How executive turnover influences the quality of corporate social responsibility disclosure? Moderating role of political embeddedness: evidence from China

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Abstract

This study investigated the relationship between executive turnover (ET) and quality of corporate social responsibility disclosure (CSRQ) at the firm level. The role of political embeddedness (PE) in the association between ET and CSRQ quality in Chinese listed A-share firms is also inspected. We employed 20,850 firm's/year observations between 2010 and 2016. An inverse relationship was found between ET and CSRQ quality as well as PE and CSRQ quality. In addition, the study findings disclose that corporate PE moderates the relationship between ET and a firm's CSRQ quality whilst the impact of ET on a company's CSRQ quality was found more pronounced for firms with a low level of corporate PE. This examination adds to the literature on CSRQ quality under the premise of normative stakeholder theory and leads to the conclusion that the political link of departing executives is an active participant in the exacerbation of CSRQ quality in PE firms of China. This implies a reinvigoration of the roles of decision-makers for sustainable CSR assurance.

Keywords Corporate social responsibility disclosure quality · Executives' turnover · Internal replacement · External replacement · Political embeddedness · Alternate political embeddedness

1 Introduction

Executives' turnover (ET) phenomenon associated with modern corporate operations has varied scope in different countries, depended upon the institutional factors of the country. As C-suite executives are liable for the performance of a firm

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at par they are considered responsible for its concordances and discrepancies and therefore their turnover is a critical event (Schepker et al., 2017; Wasserman, 2003) having the potential of inflicting a problematic stun inside the firm (Ballinger & Marcel, 2010; Shen & Cannella, 2002). The principal-agent perspective underscores the divergence of interests between principle and agents in the shape of the minority and controlling shareholders and hence fosters the potential of tunneling, insider alliances, and the agency's moral-hazard based residual costs (Kato & Long, 2006; Meng et al., 2013).

In tandem with these idiosyncrasies, the role of executives in corporate social responsibility (CSR) provision and disclosure was found significant in some earlier studies. In addition, the traits of the incoming executive as a replacement of the outgoing one are discerned drastic to the subsequent policies and performances of the firm whereby an external replacement is stated to be more prone to disruptions in comparison with the internal ones.

The quality of reporting of CSR-related information in yearly reports indicates the board regarding their stability among financial and social objects. Therefore, the quality factor is very important in the accomplishment of CSR purposes. It has been reported that the additional information provided in the corporate social responsibility disclosure (CSRSD) improves the perception of stakeholders regarding the firm, therefore, aiding in the sustainable development of the firm and increasing the likelihood for the sponsorship of shareholders (Botosan & Plumlee, 2009; Reverte, 2009).

The fulfillment of the purposes of CSRSD is hampered by different factors whereby ET is deemed the prominent one. Therefore, empirical insight into the relationship between ET and CSRSD is direly needed. The main question that we inquire is regarding the relationship between ET and CSRSD quality. While a huge cluster of writing exists on CSR, no prior study has taken a gander at the interplay between PE, ET, and CSRSD. This is important for individual researchers and policymakers who are interested in the antecedents of the CSR disclosure quality.

Emerging economies like China have lately started to update their corporate social practices and have included CSR in their developmental agenda. Due to the political nature of the government-induced phenomenon, it contradicts the voluntary nature of CSR (Yin & Zhang, 2012). Apart from that, unlike western firms, the Chinese firms are politically embedded at par (Haveman et al., 2017; Rauf et al., 2021) and various types of legitimacy pressures are being inflicted on the firms by varied types of dependencies on governments.

In this scenario, we reflect on the normative stakeholder theory of CSRSD to discern the moral hazard and adverse selection agency problems in the interplay between ET, PE, and CSRSD. We found a significant moderating effect of PE on the inverse relationship between ET and CSRSD whereby PE is more pronounced in firms having no alternate political connectedness. The rest of the paper is composed of literature review and hypothesis development, research methodology, results and findings, conclusions, and limitation.

2 Literature review and hypothesis development

2.1 Executives turnover and CSRD quality

A great deal of research is underway on executive turnover across various disciplines like psychology, economics, sociology, and management. Each discipline has its own focus and accordingly, employs appropriate research methodologies. Despite vehement research on employee turnover in general and ET from an organizational and strategic management perspective, its relationship is rarely being worked out with CSRD quality. The departing and incoming executives' traits are likely to influence the CSRD quality due to many reasons. Firstly, an incoming executive from outside of the firm will plausibly apply adjustments and modifications in contrast to an internal replacement whereby the status quo is more plausible to be maintained (Cao et al., 2006; Helmich & Brown, 1972). Secondly, an internal replacement is more likely for a smooth transition of authority and there will be a little possibility of release of a poor report connoted with the departing executive (Vancil, 1987; Zhu & Lin, 2003).

In different studies, ET has been studied in terms of performance and a negative association has been detected between ET and performance. For example, industry-adjusted stock returns are found to be negatively associated with ET (Fee & Hadlock, 2003; Rauf et al., 2021). If an executive takes leave till the retirement age or agreement expiration, it is treated as a normal turnover and is reported to have no relation with the firm's performances (Chang & Wong, 2009). Also, the executives who receive large bonus payments or lucrative board seats after retirement are treated as voluntary turnover (Reitenga et al., 2003). In contrast, if executives are forced to leave a firm for reasons other than that of age, tenure, or health issues, it is regarded as an involuntary turnover. There are several reasons behind forced CEO turnovers, such as poor stock performance, intentional wrong doings by the CEO, and conflicts among the board the directors, and the CEO (Pukthuanthong et al., 2018). The decision of forced turnover by the board is self-explanatory whether there is the issue of poor stock price or intentional wrongdoings. Whatever the reason may be, the conflicts among the CEO and firm regarding the strategic decisions may limit the firm in achieving good performances (Huang et al., 2020) and CSR is one of the areas of these performances. Therefore, forced turnover done by the firms based on conflicts with the CEO on CSR, restricts the firm to report CSR of lower quality. Involuntary turnover has been worked for its causes and outcomes in terms of organizational adaptation theory, agency theory, and relational theory (social psychological perspective) whereby executives are considered influential at par in firm's decision-making and its performance and therefore we constitute the first hypothesis of the study as follows.

Hypothesis (H1a): Firms with Forced executive turnover will issue CSR reports slowly and less substantively (i.e., more symbolic or with lower quality).

Hypothesis (H1b): Firms with Forced executive turnover will issue CSR reports with relatively better quality if the incoming replacement is from inside the firm.

Hypothesis (H1c):

Firms with Forced executive turnover will concern CSR reports with a relatively lesser quality if the incoming replacement is from outside the firm.

2.2 CSRD quality and political embeddedness

Firms having strong governmental ties are known as PE firms. These ties might be through network connections (Marquis & Qian, 2014; Rauf et al., 2020). One form of this association is having government officials in the service of an organization, truly inserting political subsidiaries in monetary establishments (Chen & Dickson, 2010), and making social relations and systems that are generally instrumental, bureaucratic, and viable.

In theory, Shleifer and Vishny (1994) model of bargaining shows that political parties and governments accommodate the demands of pressure groups and organized companies and these groups and companies harness a big proportion of their office's supportive role as compared to that by the general public. This is because the public is disorganized and is therefore not able to secure its interests in this regard. Acquaintance entrepreneurship also recommends that administrative parties' influential take advantage of their control to make rentals for their relatives and family member trades (Shleifer & Vishny, 1994).

This phenomenon is on the horns of a dilemma as on one hand, it may leverage the firms with ingress to government's valuable resources but on the other hand, it makes them liable for extra limelight of government monitoring. It decreases the uncertainty for firms while extending to them the knowledge about the pragmatics of accomplishments of tasks in state agencies in the form of navigating state agencies, clarifying regulatory processes, and improving understanding of state functionaries. Also, it instills a kind of informality in business–state relationships by envisaging the base of state-business relations on shared goals (Tsai, 2007; Wang et al., 2018) resulting in faith-building between state and business. This trust and knowledge may lead to the exchange of favors with bureaucrats and incline them to lighten the regulatory load on firms, relax in tax and other fees and ease the provision of state-controlled resources in the form of loans and land use rights (Nee & Oppen, 2012). Therefore, the PE of a firm can support them to reduce the uncertainty of survival while extending companies with enormous assistance. On the other side, however, the PE of firms inflicts an extra burden on the company's financial performance. It may affect the whole intricacy of its interior business control. For example, politically embedded firms' boards are inhabited by other government officials often having less expertise and experience. This fosters exacerbation of the quality of corporate governance in these firms and harms turnover performance (Fan et al., 2007).

Chinese market structure provides a very good example of PE firms (Marquis & Qian, 2014; Rauf et al., 2020) as despite the emergence of a decentralized and market-oriented system; there is still strong governmental control (Xu & Zeng, 2016). Amid devolution plans of companies, several associations have updated from management-controlled objects into freely traded ones, even though a majority of shareholding still lies in the hands of the government. Consequently, the ownership and actual control of firms lie in the hands of the government at par (Guthrie & Wong, 2012). Moreover, often the executive of a firm also happens to be a public office bearer which depicts political connections between firms' senior executives and government (Wu et al., 2012b). In the big picture, China represents a well-suited and classical empirical setting for the analysis of PE firms.

On the governmental level in China, there has been a shift of acknowledgment of the environmental and social effects of corporate activities and has therefore signaled CSRD as an important and desired activity. (Lei & Ou, 2009) explained, for instance, The Communist Party Committee put forward a statement to ensure the benchmarks of communal responsibility among individuals, enterprises, corporate and all types of establishments. Consequently, financial institutions like the Shanghai stock exchanges worked out strategies and standards for CSR exposure. Apart from that, the Chinese administration has also directed businesses with its mandatory reporting standards for the CSRD of Chinese firms (Luo et al., 2017; Marquis & Qian, 2014; Rauf et al., 2020). It is observed that in general, the Chinese government can be regarded as a principal driver and promoter of CSR activities (Li & Zhang, 2010; Rasche et al., 2008).

In terms of CSR engagement and its quality, the foremost area of focus for researchers is the issuance of a CSR report in the first place. Legitimacy theory, which questions the justification of the existence of firms and associates it with a society's prerogative rather than an inherent right, is a basic premise considered by early researchers in this regard (Deegan, 2002). Thus, for firms to access necessary resources for the successful conduct of business require political legitimacy which is the perceived compliance level of a firm to the governmental laws and norms (Luo et al., 2017; Marquis & Qian, 2014; Rauf et al., 2020), so if a government conditions CSRD as a desired activity, political legitimacy is on the disposal of issuance of CSR report. In tandem with this background, it can be argued that PE firms have already an advantage of political legitimacy and are therefore dis-incentivized for the compliance of CSRD per se. Nevertheless, the control-oriented perspective contradicts the above proposition in the sense that it promotes the view of the behavior of firms to be dependent upon regulatory pressure from the government (Zhao, 2012). In the case of China, this view is of dominance in the sense that firms with PE are considered to be the nurturers of governmental policies (Ling et al., 2016), and to maintain their reputation and authenticity according to the legislature and securing a future political career, the executives with political connection abide by the government policies at par (Marquis & Qian, 2014). So when these executives depart from firms, the control perspective is overwhelmed by the legitimacy footings of the firm and hence a

lower quality CSRD is accentuated. Keeping in view the above discussion, we propose the following hypothesis.

Hypothesis (H2a): Forced turnover of politically embedded Executives will lead to subsequent CSRD of lower quality.

2.3 Alternate political embeddedness and CSRD quality

Political associations are important. They originate from a similar source the political capacity to assemble assets and helping firm in the execution of operation, everything else being equivalent. However, in terms of entrenchments and severe administrative inefficiency, firms face a compromise between losing the political advantages and improvement in administrative proficiency.

Terminating these kinds of executives might be expensive as there is a probability of losing advantages related to the PE of the departing executive. In addition, there is a plausible risk of retaliation on part of the involuntarily relieved executive. For instance, a typical type of reprisal is to make a fraudulent allegation against the controlling investor of the firm through associations in the lawful/approach division. Such news contrarily affects the company's stock cost and provider/client relations, bringing about financial misfortunes and extraordinary cases of loss of command over the firm (Cao et al., 2017; Marquis & Qian, 2014). Since political associations can bring a kind of leverage to the firm, the accrued risks attached with forced turnover can be catered through substitution with an alternate source of leverage. Therefore, the alternate source of political connectedness may substitute for the turnover of PE Executives. For instance, Firms connected with governments through different individuals on their sheets or an incoming replacement with political connectedness can prove to be an apt substitute for the departing and politically connected Executive (Chen et al., 2011).

In light of the above discussion, we formulate the following hypothesis.

Hypothesis (H2b): Forced turnover of politically embeddedness Executive will lead to subsequent CSRD of the same or high quality when the remaining top management team is PE.

Hypothesis (H2c): Forced turnover of politically embeddedness Executive will lead to subsequent CSRD of lower quality when the remaining top management team is non-PE.

3 Methodology

3.1 Data sample

Our research incorporates all open A-share organizations of China that are recorded on the Shanghai and Shenzhen Stock Exchanges for the period

2010–2016. The information for Executives' turnover is separated utilizing content examination from the recorded organization's yearly reports. Separate CSR reports are removed from the Chinese Stock Market and Accounting Research Database (CSMAR). This database gathers data from the yearly reports and money-related reports of Chinese listed firms. As the study requires personal information of the departing executives for the previous years to measure their PE, therefore the span of the study has been extended to six years. Firms with non-availability of data for a specific variable were omitted and hence the final sample comprised of 20,850 firm's/year observations.

3.2 Measures

3.2.1 Dependent variable

For the measurement of the quality of CSR disclosure, a disclosure index is formulated to rate the firms based on CSRD. The source of data is the CSMAR database. This task is traditionally performed according to the Sustainability Reporting Guidelines and Global Reporting Initiatives (Clarkson et al., 2008; Liu & Anbumozhi, 2009; Rauf et al., 2020). The contextual regulations' differences affect the process as they vary among countries (Darnall et al., 2010; Gray et al., 2001). In the context of China, we have developed the gauges based on the 11 items already prescribed for the non-financial information by regulators in China. The items including the protection of shareholders in terms of corporate governance, meeting the benchmarks of returns, risk control, regularity in disclosure of operational information, shareholders review meetings, and timely communication are enumerated as under the final checklist information (listed in Appendix) consists of 11 CSRD.

These items were assigned with scores ranging from 0 to 11 points. The score is assigned as 0 if there were no information existing, 1 if only non-quantitative aggregate information was available, 2 if quantitative information was provided, and 3 if monetary information was available (Wiseman, 1982; Zeng et al., 2010). The quality of CSR is defined with an iterating value of (i) for each firm and (t) for the year concerned whereby each sampled firm is assigned a score of CSRD quality in the 20,850 firm's/year observations as shown in Eq. (1).

$$CSRD_{(i,t)} = \sum_{j=1}^{11} Score(I_{i,t}^j) \quad (1)$$

So the quality of $CSRD(i, t)$ represents the aggregate score of all things remembered for the CSR report of the firm (I) at year (t). Then again, $Score(I_{i,t}^j)$ speaks to the score of the thing number (j) for firm number (I) at a particular year (t). The estimation of j ranges from 1 to 11. The higher the estimation of CSRD quality, the higher is the nature of the CSRD for a specific firm.

Table 1 Executive turnover reasons

Turnover reasons	Observations	Frequency percentage
1. Common revenue	3009	73.87
Contract expiration	743	24.68
Retirement	19	0.64
Resignation	1056	35.11
Change in controlling shareholder	45	1.49
Personal reasons	141	4.68
Corporate governance reform	224	7.45
Legal dispute	96	3.19
To become government officials	70	2.34
Completion of duties	19	0.64
Promoted to chairman or vice-chairman	128	4.26
Promoted to chairman or vice-chairman	275	9.15
Abroad going	13	0.43
Remaining as chairman or vice-chairman	179	5.96
2. Forced turnover	1070	22.26
CEO position at unlisted firms	109	10.18
New rank lower than CEO	333	31.12
Dismiss	147	13.77
No available information	480	44.89
3. Internal replacement of CEO	787	73.65
4. External replacement of CEO	283	26.34
Total observations	4079	100

This table reports the number and recurrence of CEO turnovers in our example somewhere in the range of 2010 and 2016

Table 2 Distribution of turnover events by the calendar year in China's listed firms: 2010–2016

Year	2010	2011	2012	2013	2014	2015	2016
Number of Executive Turnovers	450	505	462	571	613	720	758
Total	–	–	–	–	–	–	4079

3.2.2 Executive turnover

Forced executive turnover (ET) is a dummy variable concerning the turnover of executives. If executives are forced to leave a firm for reasons other than that of age, tenure, or health issues, it is regarded as forced turnover. Its value is like to

1 if the executives' revenue arises in the ongoing year as well as 0 otherwise. In concordance with prior studies (Chang & Wong, 2009; Kato & Long, 2006; Zhu et al., 2020), we do not count turnover due to retirement, cessation of contract, health issues, and changes in controlling rights as they are not forced turnovers. In our study, we have incorporated resignations, transfer of work, dismissals, and personal reasons as ET as they are the forced turnovers. A summary of the reasons for the turnover is being represented in Table 1. In addition, Table 2 gives a reflection of the number of turnover per year from 2010–2016 for listed firms on China's Shenzhen and Shanghai stock exchanges.

3.2.3 Internal replacement and external replacement

The succession of the executive is either rendered from within the ranks of the firm or through external hiring. The replacing executive is reported to have a drastic effect on the subsequent performances of the firm (Schepker et al., 2017). The incentives for bringing about different changes in the organizational strategies are varied and in terms of CSRD quality, these incentives will affect the CSR strategy also (Quigley & Hambrick, 2012). In this study, we created a construct for a replacement, which is based upon the replacing executive association with the firm. If the executive is hired from outside of the firm it is coded as 1 and in contrast, external replacement (ER), if he/she is promoted from within the ranks, it is coded as 0 internal replacement (IR) (Cannella & Lubatkin, 1993).

3.2.4 Political embeddedness

Political embeddedness (PE) is the moderating variable of this study, which is taken as a dummy variable. It proceeds a value of 0 if the firm is non-politically embedded, and 1 otherwise. PE is operationalized through the connection of at least one of the executives, directors, or supervisors with the government, National People's Congress, or Chinese People's Political Consultative Conference (CPPCC) (Li et al., 2008; Rauf et al., 2020; Wang et al., 2018; Wu et al., 2012a).

3.2.5 Alternative political embeddedness

We use alternative political embeddedness (APE) as a moderating variable also. It is a proxy for the alternative political connectedness of a firm through the political embeddedness of remaining board members or top management team. This is determined in the same way as that of the executive political connectedness (Cao et al., 2017). To operationalize this variable in the study, we bifurcate the data into two based on the presence and absence of alternate political embeddedness. Further investigates for different subsamples of politically embedded firms, for example, companies that are government owned versus. Companies, which are not government owned, and companies with PE versus. Firms (WAPE) without alternate political embeddedness (Wang et al., 2018).

3.2.6 Control variables

To control for potential factors that may influence the nature of CSRD, various control factors are remembered for this investigation. Board characterized as CEO residency, is the range of in-service time in years since the CEO's first appointment. The size of the board concerns the directors and board of directors. A minimum number of self-governing directors has been included control factors (Khan et al., 2020; Marquis & Qian, 2014; Rauf et al., 2020; Wang et al., 2018). Besides it, Tobin's Q is a control variable depicting the percentage between added value of physical assets and its market value representing the financial performance of a firm. BTMA is another control variable showing book value over the market value of shareholders' equities. Growth of Asset is yet another control variable depicting the increase or decrease in assets of a firm. Locate a solid connection between CEO turnover and CEO age. We, hence, incorporate CEO age as a control variable in our examination. ROA is likewise a control variable speaking to return on the Assets while ROE speaks to return on value. Financial leverage represents the proportion of the debts of a firm to its absolute resources. For CEO duality (CD), the dummy variable equivalents 1 if the CEO is additionally the director and 0 in any case. SOE, characterized as a dummy variable that rises to 1 if the neighborhood or local government is the predominant proprietor and 0 in any case. A dummy variable for industry and another for a year was additionally included to control for the expected impacts of time and explicit industry (Naveed et al., 2021). Furthermore, for more details, see Table 3.

3.3 Descriptive statistics

Table 4 presents a summary of all the variables used in the analysis. Out of the 4079 associations-year observations in the total sample, 1070 firms' observation (26%) reports forced turnover incidents. The mean of CSRD is 5.807 while having a standard deviation of 2.791. It represents the achievement of 5.807 percent of the benchmarked composite CSR information in the context of China. The maximum possible rating is 11.00.

3.3.1 Correlation matrix

Furthermore, Table 5 reports the correlation matrix. The coefficient values of all the Independent Variables are lesser than 0.60, suggesting that there is no issue of multi-collinearity and estimated variables are sufficiently independent. The correlation between CSRD and ET is negatively significant with an assessment of -0.30 . The relation between PE and CSRD is also negatively associated with a value of -0.07 . The above results are matched with prior studies and correlations are within the operational limits.

Table 3 Variable definition and details

Variables	Abbreviation	Description
Corporate Social Responsibility Disclosure	CSRSD	CSRSD quality is the response variable fostering the assessment of CSR reports against the index formulated for this study
Executives Turnover	ET	It is a dummy variable concerning the occurrence of turnover of executives. Its value is equivalent to one of the executives' sales arises in the ongoing year as well as zero otherwise
Internal Replacement	IR	It is a dummy variable representing the replacement of executive having value 1 if replacing executive is from within the firm and 0 otherwise
External Replacement	ER	It is a dummy variable representing the replacement of executive having value 1 if replacing executive is from outside of the firm and 0 otherwise
Political Embeddedness	PE	It is also a dummy variable concerning the political connection of Executives. Its value is alike to one of the chief executive is politically relation as well as zero otherwise
Alternate Political Embeddedness	APE	It is also a dummy variable concerning the political connection of the top management team other than the chief executive. Its value is equivalent to 1 if any of the chief or director is politically associated and 0 in any case
CEO Tenure	CT	Chief residency is the years since the CEO was selected as the CEO
Board Size	BS	It is a variable concerning the size of the board of directors
Independent Director	ID	It is a variable showing if the minimum numbers of independent directors i.e. 2 are present on BOD. This variable is assigned with value 1 if it is so and zero in another case
Tobin's Q	TQ	It is a variable concerning the percentage between the market value and the added value of a physical asset
Book to Market Ratio	BTMA	It is a variable concerning the book value over the market value of shareholder's capital
Asset Growth	AG	This variable is the measure of the increase or decrease in total assets
CEO Age	CA	Dummy variable who takes an estimation of 1 if the CEO is range 63 to 65 and zero in any case
Return on Assets	ROA	It is a variable concerning the ratio of total profit over a total asset
Return on Equity	ROE	It is a variable concerning the ratio of profit to the percentage of equity
Financial Leverage	FL	It is the proportion of debt of an association to its assets
Duality of CEO	CD	Dummy variable that rises to 1 if the CEO is functioning as an executive likewise and 0 in any case
State-Owned Enterprise	SOE	Dummy variable equivalents 1 if the nearby or focal government is the prevailing proprietor and 0 in any case
Year and industry	YI	The business dummies are remembered for all regressions to control for the impacts of year and explicit industry

Table 4 Descriptive statistics

Variables	Mean	SD	Min	Max
CSRD	5.408	2.791	1.000	11.000
ET	0.273	0.446	0.000	1.000
IR	0.737	0.448	0.000	1.000
ER	0.263	0.443	0.000	1.000
PE	0.105	0.306	0.000	1.000
CT	2.577	2.784	0.000	19.000
BS	9.483	2.282	4.000	22.000
ID	3.493	0.839	1.000	8.000
TQ	1.752	1.813	0.096	33.270
BTMA	1.186	1.153	0.030	10.328
AG	0.166	0.343	−0.828	10.888
CA	2.007	0.897	0.000	3.258
ROA	0.042	0.057	−0.690	0.481
ROE	0.082	0.816	−18.568	43.614
FL	0.509	0.214	0.007	1.344
CD	5.408	2.791	1.000	11.000
SOE	0.412	0.492	0.000	1.000

3.4 Empirical model and measures

To test the quality of CSRD relationship with ET and PE of firms, this study utilizes the ordinary least squares (OLS) regression models. This model can be specified as follows:

$$CSRD_{(i,t)} = a + \beta_1 ET + \sum_{i=1}^N \beta_n controls_{(i,t)} + \varepsilon_{(i,t)} \quad (1)$$

$$CSRD_{(i,t)} = a + \beta_2 ET + \beta_3 IR + \beta_4 ET \times IR + \sum_{i=1}^N \beta_n controls_{(i,t)} + \varepsilon_{(i,t)} \quad (2)$$

$$CSRD_{(i,t)} = a + \beta_5 ET + \beta_6 ER + \beta_7 ET \times ER + \sum_{i=1}^N \beta_n controls_{(i,t)} + \varepsilon_{(i,t)} \quad (3)$$

$$CSRD_{(i,t)} = a + \beta_8 PE + \beta_9 ET + \beta_{10} ET \times PE + \sum_{i=1}^N \beta_n controls_{(i,t)} + \varepsilon_{(i,t)} \quad (4)$$

$$CSRD_{(i,t)} = a + \beta_{11} ET + \beta_{12} APE + \beta_{12} ET \times PE + \sum_{i=1}^N \beta_n controls_{(i,t)} + \varepsilon_{(i,t)} \quad (5)$$

$$CSRD_{(i,t)} = a + \beta_{13} ET + \beta_{14} WAPE + \beta_{15} ET \times PE + \sum_{i=1}^N \beta_n controls_{(i,t)} + \varepsilon_{(i,t)} \quad (6)$$

Table 5 Correlation matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
CSRSD	1.00																	
FE	-0.35*	1.00																
IE	-0.36*	-0.58*	1.00															
ET	-0.33*	-0.52*	-0.08*	1.00														
PE	-0.07*	-0.02*	-0.05*	-0.02*	1.00													
CT	-0.18*	-0.04*	-0.04*	-0.05*	0.00	-0.04*	1.00											
BS	-0.04*	0.05*	0.05*	0.05*	0.01*	0.28*	0.00	1.00										
ID	-0.04*	0.02*	0.03*	0.04*	0.05*	0.30*	0.00	0.48*	1.00									
TQ	0.02*	-0.07*	-0.07*	-0.06*	-0.10*	-0.48*	-0.08*	-0.18*	-0.15*	1.00								
BTMA	-0.00	0.03*	0.03*	0.02*	0.16*	0.50*	-0.08*	0.13*	0.13*	-0.51*	1.00							
AG	-0.05*	-0.01*	-0.01*	-0.01*	0.10*	0.01*	0.01*	-0.01*	-0.00	0.11*	-0.05*	1.00						
CA	0.08*	0.05*	0.04*	0.02*	0.04*	0.24*	-0.06*	0.15*	0.15*	-0.16*	0.16*	-0.06*	1.00					
ROA	-0.01*	-0.02*	-0.02*	-0.02*	-0.10*	-0.06*	0.05*	-0.00	-0.01*	0.34*	-0.29*	0.16*	-0.06*	1.00				
ROE	-0.04*	0.01*	0.00	0.00	-0.01*	0.03*	0.03*	0.01*	0.00*	0.12*	-0.10*	0.10*	0.00	0.54*	1.00			
FL	-0.02*	0.05*	0.05*	0.04*	0.21*	0.51*	-0.06*	0.13*	0.13*	-0.50*	0.51*	-0.02*	0.18*	-0.41*	-0.08*	1.00		
CD	-0.04*	-0.02*	-0.02*	-0.03*	-0.01*	0.09*	0.04*	-0.14*	-0.07*	0.14*	-0.13*	0.08*	-0.12*	0.10*	0.03*	-0.12*	1.00	
SOE	-0.04	-0.02	0.03*	-0.03*	-0.01*	0.01	0.03	-0.04*	-0.00	-0.05	0.03*	0.02*	0.05	-0.03	-0.01	0.05	0.01*	1.00

*Shows significance at the 0.05 level respectively-Statistics are reported in parenthesis for a detailed description of the variable, see Table 3

where quality of (CSR) indicates firm's corporate social responsibility disclosure; (ET) is executive turnover in a firm; (PE) refers to board's political embeddedness measured by number and proportion of politically connected directors; (ET $\times$ IR) shows the interaction between executive turnover and internal replacement; (ET $\times$ ER) shows the interaction between executive turnover and external replacement; (ET $\times$ PE) shows interaction between executive turnover and political embeddedness; (APE) firm's alternate political embeddedness; (WAPE) without alternate political embeddedness; while *controls* refers firm-level control variables.

4 Results and discussion

Table 6 reports the OLS regression results for the moderating effects of PE and ET on CSR quality. To test Hypothesis (H1a), Model 1 represents the relationship between CSR quality and executives' turnover. Model 2 and Model 3 are the modification of Model 1 in terms of the inclusion of subsequent replacement of the departing executive. Model 2 incorporates the internal replacement (IR) variable to test Hypothesis (H1b). Model 3 incorporates the external replacement (ER) variable to test Hypothesis (H1c). Model 4 represents the moderating effect of PE in the relationship between CSR quality and ET to test Hypothesis (H2a). Model 5 is the replication of Model 4 for the sample of firms having APE to test Hypothesis (H2b). Model 6 is also the replication of Model 4 but for the firm's samples having no WAPE to test Hypothesis (H2c).

As shown in the results of Model 1, ET is connected significantly negatively with the quality of CSR ($\beta = -1.989$, $p < 0.000$), consistent with Hypothesis (H1a). Results of Model 2 shows that IR is also connected significantly negatively with the quality of CSR ($\beta = -1.995$, $p < 0.001$) and Interaction of the ET $\times$ IR is ($\beta = 1.930$, $p < 0.000$), consistent with Hypothesis (H1b). Outcomes of Model 3 demonstrates that ER is also connected significantly negatively with the CSR ($\beta = -1.956$, $p < 0.000$). Interaction of the ET $\times$ ER is ($\beta = -1.795$, $p < 0.000$), consistent with Hypothesis (H1c). The results of Model 4 demonstrate a negative linkage of interaction checked hypothesis 1 (H1a) of PE with ET relationship with the quality of CSR disclosure ($\beta = -0.033$, $p < 0.000$) consistent with the hypothesis (H2a) (see Table 6). Thus, our results show a further diminution in CSR quality of departing executives' firms with PE, demonstrating a negative link between PE and CSR quality (Marquis & Qian, 2014; Rauf et al., 2020; Wang et al., 2018). The comparison of the results of Model 5 shows the alternate Political Embeddedness (APE) impact in the PE moderated linkage between ET and CSR quality ($\beta = -0.039$, $p < 0.000$) consistent with the hypothesis (H2b). The result of Model 6 shows the without alternate political embeddedness (WAPE) influence in the PE moderated connection between ET and CSR quality ($\beta = -0.084$, $p < 0.000$) consistent with the hypothesis (H2c). Some control variables had an insignificant relationship with CSR quality. The result of the control variables is consistent with the previous (Cao et al., 2017).

Table 6 Results of all models executed through (OLS) regression

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
CSR	OLS all firms	OLS all firms	OLS All firms	OLS all firms	OLS firms with APE	OLS firms WAPE
FE	−1.989*** (−23.06)	−1.942** (−22.45)	−1.995*** (−23.02)	−1.993*** (−23.07)	−2.588*** (−16.98)	−3.821*** (−3.02)
IR	—	−1.995*** (−23.18)	—	—	—	—
ER	—	—	−1.956*** (−22.43)	—	—	—
PE	—	—	—	−0.034*** (−3.73)	−0.214** (−2.15)	−2.167 (−1.70)
ET×IR	—	−1.930*** (−21.07)	—	—	—	—
ET×ER	—	—	−1.795*** (−20.02)	—	—	—
ET×PE	—	—	—	−0.033*** (−3.69)	−0.039*** (−3.19)	−0.084 (−1.65)
CT	0.000 (0.03)	0.007 (0.34)	0.001 (0.08)	0.001 (0.07)	−0.008 (−0.34)	0.001 (0.08)
BS	−0.029 (−0.82)	−0.033 (−0.94)	−0.030 (−0.84)	−0.036 (−1.02)	−0.057 (−1.45)	−0.031 (−0.87)
ID	−0.049 (−0.52)	−0.015 (−0.17)	−0.044 (−0.46)	0.026 (−0.28)	0.044 (0.42)	0.018 (0.19)
TQ	0.057* (2.04)	0.063* (2.26)	0.058* (2.07)	0.057* (2.04)	0.056* (1.75)	0.059* (1.91)
BTMA	−0.054 (−1.04)	−0.044 (−0.86)	−0.053 (−1.02)	−0.046 (−0.89)	0.0621 (0.98)	0.037 (0.66)
AG	0.144 (−1.15)	−0.134 (−1.08)	−0.143 (−1.14)	−0.087 (−0.69)	−0.148 (−1.07)	−0.074 (−0.59)
CA	0.197*** (3.34)	0.165*** (2.80)	0.193*** (3.23)	0.202*** (3.44)	0.187*** (2.86)	0.234*** (3.94)
ROA	1.549 (1.54)	1.480 (1.49)	1.541 (1.54)	1.448 (1.45)	2.509* (2.17)	2.542* (2.43)
ROE	−0.485* (−1.96)	−0.498* (−2.02)	−0.486* (−1.96)	−0.467* (−1.89)	−0.596* (−2.19)	−0.472* (−1.91)
FL	−0.076 (−0.25)	−0.123 (−0.41)	−0.084* (−0.28)	0.071 (0.23)	0.105 (−0.31)	0.303 (0.97)
CD	−0.187 (−1.55)	−0.168 (−1.36)	−0.188* (−1.56)	−0.189 (−1.56)	−0.177** (−1.33)	−0.183 (−1.51)
SOE	−0.113 (−1.29)	−0.128 (−1.47)	−0.113 (−1.29)	−0.124 (−1.42)	−0.074 (−0.77)	−0.130 (−1.50)
Constant	5.700*** (15.41)	5.629*** (15.32)	5.693*** (15.38)	5.909*** (15.84)	7.662*** (6.71)	9.276*** (8.94)
Y1	Incorporated	Incorporated	Incorporated	Incorporated	Incorporated	Incorporated
R ²	0.2825	0.2931	0.2826	0.2864	0.2342	0.2898

*, **, ***, significant at 10%, 5%, and 1%, respectively. T-statistics are reported in parentheses. For a detailed description of the variable, see Table 3

Table 7 Additional analysis robustness test

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
CSR variables	OLS all firms	OLS all firms	OLS All firms	OLS all firms	OLS firms with APE	OLS firms WAPE
FE	−1.987*** (−22.62)	−1.961** (−22.27)	−1.946*** (−22.80)	−1.928*** (−22.58)	−2.556*** (−16.73)	−3.741*** (−3.01)
IR	—	−1.996*** (−22.88)	—	—	—	—
ER	—	—	−1.961*** (−21.85)	—	—	—
PE	—	—	—	−0.035*** (−3.19)	−0.217** (−2.17)	−1.154 (−1.71)
ET×IR	—	−1.951*** (−21.38)	—	—	—	—
ET×ER	—	—	−1.953*** (−21.02)	—	—	—
ET×PE	—	—	—	−0.034*** (−3.19)	−0.035*** (−3.19)	−0.087 (−1.68)
CT	0.001 (0.03)	0.009 (0.40)	−0.030 (−0.84)	0.002 (0.09)	0.002 (0.09)	0.001 (0.08)
BS	−0.038 (−0.80)	−0.042 (−0.91)	−0.030 (−0.84)	−0.032 (−1.00)	−0.030 (−0.85)	−0.032 (−0.89)
ID	−0.059 (−0.50)	−0.017 (−0.16)	−0.044 (−0.46)	0.024 (−0.27)	0.017 (0.18)	0.019 (0.18)
TQ	0.068* (2.90)	0.059*** (3.03)	0.058* (2.07)	0.081* (2.87)	0.062* (2.30)	0.058* (1.92)
BTMA	−0.065 (−1.04)	−0.046 (−0.92)	−0.054 (−1.05)	−0.047 (−0.90)	0.037 (0.66)	0.038 (0.67)
AG	0.153 (−1.05)	−0.138 (−0.92)	−0.144 (−1.15)	−0.089 (−0.65)	−0.071 (−0.56)	−0.073 (−0.58)
CA	0.186*** (3.41)	0.190*** (3.27)	0.206*** (3.47)	0.229*** (3.50)	0.237*** (4.00)	0.235*** (3.96)
ROA	1.558* (2.10)	1.510* (2.07)	1.551 (1.55)	1.422 (1.96)	2.573*** (3.19)	2.541* (2.44)
ROE	−0.494*** (−4.29)	−0.498*** (−4.54)	−0.486* (−1.97)	−0.467*** (−3.77)	−0.474*** (−3.52)	−0.473* (−1.92)
FL	−0.086 (−0.27)	−0.073 (−0.26)	−0.054* (−0.18)	0.074 (0.25)	0.381 (1.03)	0.305 (0.98)
CD	−0.197 (−1.61)	−0.142 (−1.23)	−0.172* (−1.43)	−0.198 (−1.63)	−0.187 (1.58)	−0.184 (−1.52)
SOE	−0.173 (−1.30)	−0.128 (−1.47)	−0.120 (−1.37)	−0.127 (−1.43)	−0.133 (−1.51)	−0.131 (−1.51)
Constant	5.709*** (16.23)	5.661*** (16.39)	5.717*** (15.53)	5.939*** (16.60)	9.282*** (8.58)	9.275*** (8.93)
Y1	Incorporated	Incorporated	Incorporated	Incorporated	Incorporated	Incorporated
R ²	0.2827	0.2977	0.2894	0.2875	0.2684	0.2897

*, **, ***, significant at 10%, 5%, and 1%, respectively. T-statistics are reported in parentheses. For a detailed description of the variable, see Table 3

4.1 Robustness test

To check the major endogeneity issues of this research, robustness tests are applied in Table 7. Our study reports a significantly negative association among corporate social responsibility disclosure quality (CSRQ), executive turnover (ET), political embeddedness (PE), internal replacement (IR), and external replacement (ER), while there is a positive association between CEO tenure and CEO age.

The researcher has made additional robustness estimates to validate this relation, as there are issues with the endogeneity of certain experiments attributable to omitted causes. We followed Dam and Scholtens (2012) and Lopatta et al. (2017) to resolve the possible endogeneity problem. To evaluate whether a move in the decline in ET and PE influenced the quality of CSRQ (Dam & Scholtens, 2012; Lopatta et al., 2017). Our sample was extracted for a reason Model 1 to Model 6, the coefficients of decrease in quality of CSRQ remained significantly negative and consistent with previous findings as stated in Table 7. Further effects of the calculation reported that there was a large magnitude of the coefficients of these six reduction stages discrepancies. These reduction amounts checked on 1 percent, 5 percent and 10 percent reduction thresholds in ET and ($\beta = -1.987$, $p < 0.000$) and PE ($\beta = -0.035$, $p < 0.000$) in Model 1 and Model 4 respectively were considered. The findings of this analysis are matched with the researches of Cao et al., (2017), Rauf et al., (2020), Wang et al., (2018).

4.2 Endogeneity control

Apart from our main analyses, we used two different models to address the endogeneity problem. Firstly, we used a 1 year lagged value of CSRQ, ET, and PE in the OLS. It was performed under observation, as the performance of a firm needs time before affecting the CSRQ quality. The results of all the Models shown in Tables 8, 9, and 10, foster the findings of lagged measures. The results of the lagged measures of CSRQ, ET, and PE variables are similar and in line with our main results shown in Table 6. Secondly, a two-stage least squares (2SLS) regression (an instrumental variable technique) is used to deal with the endogeneity problem whereby a year lagged measure of CSRQ, ET, and PE has been used. Models 1, 2, 3, 4, 5, and 6 of Table 9 show the results of 2SLS regression. The statistical outcomes confirm the validity. No weak instrumental variables were found whatsoever. The OLS results of Table 6 representing “endogeneity control” suggest that coefficients significances are similar to the results of 2SLS regression.

To examine the robustness, this study showed a significantly opposite controlling effect of PE with ET and CSRQ. We applied Heckman’s (1979) two-stage analysis to resolve the problem of sample selection bias and reported empirical results of PE and ET by employing OLS regression while keeping ET and PE as control variables in the first stage. By using the ratio of inverse mills, CSRQ

Table 8 Panel A lagged-OLS for the ET-PE, CSR

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
CSR	OLS all firms	OLS all firms	OLS all firms	OLS all firms	OLS firms with APE	OLS firms WAPE
ET	-1.896*** (-21.28)	-1.861*** (-21.12)	-1.856*** (-21.10)	-1.931*** (-22.61)	-2.567*** (-16.68)	-2.821*** (-2.95)
IR	-	-1.994*** (-22.94)	-	-	-	-
ER	-	-	-1.961*** (21.85)	-	-	-
PR	-	-	-	-0.034*** (-3.17)	-0.216** (-2.17)	-1.167 (-1.57)
ET × IR	-	-1.951*** (-21.38)	-	-	-	-
ET × ER	-	-	-1.943*** (-21.02)	-	-	-
ET × PE	-	-	-	-0.032*** (-3.15)	-0.035*** (-3.17)	-0.087 (-1.68)
R ²	0.2703	0.2788	0.2647	0.2186	0.2285	0.2186

Table 9 Panel B two-stage least square (2sls)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
CSRD	OLS all firms	OLS all firms	OLS all firms	OLS all firms	OLS firms with APE	OLS firms WAPE
ET	−1.959*** (−22.12)	−1.942*** (−21.10)	−1.938*** (−21.08)	−1.076*** (−20.57)	−2.546*** (−16.63)	−2.832*** (−2.93)
IR	—	−1.528*** (−21.13)	—	—	—	—
ET	—	—	−1.964*** (−21.82)	—	—	—
PE	—	—	—	−0.033*** (−2.93)	−0.217** (−2.18)	−1.165 (−1.53)
ET×IR	—	−2.928* (−1.95)	—	—	—	—
ET×ER	—	—	−1.370* (−2.13)	—	—	—
ET×PE	—	—	—	−0.031*** (−3.13)	−0.037*** (−3.19)	−0.084 (−1.65)
R ²	0.2478	0.2832	0.2697	0.2688	0.2287	0.2822

Table 10 Panel C (2-stage Heckman)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
CSRD	OLS all firms	OLS all firms	OLS all firms	OLS all firms	OLS firms with APE	OLS firms WAPE
ET	−1.993*** (−23.17)	−1.942** (−22.46)	—	−1.944*** (−21.67)	−2.576*** (−16.62)	−2.836*** (−2.97)
IR	—	−1.485*** (−21.21)	—	—	—	—
ET	—	—	−1.323*** (−20.76)	—	—	—
PE	—	—	—	−1.108* (−2.00)	−0.219** (−2.19)	−1.169 (−1.57)
ET×IR	—	−5.114*** (−7.43)	—	−2.625*** (−5.89)	—	—
ET×ER	—	—	—	—	—	—
ET×PE	—	—	—	—	−0.038*** (−3.18)	−0.089 (−1.68)
R ²	0.2488	0.2836	0.2699	0.2678	0.1297	0.2832
Lambda	−2.144	−2.134	−2.419	−2.391	−2.375	−2.375

*, **, ***, significant at 10%, 5%, and 1%, respectively. T-statistics are reported in parentheses. For a detailed description of the variable, see Table 3

quality converts into risk rate in the second stage. Lastly, we estimated the main regression by employing PE and ET as independent variables (Heckman, 1979). In the Heckman method, results of PE and ET are negative and significant which confirms that our outcomes are trustworthy as being depicted in Table 10 shows that the result for Lambda is negative and insignificant, suggesting that there is no self-selection issue (Tables 8, 9, and 10).

5 Conclusion

In this paper, the relationship between ET and the quality of CSRD is analyzed with the moderating role of the PE of the departing Executives. In this regard, the quality of CSRD was investigated for the influence of post ET replacement in the listed A-share firms of Chinese. Also, the link of PE of a firm and ET was looked for CSRD quality simultaneously, to unveil the interplay of these phenomena under their relevant underpinnings. 20,850 firm's/year observations recorded on the Shanghai and Shenzhen Stock Exchanges for the period 2010–2016 were analyzed through OLS regression for the possible connections. The robustness was ascertained through the robustness test and reversed causality was addressed through lagged measures, two stages least square methods, and 2-stage Heckman.

The analysis here offers a valuable contribution to the stakeholder theory of CSRD whereby ET proves to be potent in invigorating agency problems amongst different stakeholders. The results of IR and ER in the premise of PE illustrate the negative impacts of agency problems on the CSRD quality. These findings are further strengthened by the results associated with the presence and absence of APE. We also investigated the extent to which PE (whether an Executive is holding a public office or has experience as a government official) has any relation with the quality of CSRD.

Results of this study also complement legitimacy theory as it has been shown that the quality of CSRD exacerbates when firms get relief from the regulator's control and do not require further legitimization activities. The potency of different kinds of political forces to handicap a firm while addicting it with over-reliance on governmental support is a noticeable phenomenon. It has strong repercussions for the quality of progressive initiatives like CSRD. PE is extensively reported as an effective feature for the promulgation of CSR activities however, our results depict it the other way around in the context of China. It shows the trade-off between the financial and quality performances of firms in tandem with legitimacy and agency theories. This shows the ineffectiveness of government-induced CSR policies in any case.

The findings have valuable outcomes for policy-makers, research-practitioners, investors, and other stakeholders. First of all, the role and status of Executives in Politically Embedded Chinese firms for the implementation of different normative and progressive initiatives is more pronounced as compared to developed economies, and therefore to ensure the quality of CSRD, firms need special retention strategies for damage control. Secondly, Firms need alternative plans in case of

Politically Embedded Executive turnover to cope with its internal and external negative impacts.

The study has certain limitations for it is a single-country study with unique attributes of political institutions' prominent role in the affairs of firms. The level of power and influence is dependent upon the status of the governmental positions held by the incumbent Executive, which is not considered in this study. The conflicting roles of the provincial and central government have also not been considered while attributing factors to legitimacy theory. The size of the firm is reported to be a prominent factor in the previous turnover studies which is also not been considered here. Future studies may include institutional context other than that of China in their analysis. The role of the size of the firms may also be handy in the study of the moderating role of PE in the relationship between ET and CSRD quality. In addition, a comparative study may be carried out to look for different factors in the interplay of the variables.

Appendix

S. no. Corporate social responsibility disclosure index

- (i) Creditor protection in terms of responsibility for debt amount and the provision of information to the banks and their debtors
 - (ii) Protection of staff in terms of minimum wages, health, and safety, equal promotional opportunities, well-being guarantees, and staff training
 - (iii) Delivery protection in terms of abiding by the principles of commitments, fair and just procurement, legitimate contracts in compliance with the law, ensuring industrial development, and sharing experiences
 - (iv) Protection of customers in terms of the provision of services and the production of high-quality products
 - (v) Environmental protection in terms of role in climate change, reduction in energy consumption and greenhouse gases, and protection of the ecosystem
 - (vi) Public relations in terms of promotion of social development and care of vulnerable and unprivileged people
 - (vii) System construction in terms of formulation of procedures and routines to systemize the CSR
 - (viii) Work safety in terms of workplace and production safety
 - (ix) Deficiency in terms of shortcomings in the implementation of the CSR measures in the shape of deficiency of preparation, worker safety, communiqué with shareholders, etc. in the firm
 - (x) Whether it discloses the construction of a social responsibility system and improvement measures
 - (xi) Incorporation of components of social responsibility by helping oppressed members of society and promoting the welfare of people
-

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