Amin et al., 2020; Borghesi et al., 2014) and suggest that the sample companies perform better in the areas of diversity, environment, employee relations, and community social activities but worse in the areas of human rights, product and governance social activities. Panel B presents the empirical analysis including industry, state and year fixed effects. The coefficient on LT in Column (1) is − 0.008 with a t value of − 2.51, and the coefficient on LT in Column (3) is − 0.023 with a t value of − 3.41, thus indicating that local payment gaps motivate managers to invest less in the community and diversity categories. Regarding the other categories, however, no significant links are found. Panel C presents the findings including firm, state and year fixed effects, which exhibit some differences from those shown in Panel B when firm variant factors are considered. In Column (1), the coefficient on LT is still negative but not significant. However, Column (3) shows that the coefficient is − 0.021 with a t value of − 2.41, which is consistently negative and significant at the 5% level. In Columns (7) and (11), the coefficients on LT are − 0.015 (t = − 1.78) and − 0.007 (t = − 2.21), respectively. This result suggests that managers with greater local tournament incentives are less motivated to invest in diversity, environment, and product social activity categories. In terms of the employee, human rights and corporate governance categories, no significant links

Table 4 The impact of local tournament incentives on CSR categories

Panel A Descriptive statistics

Variable	*N*	Mean	Standard deviation	25th Percentile	Median	75th Percentile
Community	6876	0.117	0.498	0.000	0.000	0.000
Diversity	6876	0.103	1.416	−1.000	0.000	1.000
Employee Relations	6876	0.055	1.104	0.000	0.000	0.000
Environment	6876	0.112	0.873	0.000	0.000	0.000
Human Rights	6876	−0.038	0.255	0.000	0.000	0.000
Product	6876	−0.122	0.568	0.000	0.000	0.000
Governance	6876	−0.337	0.697	−1.000	0.000	0.000

Panel B The impacts of local tournament incentives on the categories while controlling for industry, state and year fixed effects

	Dep = Community		Dep = Diversity		Dep = Employee Relations		Dep = Environment		Dep = Human Rights		Dep = Product		Dep = Governance	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value
LT	**−0.008****	**−2.51**	**−0.023*****	**−3.41**	**−0.001**	**−0.26**	**−0.004**	**−0.80**	**0.000**	**0.16**	**0.002**	**0.64**	**−0.001**	**−0.19**
Internal	−0.017***	−3.56	−0.019	−1.61	−0.032***	−3.18	−0.008	−1.10	0.000	0.04	−0.005	−0.98	−0.051***	−7.29
Industry	−0.004	−0.84	0.018**	2.00	−0.007	−0.88	−0.006	−0.93	0.002	0.57	0.005	0.92	0.008	1.56
Vega	0.026***	4.47	0.070***	5.17	0.014	1.18	0.026***	2.62	0.002	0.57	0.019***	2.75	−0.013	−1.56
Delta	0.000	0.06	−0.039***	−2.99	−0.002	−0.15	−0.018**	−2.18	0.000	0.15	0.003	0.51	−0.004	−0.53
Size	0.115***	14.84	0.496***	29.39	0.155***	10.35	0.110***	8.83	−0.014***	−3.48	−0.082***	−10.03	−0.065***	−6.53
ROA	0.192**	2.55	0.268	1.35	0.623***	3.19	0.183	1.37	0.052	1.27	−0.043	−0.47	0.356***	3.06
RD	0.862***	6.08	2.512***	7.12	2.473***	7.63	1.602***	7.01	0.086	1.40	−0.159	−1.04	−0.428**	−2.09
Capx	0.295**	1.99	0.425	1.18	0.170	0.51	0.288	1.04	0.211**	2.41	0.906***	5.10	0.506**	2.29
Invrec	−0.142***	−3.09	−0.930***	−7.93	−0.554***	−5.08	−0.300***	−3.66	−0.041	−1.43	0.250***	4.31	0.244***	3.54
Leverage	−0.007	−1.62	−0.001	−0.19	−0.019**	−2.31	−0.002	−0.32	−0.001	−0.83	−0.004	−0.89	−0.007*	−1.71
Cash	−0.011	−0.13	−0.609***	−2.63	1.090***	5.08	0.343**	2.21	−0.009	−0.18	0.143	1.32	−0.191	−1.41
HHI	−0.002	−0.01	1.702***	3.94	−1.315***	−3.43	−0.228	−0.71	−0.712***	−5.66	−1.065***	−4.65	0.356	1.48
Intercept	Yes		Yes		Yes		Yes		Yes		Yes		Yes	
Ind FE	Yes		Yes		Yes		Yes		Yes		Yes		Yes	
State FE	Yes		Yes		Yes		Yes		Yes		Yes		Yes	
Year FE	Yes		Yes		Yes		Yes		Yes		Yes		Yes	
N	6876		6876		6876		6876		6876		6876		6876	
Adj. R^2	21.65%		41.75%		21.93%		21.02%		13.79%		17.94%		21.12%	

Panel C The impacts of local tournament incentives on the categories while controlling for firm, state and year fixed effects

	Dep = Community		Dep = Diversity		Dep = Employee Relations		Dep = Environment		Dep = Human Rights		Dep = Product		Dep = Governance	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value
LT	**−0.003**	**−0.99**	**−0.021****	**−2.41**	**0.000**	**0.05**	**−0.015***	**−1.78**	**−0.003**	**−1.32**	**−0.007****	**−2.21**	**−0.008**	**−1.40**
Internal	−0.010*	−1.68	−0.002	−0.20	−0.010	−0.79	−0.007	−0.76	−0.003	−0.72	0.002	0.37	−0.035***	−4.68
Industry	−0.003	−0.45	0.004	0.38	−0.016**	−2.37	−0.012	−1.65	−0.001	−0.13	0.004	0.59	0.005	0.83
Vega	0.011	0.90	0.008	0.41	−0.008	−0.32	0.026	1.19	−0.003	−0.31	−0.004	−0.29	0.010	0.55
Delta	−0.006	−1.02	−0.011	−0.62	0.010	0.58	−0.038*	−1.79	0.003	0.49	0.020*	1.70	−0.026*	−1.70

Table 4 (continued)

Panel C The impacts of local tournament incentives on the categories while controlling for firm, state and year fixed effects

	Dep = Community		Dep = Diversity		Dep = Employee Relations		Dep = Environment		Dep = Human Rights		Dep = Product		Dep = Governance	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value
Size	0.058***	2.70	0.185***	3.41	0.075	1.11	−0.198**	−2.19	−0.005	−0.23	−0.051*	−1.76	−0.103***	−3.23
ROA	0.049	0.71	0.006	0.03	0.104	0.43	0.077	0.53	0.038	0.53	0.097	1.09	0.169	1.17
RD	0.231	1.02	−0.373	−0.53	−0.470	−0.39	−1.314*	−1.70	−0.112	−0.48	−0.556	−1.28	−0.585	−0.99
Capx	0.179	0.66	−0.461	−1.24	−0.211	−0.44	0.187	0.47	0.336	1.37	0.243	0.85	0.001	0.00
Invrec	−0.051	−0.51	−0.020	−0.05	0.386	1.32	0.134	0.38	−0.170**	−2.03	0.199	1.19	0.395	1.61
Leverage	0.003	0.58	−0.011	−1.05	−0.012	−1.41	0.018	1.62	−0.003	−1.26	−0.003	−0.40	−0.006	−0.82
Cash	−0.078	−0.87	−0.526*	−1.72	0.563**	2.42	0.212	1.08	0.012	0.20	0.073	0.67	−0.051	−0.29
HHI	−0.303	−0.47	1.246*	1.81	0.397	0.31	2.438***	2.69	−1.067	−1.55	−0.704	−0.91	0.301	0.49
Intercept	Yes		Yes		Yes		Yes		Yes		Yes		Yes	
Firm FE	Yes		Yes		Yes		Yes		Yes		Yes		Yes	
State FE	Yes		Yes		Yes		Yes		Yes		Yes		Yes	
Year FE	Yes		Yes		Yes		Yes		Yes		Yes		Yes	
N	6876		6876		6876		6876		6876		6876		6876	
Adj. R^2	51.00%		70.29%		46.72%		49.35%		31.92%		50.25%		37.61%	

Interest are marked in bold

This table reports the impacts of LT on CSR proxy categories. The dependent variables are community, diversity, employee relations, environment, human rights, product and governance. The independent variable of interest is local tournament incentives. Panel B presents models controlling for industry, state and year fixed effects, and Panel C presents models controlling for firm, state and year fixed effects

*$p < 0.1$, **$p < 0.05$, ***$p < 0.01$

with CSR performance are observed, suggesting that CEOs exhibit no significant social performance reactions in these three areas in response to geographic tournament incentives. Overall, by testing the influence of local tournament incentives on CSR activities by category, this research reveals that local tournament incentives have a strong and consistent effect on the diversity category; slight effects on the community, environment and product categories; and no significant effects on employee relations, human rights or governance categories. One possible explanation for these findings is that the diversity category applies to only a subset of the workforce but is recognized as being of critical importance and can be observed and adjusted directly, while employee relations represent a broader measure of workforce-related social performance that affects the treatment of all employees (Al-Shammari et al., 2019; Flammer & Luo, 2017). The governance attribute measures compensation, ownership structure and accounting quality, which are associated with the company's operational structure rather than with social behaviour (Cronqvist & Yu, 2017). The subcategories of human rights are generally applicable to firms featuring foreign operations and tend to exhibit no variation in the short term (Chen et al., 2020).

The Enforceability of Noncompete Agreements

While previous evidence has supported a negative causal association between local payment gaps and CSR performance, in this study, the enforceability of noncompete provisions is further employed to confirm this causal claim. Noncompete provisions are widely used in the United States to protect trade secrets by mandating lock periods and imposing turnover costs on employees. Aobdia (2018) suggests a positive linkage between the enforcement of NCAs and the proprietary costs of disclosure. Because CEOs play a key role in firm operations, have access to trade secrets and control the core team that offers advantages to firms, noncompete covenants are included in CEO compensation contracts. Kini et al. (2021) report that the restrictions on job mobility imposed by NCAs affect CEO incentives and compensation contracts. The enforceability of NCAs in different states causes managers to respond to local tournament prizes in different ways. Therefore, the actual ability and incentive of CEOs to acquire tournament prizes are anticipated to be constrained by NCAs such that the influence of local compensation gaps on social performance is less significant in states with stricter NCA enforceability. To measure the degree to which NCAs are enforced, Garmaise (2011) constructs an

enforcement index, and Ertimur et al. (2018) update this index to 2013; in this context, a higher index score indicates stronger NCA enforcement. To confirm the causal relationship, the influence of the change in the enforcement of NCAs is explored, and a difference-in-differences analysis is employed to examine whether managers' CSR decisions change in response to changes in enforceability. The variable Increase takes a value of 1 if the state strengthens the enforcement of NCAs after year *t*, a negative value if the state weakens the enforcement of NCAs after year *t*, and a value of 0 otherwise.

As shown in Table 5 and Column (1), the coefficient on LT is − 0.040 ($t = -2.59$), which is negative and significant at the 1% level, confirming the preceding argument. More importantly, the coefficient on the interaction term LT × Increase is 0.100 ($t = 2.98$). These findings indicate that for corporations in states featuring an improvement in NCA enforceability, the negative influence of local compensation gaps on CSR performance is less sensitive because, in contrast to CEOs in states without such changes, CEOs in states with changes in NCA enforceability face a reduction in job opportunities; although they can attain the same rank in local competitions and thus reduce their engagement in CSR activities, their actual ability to compete in local tournaments is constrained by labour mobility restrictions and high turnover costs. When corporate social performance is measured by CSR2, the findings are comparable. The coefficient on LT is − 0.038 with a *t* value of − 2.67, and the coefficient on LT × Increase is 0.089 with a *t* value of 2.94. To isolate the potential influence of industry peers, this research further employs industry-adjusted social performance scores, i.e., Indadj_CSR1 and Indadj_CSR2. The variable Indadj_CSR1 (Indadj_CSR2) is measured by subtracting the median value of the 2-digit industry CSR1 (industry CSR2) from CSR1 (CSR2). As shown in Columns (5) and (7), the coefficients on LT × Increase are 0.107 and 0.085, respectively. These results indicate that an increase in the enforcement of NCAs attenuates the impact of geographic tournament incentives on industry-adjusted social outcomes.

However, the coefficients on Internal × Increase and Delta × Increase are all nonsignificant across regressions, and the coefficients on Industry × Increase are only slightly significant in Column (3), thus indicating that the effect of the changes in labour mobility constraints is likely reflected in local tournament incentives and providing evidence to support the preceding argument that geographic peer effects dominate external incentives. In summary, the findings shown in Table 5 confirm the geographic segmentation effect and offer further support for the causal linkage between local compensation gaps and CSR performance.

Change Design Analysis

To take the possibility of reverse causality into account in further depth, this research uses change design analysis, which focuses on the first differences in both the dependent and independent variables. If the change in compensation gaps is related to a change in CSR performance in the following period, it can be concluded that higher local tournament incentives causally lead to lower CSR scores. The same Eq. (1) is used, and all variables are reported in the form of changes. Table 6 reports the results for the change design test. In Column (1), the coefficient on ΔLT is − 0.021 ($t = -1.82$), thus suggesting that an increase in local tournament incentives reduces CSR investments. In Column (3), the coefficient on Δ LT is consistently negative and significant. These findings eliminate the reverse causality concern and provide further evidence to support the primary hypothesis that CSR activities decrease with increasing geographic compensation gaps.

The Role of CEO Characteristics

Next, in this research, the question of whether CEO-specific characteristics influence the negative relationship between local compensation gaps and CSR performance is explored once again. Although the literature has supported the claim that CEO characteristics impact social performance, it is difficult to identify consistent findings based on empirical evidence because of the inconclusive interactions among different characteristics in terms of their relationships with CSR (Bhaskar et al., 2023). Based on upper echelons theory, researchers have identified demographic characteristics as drivers of managerial decisions. The extant literature has reported that women generally exhibit communal qualities, such as helpfulness, concern for others, compassion and kindness, that are attributed to moral standards (Deaux & Lewis, 1984; Eagly & Karau, 2002). Therefore, female CEOs are more likely to behave in a manner consistent with a sense of morality and to prefer ethical-related strategies and engagement in CSR activities (Zhang et al., 2023). In addition to CEO gender, CEO tenure is a driver of managerial preference. Chen et al. (2019) report that early in their tenure, CEOs are incentivized to improve CSR performance as a strategy to signal their ability and mitigate career concerns; accordingly, there is a negative association between CEO tenure and CSR. Chen et al. (2023) also address the signalling effect of CSR and argue that the incentive for CEOs to signal their talent decreases over time; therefore, early tenure CEOs have a stronger tendency to report CSR due to the pressure entailed by their career prospects. CEO age is another key demographic characteristic because a person's age is related to his or her succession anticipation priority, thus affecting risky investments in CSR projects

Table 5 The impact of the enforceability of noncompete agreements

	Dep = CSR1		Dep = CSR2		Dep = Indadj_CSR1		Dep = Indadj_CSR2	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value
LT	−0.040***	−2.59	−0.038***	−2.67	−0.035**	−2.35	−0.029**	−2.15
Increase	−0.942	−1.45	−0.461	−0.77	−1.193*	−1.94	−0.696	−1.23
LT × Increase	**0.100*** **	**2.98**	**0.089*** **	**2.94**	**0.107*** **	**3.28**	**0.085*** **	**2.92**
Internal	−0.129***	−4.98	−0.079***	−3.37	−0.099***	−3.93	−0.060**	−2.63
Industry	0.012	0.55	0.003	0.15	0.012	0.62	−0.001	−0.08
Vega	0.139***	4.47	0.155***	5.45	0.153***	5.16	0.163***	5.88
Delta	−0.059**	−2.08	−0.057**	−2.21	−0.076***	−2.85	−0.076***	−3.06
Internal × Increase	0.072	1.39	0.065	1.35	0.072	1.50	0.059	1.35
Industry × Increase	−0.024	−0.77	−0.047*	−1.64	−0.006	−0.21	−0.025	−1.05
Vega × Increase	−0.117*	−1.90	−0.126**	−2.24	−0.108*	−1.92	−0.108**	−2.03
Delta × Increase	0.009	0.15	0.013	0.24	0.001	0.02	−0.001	−0.03
Intercept	Yes		Yes		Yes		Yes	
Controls	Yes		Yes		Yes		Yes	
Ind FE	Yes		Yes		Yes		Yes	
State FE	Yes		Yes		Yes		Yes	
Year FE	Yes		Yes		Yes		Yes	
N	6876		6876		6876		6876	
Adj. R^2	24.02%		27.11%		16.89%		21.60%	

Interest are marked in bold

This table reports the impact of a change in the enforceability of noncompete agreements on CSR. The index is used as a proxy for the enforceability of noncompete agreements and is a mechanism developed by Garmaise (2011) and extended by Ertimur et al. (2018)

*$p < 0.1$, **$p < 0.05$, ***$p < 0.01$

Data Source Garmaise (2011) and Ertimur et al. (2018)

Table 6 Change design analysis

	Dep=ΔCSR1		Dep=ΔCSR2	
	(1)	(2)	(3)	(4)
	Estimate	*t* Value	Estimate	*t* Value
ΔLT	**−0.021***	**−1.82**	**−0.017***	**−1.75**
Intercept	Yes		Yes	
ΔControls	Yes		Yes	
Ind FE	Yes		Yes	
State FE	Yes		Yes	
Year FE	Yes		Yes	
N	5663		5663	
Adj. R^2	8.51%		2.32%	

Interest are marked in bold

This table presents the effect of a change in local tournament incentives on the corresponding change in CSR. The dependent variables are CSR1 and CSR2. The independent variable of interest is LT. All control variables are presented in the form of changes. Columns (1)–(4) represent the models controlling for industry, state and year fixed effects

*$p<0.1$, **$p<0.05$, ***$p<0.01$

and psychological assessments of career security, implying that older CEOs have a weaker tendency to engage in CSR activities because their career horizons are becoming shorter, thus causing these CEOs themselves to become risk averse (Oh et al., 2016). Although prior studies have suggested an association between CEO demographic characteristics and corporate social performance, the question of whether demographic characteristics affect CEOs' responses to external incentives is unclear. In this study, the possibility of variation in this geographic effect is tested using three proxies of demographic characteristics: CEO tenure, CEO gender, and CEO age (Bhaskar et al., 2023).

As reported in Table 7, Columns (1) and (3), the coefficients on Tenure are negative, a finding that is in line with the argument made by Chen et al. (2019), who posit that early tenure CEOs have a stronger tendency to signal their ability through CSR engagement but that this effect becomes insignificant after accounting for local tournament incentives. Additionally, the coefficients on LT × Tenure are 0.012 and 0.006 and are insignificant. In Columns (5) and (7), the coefficients on LT × Female are negative but insignificant, suggesting no significant differences between male CEOs

Table 7 The impact of CEO characteristics

	Dep = CSR1		Dep = CSR2		Dep = CSR1		Dep = CSR2		Dep = CSR1		Dep = CSR2	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value
LT	−0.040*	−1.92	−0.036*	−1.91	−0.031**	−2.10	−0.031**	−2.22	−0.031*	−1.83	−0.027*	−1.76
Tenure	−0.529	−1.01	−0.357	−0.75								
LT × Tenure	**0.012**	**0.51**	**0.006**	**0.30**								
Female					−1.418	−0.56	−1.268	−0.54				
LT × Female					**−0.078**	**−1.02**	**−0.069**	**−0.99**				
Age									−0.697	−1.25	−0.558	−1.09
LT × Age									**−0.012**	**−0.49**	**−0.021**	**−0.92**
Intercept	Yes		Yes		Yes		Yes		Yes		Yes	
Controls	Yes		Yes		Yes		Yes		Yes		Yes	
Ind FE	Yes		Yes		Yes		Yes		Yes		Yes	
State FE	Yes		Yes		Yes		Yes		Yes		Yes	
Year FE	Yes		Yes		Yes		Yes		Yes		Yes	
N	6876		6876		6876		6876		6876		6876	
Adj. R^2	23.93%		27.01%		24.35%		27.47%		24.08%		27.11%	

Interest are marked in bold

This table reports the impacts of CEO characteristics and LT on CSR. The dependent variables are CSR1 and CSR2. CEO characteristics include CEO tenure (Tenure), CEO gender (Female), and CEO age (Age). LT measures local tournament incentives. Columns (1)–(12) represent the models controlling for the interaction terms of other CEO incentives and CEO characteristics as well as for industry, state and year fixed effects

*$p<0.1$, **$p<0.05$, ***$p<0.01$

(Meier & Schier, 2021). Fabrizi et al. (2014) find that companies with older CEOs exhibit higher CSR performance than other firms. However, CEO age affects career horizons and female CEOs in terms of their engagement in CSR in response to external tournament incentives. Regarding CEO

age, the coefficients on Age in Columns (9) and (11) are negative, a finding that is in line with the argument made by Oh et al. (2016), who posit that older CEOs become risk averse and thereby reduce investments in CSR projects. However, the impact of CEO age on CSR becomes insignificant after accounting for the geographic peer effect. Moreover, the coefficients on LT × Age are also negative but not significant. Across all regressions, the coefficients on LT remain negative and significant, thereby further confirming the key role played by local tournament incentives in determining corporate social performance. Additionally, the results suggest that CEO demographic characteristics, including tenure, gender, and age, have no influence on the association between geographic compensation gaps and social performance, thus indicating no obvious differences in the CSR decisions made by CEOs with different characteristics in response to local tournament incentives. These results support the generalized influence of this factor for CEOs with different demographic characteristics.

The Role of the Level of State Development

Geographic segmentation leads to differences in local knowledge, professional labour sources, economic development, and governmental connections across states. Zhao (2018) claims that top management markets are locally segmented, and Schoar and Zuo (2017) note that economic development affects managerial styles and investment conditions. Additionally, the degree of state development affects the funding resources and investment opportunities available (Gao et al., 2021; Gulen & Ion, 2016). As a further test for geographic peer effects, this research analyses whether the linkage between local compensation gaps and corporate social performance is sensitive to the degree of state development, as measured by annual state gross domestic product (GDP).[5] An indicator variable, High_GDP, takes the value of 1 if companies are in states featuring an annual GDP greater than the median value of the all states and 0 otherwise.

Table 8 presents the results. The coefficients on High_GDP are positive but not significant. More importantly, the interaction term LT × High_GDP is used to measure the incremental influence of local development on the linkage between payment gaps and CSR. The coefficients on LT × High_GDP are − 0.097 ($t = -2.80$) in Column (1) and − 0.078 ($t = -2.46$) in Column (3), thus indicating consistent effects across alternative CSR measures. These results confirm the proposition that CEOs of firms in more developed states react more strongly to external tournament incentives regarding CSR activities. One plausible reason for this result is that more developed states offer additional sources and investment opportunities that can lead to adjustments in investment decisions.

Table 8 The impact of state development

	Dep = CSR1		Dep = CSR2	
	(1)	(2)	(3)	(4)
	Estimate	*t* Value	Estimate	*t* Value
LT	− 0.012	− 0.74	− 0.015	− 1.01
High_GDP	0.237	0.38	0.174	0.31
LT × High_GDP	**− 0.097*****	**− 2.80**	**− 0.078****	**− 2.46**
Intercept	Yes		Yes	
Controls	Yes		Yes	
Ind FE	Yes		Yes	
State FE	Yes		Yes	
Year FE	Yes		Yes	
N	6876		6876	
Adj. R^2	24.06%		27.11%	

Interest are marked in bold

This table reports the impacts of state development and local tournament incentives on CSR. The dependent variables are CSR1 and CSR2. High_GDP is an indicator variable that takes the value of 1 if firms are in states that feature annual GDP values greater than the median value of all states and 0 otherwise. LT measures local tournament incentives. Columns (1)–(4) represent the models controlling for the interaction terms of other CEO incentives and High_GDP as well as for industry, state and year fixed effects

*$p < 0.1$, **$p < 0.05$, ***$p < 0.01$

Alternative Modelling

In the prior analysis, a widely used lead-lag empirical model is employed to identify the causal relationship between local tournament incentives and CSR performance. Other studies have employed concurrent models to test the concurrent influence of firm characteristics on CSR scores (e.g., Cho & Lee, 2019; Kim et al., 2019). As a further test, the following regression is used:

$$\begin{aligned} \mathrm{CSR}_t =& \beta_0 + \beta_1 \mathrm{LT}_{t-1} + \beta_2 \mathrm{Internal}_{t-1} \\ &+ \beta_3 \mathrm{Industry}_{t-1} + \beta_4 \mathrm{Vega}_{t-1} \\ &+ \beta_5 \mathrm{Delta}_{t-1} + \mathrm{Controls}_t \\ &+ \mathrm{Fixedeffects} + \varepsilon. \end{aligned} \tag{2}$$

Table 9 presents the results of the regression of Eq. (2). The coefficient on local tournament incentives in Column (1) is − 0.034 with a *t* value of − 2.27, and the coefficient in Column (3) is − 0.033 with a *t* value of − 2.36. These results are in line with the claim that geographic tournaments influence managerial behaviour and investment decisions and further

[5] The data regarding GDP by state is obtained from https://www.bea.gov/.

Table 9 Alternative modelling

	Dep = CSR1		Dep = CSR2		Dep = CSR1		Dep = CSR2	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value	Estimate	*t* Value
LT	**−0.034****	**−2.27**	**−0.033****	**−2.36**	**−0.035****	**−2.30**	**−0.033****	**−2.40**
Intercept	Yes		Yes		Yes		Yes	
Controls	Yes		Yes		Yes		Yes	
Ind FE	Yes		Yes		Yes		Yes	
State FE	Yes		Yes		Yes		Yes	
Year FE	Yes		Yes		Yes		Yes	
N	6865		6865		6865		6865	
Adj. R^2	23.65%		26.61%		24.07%		27.14%	

Interest are marked in bold

This table shows the results obtained using an alternative model. The dependent variables are CSR1 and CSR2. LT measures local tournament incentives. Columns (1)–(8) represent the models controlling for industry, state and year fixed effects

*$p < 0.1$, **$p < 0.05$, ***$p < 0.01$

influence corporate social performance after accounting for current firm characteristics. Furthermore, both the current and lagged values of firm factors and the empirical results are presented in Columns (5) to (8). The coefficients on LT are still consistently negative and significant. Overall, these data indicate that the main argument that geographic segmentation has a causal impact on CSR activities is robust to alternative proxies and models.

Conclusion

In this paper, the questions of whether and how companies change their CSR performance in response to geographic peer effects are examined. The primary analysis focuses on the causal relationship between local tournament incentives and CSR scores. The extant literature has proposed two contradictory theories to explain corporate decisions to participate in CSR activities. The value-enhancing motivation theory posits that managers engage in long-term CSR projects because such projects improve the firm's reputation, client relations, and profitability. However, the value-decreasing argument claims that CSR projects are risky and do not entail direct returns for corporations; therefore, managers engage in some projects to benefit their individual reputations at the expense of shareholders, even though these projects may be value-decreasing. The developing tournament theory suggests that competition throughout the state creates local tournaments for managers and affects managerial behaviour and corporate policies (Ma et al., 2020). Extending this line of study, this paper fills the research gap regarding the relationship between geographic segmentation and CSR performance and provides evidence to support the value-destroying view, which posits that to signal their ability and win the tournament prize, managers tend to participate in fewer CSR activities. This paper also tests the impact of this situation on different CSR categories, revealing effects on the dimensions of diversity, community, environment and product; however, no evidence was found to support impacts on employee relations, human rights, or governance.

To confirm the causal association between local tournament incentives and CSR performance, the change in the enforceability of noncompete provisions, which imposes turnover costs on executives and thus restricts their mobility, is employed. In states featuring improved enforceability of NCAs, the influence of local tournament incentives on CSR performance is found to be weaker. Moreover, to isolate the geographic peer effect from the industry peer effect, industry-adjusted CSR scores are employed, thereby confirming the influence of a change in NCA enforceability on a firm's industry-adjusted CSR performance.

In this study, the importance of the geographic peer effect is highlighted. In contrast to the industry peer effect, which is based on economic links, the geographic peer effect is less directly observable but nevertheless shapes managerial behaviour and preferences based on local knowledge and labour market segmentation. This work enriches the research on geographic segmentation by exploring whether and how local competition affects CEOs' moral values and ethical standards.

The findings also contribute to research on the drivers of CSR performance and provide new evidence to inform the debate between value-enhancing theory and value-destroying theory. This paper extends the extant research on how social performance is driven by CEOs' incentives based on tournament theory, and the findings of this paper show that local compensation tournaments dominate CEO equity

and tournament incentives and emphasize the importance of company location, thus focusing regulators' attention on top manager competition within state and compensation contracts.

Similar to most related studies, this paper has certain limitations. First, the research is based on observations from the U.S., and the conclusions are probably not generalizable to other countries that feature different labour markets and geographic structures. Another important caveat is that the sample covers only periods for which data are available, thus limiting the generalizability of the findings. Additionally, corporate social performance is measured by reference to a widely used proxy, which may not capture all relevant underlying attributes. Future studies could explore how different country characteristics and time-variant factors influence geographic peer effects on social performance.

Appendix: Variable Definitions

Variable	Definition
CSR1	Net CSR rating score based on seven data categories rooted in KLD ratings, i.e., community, diversity, governance, employee relations, environment, human rights, and product
CSR2	Net CSR rating score based on six data categories rooted in KLD ratings, i.e., community, diversity, employee relations, environment, human rights, and product
LT	Natural log of the pay gap between the CEO under consideration and the second-highest-paid CEO at a similarly sized firm in the same state
Internal	Natural log of the pay gap between the CEO under consideration and VPs
Industry	Natural log of the pay gap between the CEO under consideration and the second-highest-paid CEO in the same 2-digit industry
Vega	Natural log of CEO's total portfolio Vega, which is calculated as the change in the value of the CEO's equity holdings resulting from a 1% change in the standard deviation of stock returns
Delta	Natural log of CEO's total portfolio delta, which is calculated as the change in the value of the CEO's equity holdings resulting from a 1% change in stock price
Size	Natural log of total revenue
ROA	Ratio of return to total assets
RD	Ratio of research and development expenses to total assets
Capx	Ratio of capital expenditures to total assets
Invrec	Ratio of the sum of inventory and accounts receivable to total assets
Leverage	Total debt divided by total equity
Cash	Ratio of cash flows from operating activities to total assets
HHI	Herfindahl–Hirschman Index, which is calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers

Data Availability The author does not have permission to share data.

Declarations

Conflict of interest The author declares that there is no conflict of interest that could be perceived as prejudicing the impartiality of the research reported.

References

Al-Shammari, M., Rasheed, A., & Al-Shammari, H. A. (2019). CEO narcissism and corporate social responsibility: Does CEO narcissism affect CSR focus? *Journal of Business Research, 104*, 106–117.

Amin, A., Chourou, L., Kamal, S., Malik, M., & Zhao, Y. (2020). It's who you know that counts: Board connectedness and CSR performance. *Journal of Corporate Finance (amsterdam, Netherlands), 64*, 101662.

Aobdia, D. (2018). Employee mobility, noncompete agreements, product-market competition, and company disclosure. *Review of Accounting Studies, 23*(1), 296–346.

Barnea, A., & Rubin, A. (2010). Corporate social responsibility as a conflict between shareholders. *Journal of Business Ethics, 97*(1), 71–86.

Bénabou, R., & Tirole, J. (2010). Individual and corporate social responsibility. *Economica, 77*(305), 1–19.

Bhaskar, R., Li, P., Bansal, S., & Kumar, S. (2023). A new insight on CEO characteristics and corporate social responsibility (CSR): A

meta-analytical review. *International Review of Financial Analysis, 89*, 102815.
Borghesi, R., Houston, J. F., & Naranjo, A. (2014). Corporate socially responsible investments: CEO altruism, reputation, and shareholder interests. *Journal of Corporate Finance, 26*, 164–181.
Brown, W. O., Helland, E., & Smith, J. K. (2006). Corporate philanthropic practices. *Journal of Corporate Finance (Amsterdam, Netherlands), 12*(5), 855–877.
Bu, L., Chan, K. C., Choi, A., & Zhou, G. (2021). Talented inside directors and corporate social responsibility: A tale of two roles. *Journal of Corporate Finance (amsterdam, Netherlands), 70*, 102044.
Cespa, G., & Cestone, G. (2007). Corporate social responsibility and managerial entrenchment. *Journal of Economics and Management Strategy, 16*(3), 741–771.
Chahine, S., Fang, Y., Hasan, I., & Mazboudi, M. (2019). Entrenchment through corporate social responsibility: Evidence from CEO network centrality. *International Review of Financial Analysis, 66*, 101347.
Chang, K., Kim, I., & Li, Y. (2014). The heterogeneous impact of corporate social responsibility activities that target different stakeholders. *Journal of Business Ethics, 125*(2), 211–234.
Chen, L., Liao, C., Tsang, A., & Yu, L. (2023). CEO career concerns in early tenure and corporate social responsibility reporting. *Contemporary Accounting Research, 40*(3), 1545–1575.
Chen, T., Dong, H., & Lin, C. (2020). Institutional shareholders and corporate social responsibility. *Journal of Financial Economics, 135*(2), 483–504.
Chen, W., Zhou, G., & Zhu, X. (2019). CEO tenure and corporate social responsibility performance. *Journal of Business Research, 95*, 292–302.
Cheng, I.-H., Hong, H., & Shue, K. (2023). Do managers do good with other people's money? *The Review of Corporate Finance Studies, 12*(3), 443–487.
Chin, M. K., Hambrick, D. C., & Treviño, L. K. (2013). Political ideologies of CEOs: The influence of executives' values on corporate social responsibility. *Administrative Science Quarterly, 58*(2), 197–232.
Cho, S. Y., & Lee, C. (2019). Managerial efficiency, corporate social performance, and corporate financial performance. *Journal of Business Ethics, 158*(2), 467–486.
Choi, D., Shin, H., & Kim, K. (2023). CEO's childhood experience of natural disaster and CSR activities. *Journal of Business Ethics*. https://doi.org/10.1007/s10551-022-05319-3
Chowdhury, H., Hodgson, A., & Hasan, M. M. (2022). Does a competitive external labour market affect corporate social responsibility? Evidence from industry tournament incentives. *Journal of Behavioral and Experimental Finance, 33*, 100617.
Coles, J. L., Daniel, N. D., & Naveen, L. (2006). Managerial incentives and risk-taking. *Journal of Financial Economics, 79*, 431–468.
Coles, J. L., Li, Z., & Wang, A. Y. (2018). Industry tournament incentives. *The Review of Financial Studies, 31*(4), 1418–1459.
Cronqvist, H., & Yu, F. (2017). Shaped by their daughters: Executives, female socialization, and corporate social responsibility. *Journal of Financial Economics, 126*(3), 543–562.
Davidson, R. H., Dey, A., & Smith, A. J. (2019). CEO materialism and corporate social responsibility. *The Accounting Review, 94*(1), 101–126.
Deaux, K., & Lewis, L. L. (1984). Structure of gender stereotypes: Interrelationships among components and gender label. *Journal of Personality and Social Psychology, 46*(5), 991.
Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. (2011). Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *The Accounting Review, 86*(1), 59–100.
Dielman, T. E. (2001). *Applied regression analysis for business and economics*. Duxbury/Thomson Learning.
Di Giuli, A., & Kostovetsky, L. (2014). Are red or blue companies more likely to go green? Politics and corporate social responsibility. *Journal of Financial Economics, 111*(1), 158–180.
Dunbar, C., Li, Z., & Shi, Y. (2020). CEO risk-taking incentives and corporate social responsibility. *Journal of Corporate Finance, 64*, 101714.
Dupire, M., & M'Zali, B. (2018). CSR strategies in response to competitive pressures. *Journal of Business Ethics, 148*(3), 603–623.
Eagly, A. H., & Karau, S. J. (2002). Role congruity theory of prejudice toward female leaders. *Psychological Review, 109*(3), 573–598.
Ertimur, Y., Rawson, C., Rogers, J. L., & Zechman, S. L. C. (2018). Bridging the gap: Evidence from externally hired CEOs. *Journal of Accounting Research, 56*(2), 521–579.
Fabrizi, M., Mallin, C., & Michelon, G. (2014). The role of CEO's personal incentives in driving corporate social responsibility. *Journal of Business Ethics, 124*(2), 311–326.
Flammer, C. (2015). Does product market competition foster corporate social responsibility? Evidence from trade liberalization. *Strategic Management Journal, 36*(10), 1469–1485.
Flammer, C., & Luo, J. (2017). Corporate social responsibility as an employee governance tool: Evidence from a quasi-experiment: CSR as an Employee Governance Tool. *Strategic Management Journal, 38*(2), 163–183.
Gao, X., Whited, T. M., & Zhang, N. (2021). Corporate money demand. *The Review of Financial Studies, 34*(4), 1834–1866.
Garmaise, M. J. (2011). Ties that truly bind: Noncompetition agreements, executive compensation, and firm investment. *The Journal of Law, Economics, and Organization, 27*(2), 376–425.
Gillan, S. L., Koch, A., & Starks, L. T. (2021). Firms and social responsibility: A review of ESG and CSR research in corporate finance. *Journal of Corporate Finance (amsterdam, Netherlands), 66*, 101889.
Gulen, H., & Ion, M. (2016). Policy uncertainty and corporate investment. *The Review of Financial Studies, 29*(3), 523–564.
Harjoto, M. A., & Jo, H. (2015). Legal vs. normative CSR: Differential impact on analyst dispersion, stock return volatility, cost of capital, and firm value. *Journal of Business Ethics, 128*(1), 1–20.
Havlinova, A., & Kukacka, J. (2023). Corporate social responsibility and stock prices after the financial crisis: The role of strategic CSR activities. *Journal of Business Ethics, 182*(1), 223–242.
Hegde, S. P., & Mishra, D. R. (2019). Married CEOs and corporate social responsibility. *Journal of Corporate Finance (amsterdam, Netherlands), 58*, 226–246.
Hong, B., Li, Z., & Minor, D. (2016). Corporate governance and executive compensation for corporate social responsibility. *Journal of Business Ethics, 136*(1), 199–213.
Huang, J., Jain, B. A., & Kini, O. (2019). Industry tournament incentives and the product-market benefits of corporate liquidity. *Journal of Financial and Quantitative Analysis, 54*(2), 829–876.
Ioannou, I., & Serafeim, G. (2015). The impact of corporate social responsibility on investment recommendations: Analysts' perceptions and shifting institutional logics. *Strategic Management Journal, 36*(7), 1053–1081.
Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360.
Jo, H., & Na, H. (2012). Does CSR reduce firm risk? Evidence from controversial industry sectors. *Journal of Business Ethics, 110*(4), 441–456.
Kale, J. R., Reis, E., & Venkateswaran, A. (2009). Rank-order tournaments and incentive alignment: The effect on firm performance. *The Journal of Finance, 64*(3), 1479–1512.

Kim, H. D., Kim, T., Kim, Y., & Park, K. (2019). Do long-term institutional investors promote corporate social responsibility activities? *Journal of Banking and Finance, 101*, 256–269.
Kim, H. J., Mun, S., & Han, S. H. (2023). Corporate social responsibility and the alignment of CEO and shareholders wealth: Does a strong alignment induce or restrain CSR? *Corporate Social Responsibility and Environmental Management, 30*(2), 720–741.
Kim, Y., Li, H., & Li, S. (2014). Corporate social responsibility and stock price crash risk. *Journal of Banking and Finance, 43*, 1–13.
Kini, O., & Williams, R. (2012). Tournament incentives, firm risk, and corporate policies. *Journal of Financial Economics, 103*(2), 350–376.
Kini, O., Williams, R., & Yin, S. (2021). CEO noncompete agreements, job risk, and compensation. *The Review of Financial Studies, 34*(10), 4701–4744.
Krüger, P. (2015). Corporate goodness and shareholder wealth. *Journal of Financial Economics, 115*(2), 304–329.
Lazear, E. P., & Rosen, S. (1981). Rank-order tournaments as optimum labor contracts. *Journal of Political Economy, 89*(5), 841–864.
Lev, B., Petrovits, C., & Radhakrishnan, S. (2010). Is doing good good for you? How corporate charitable contributions enhance revenue growth. *Strategic Management Journal, 31*(2), 182–200.
Lins, K. V., Servaes, H., & Tamayo, A. (2017). Social capital, trust, and firm performance: The value of corporate social responsibility during the financial crisis. *The Journal of Finance, 72*(4), 1785–1824.
Liu, A. Z., Liu, A. X., Wang, R., & Xu, S. X. (2020). Too much of a good thing? The Boomerang effect of firms' investments on corporate social responsibility during product recalls. *Journal of Management Studies, 57*(8), 1437–1472.
Luo, X., & Bhattacharya, C. B. (2009). The debate over doing good: Corporate social responsibility, strategic marketing levers and firm idiosyncratic risk. *Journal of Marketing, 73*, 198–213.
Ma, M., Pan, J., & Stubben, S. R. (2020). The effect of local tournament incentives on firms' performance, risk-taking decisions, and financial reporting decisions. *The Accounting Review, 95*(2), 283–309.
Masulis, R. W., & Reza, S. W. (2015). Agency problems of corporate philanthropy. *The Review of Financial Studies, 28*(2), 592–636.
Mayberry, M. (2020). Good for managers, bad for society? Causal evidence on the association between risk-taking incentives and corporate social responsibility. *Journal of Business Finance and Accounting, 47*(9–10), 1182–1214.
McWilliams, A., & Siegel, D. (2000). Corporate social responsibility and financial performance: Correlation or misspecification? *Strategic Management Journal, 21*(5), 603–609.
Meier, O., & Schier, G. (2021). CSR and family CEO: The moderating role of CEO's age. *Journal of Business Ethics, 174*(3), 595–612.
Meier, O., & Schier, G. (2022). Lone founders, family founders, and corporate social responsibility. *Journal of Business Research, 148*, 149–160.
Menon, S., & Kahn, B. E. (2003). Corporate sponsorships of philanthropic activities: When do they impact perception of sponsor brand? *Journal of Consumer Psychology, 13*(3), 316–327.
Miller, S. R., Eden, L., & Li, D. (2020). CSR reputation and firm performance: A dynamic approach. *Journal of Business Ethics, 163*(3), 619–636.
Nguyen, H. T., Phan, H. V., & Vo, H. (2023). Agency problems and corporate social responsibility: Evidence from shareholder-creditor mergers. *International Review of Financial Analysis, 90*, 102937.
Nguyen, T., & Zhao, J. (2021). Industry tournament incentives and corporate innovation. *Journal of Business Finance and Accounting, 48*(9–10), 1797–1845.
Oh, W.-Y., Chang, Y. K., & Cheng, Z. (2016). When CEO career horizon problems matter for corporate social responsibility: The moderating roles of industry-level discretion and blockholder ownership. *Journal of Business Ethics, 133*(2), 279–291.
Ongsakul, V., Jiraporn, P., & Treepongkaruna, S. (2021). Does managerial ownership influence corporate social responsibility (CSR)? The role of economic policy uncertainty. *Accounting and Finance (parkville), 61*(1), 763–779.
Padgett, R. C., & Galan, J. I. (2010). The effect of R&D intensity on corporate social responsibility. *Journal of Business Ethics, 93*(3), 407–418.
Pérez, A., & del Bosque, I. R. (2015). An integrative framework to understand how CSR affects customer loyalty through identification, emotions and satisfaction. *Journal of Business Ethics, 129*(3), 571–584.
Petrovits, C. M. (2006). Corporate-sponsored foundations and earnings management. *Journal of Accounting and Economics, 41*(3), 335–362.
Richardson, A., & Welker, M. (2001). Social disclosure, financial disclosure and the cost of equity capital. *Accounting, Organizations and Society, 26*, 597–616.
Schoar, A., & Zuo, L. (2017). Shaped by booms and busts: How the economy impacts CEO careers and management styles. *The Review of Financial Studies, 30*(5), 1425–1456.
Servaes, H., & Tamayo, A. (2013). The impact of corporate social responsibility on firm value: The role of customer awareness. *Management Science, 59*(5), 1045–1061.
Tan, Y. (2021). Industry tournament incentives and audit fees. *Journal of Business Finance and Accounting, 48*(3–4), 587–612.
Valentine, S., & Fleischman, G. (2008). Ethics programs, perceived corporate social responsibility and job satisfaction. *Journal of Business Ethics, 77*, 159–172.
Wang, Z., Lu, W., & Liu, M. (2021). Corporate social responsibility overinvestment in mergers and acquisitions. *International Review of Financial Analysis, 78*, 101944.
Yi, Y., Zhang, Z., & Xiang, C. (2022). The value of CSR during the COVID-19 crisis: Evidence from Chinese firms. *Pacific-Basin Finance Journal, 74*, 101795.
Yin, D. (2018). *Local tournament incentives and firm risk*. SSRN.
Yin, J., Li, J., & Ma, J. (2023). The effects of CEO awards on corporate social responsibility focus. *Journal of Business Ethics*. https://doi.org/10.1007/s10551-023-05411-2
Yonker, S. E. (2017). Geography and the market for CEOs. *Management Science, 63*(3), 609–630.
Zhang, Y., Guo, Y., & Nurdazym, A. (2023). How do female CEOs affect corporate environmental policies? *Corporate Social-Responsibility and Environmental Management, 30*(1), 459–472.
Zhao, H. (2018). Executive labor market segmentation: How local market density affects incentives and performance. *Journal of Corporate Finance, 50*, 1–21.
Zhao, X., Zhou, G., & Rezaee, Z. (2023). Tournament incentives and corporate social responsibility performance. *Journal of Accounting, Auditing and Finance, 38*(4), 934–963.
Zhou, G. (2022). Good for managers, bad for shareholders? The effects of lone-insider boards on excessive corporate social responsibility. *Journal of Business Research, 140*, 370–383.