

CEO Political Partisanship and Corporate Misconduct

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ABSTRACT

Are firms led by liberal or conservative CEOs more likely to engage in corporate misconduct? This study unearths the ideological bases of misconduct by distinguishing the values and identity perspectives of political ideology. Rather than attributing misconduct to liberal or conservative values, we introduce and examine CEO political partisanship—i.e., the strength of a CEO’s identification with political and ideological groups. We hypothesize and find robust evidence for a positive relationship between CEO political partisanship and corporate misconduct in a sample of Fortune 500 CEOs from 2010 to 2018. Our findings thus contribute to the conversation on the role of political ideology in organizations by unearthing the organizational implications of political identities. As CEOs increasingly engage in political discussions and political divisions grow stronger, our study offers a timely warning about the harmful link between CEO political partisanship and corporate misconduct.

Keywords: Political ideology, partisanship, corporate misconduct, upper-echelons theory

INTRODUCTION

Corporate misconduct can incur notable financial losses in market valuation, mar a firm's reputation and trustworthiness, usher in protracted and costly legal battles with regulatory bodies, and erode societal prosperity (Castro, Phillips, & Ansari, 2020; Hersel, Helmuth, Zorn, Shropshire, & Ridge, 2019). It is therefore imperative to unpack the origins of corporate misconduct, defined as “activities and actions that organizational members engage in to deceive or swindle investors or other key stakeholders” (Neville, Byron, Post, & Ward, 2019: 2541). Prior work has emphasized the role of CEOs in corporate misconduct, attributing likelihood of such harmful organizational behavior to CEO demographics, backgrounds and personality traits that may explain why CEOs rationalize misconduct (e.g., Koch-Bayram & Wernicke, 2020; Li, Shi, Connelly, Yi, & Qin, 2020; Schnatterly, Gangloff, & Tuschke, 2018).

However, political ideology, i.e., deeply held beliefs about the proper order of society (Jost, Federico, & Napier, 2009), may also prod rationalization of right and wrong consistent with their worldviews as it guides CEOs' interpretations and understanding of their social environments (Gupta, Nadkarni, & Mariam, 2019; Swigart, Anantharaman, Williamson, & Grandey, 2020). While a rich body of prior works have shown CEO political ideology as influencing an array of outcomes like alliances and acquisitions, compensation structures, and research and development spending (e.g., Briscoe & Joshi, 2017; Chandler, Kim, Waddingham, & Hill, 2023; Semadeni, Chin, & Krause, 2022), the relationship between CEO political ideology and corporate misconduct has received less attention.¹ Therefore, a theory that could explain why we lack research in this domain and that elucidates the ideological underpinnings of corporate

¹ One notable exception is Hutton et al. (2015), who found ideology to predict the likelihood of particular forms of litigation taken against firms. However, according to Briscoe et al. (2014), this may be more a product of motivated legal activism than of ideology-based corporate wrongdoing.

misconduct may thus help us understand such transgressions that imperil organizations, society, and environment alike.

Toward this goal, we have built from emerging research in political science to distinguish two perspectives of political ideology: values and identity. First, an *ideology-as-values* view conceptualizes ideology as a configuration of social values motivating action (Swigart et al., 2020). For example, liberal managers' preferences for equality in hiring and promoting females and minorities (Briscoe & Joshi, 2017) may well map to their openness to change and egalitarianism, and conservatives' aversion to taking financial risks (Christensen, Dhaliwal, Boivie, & Graffin, 2015) could relate to their value for tradition (Jost et al., 2009). However, no inherent values in either liberal or conservative ideologies suggests misconduct. Additionally, while values pertain to different principles or judgments about what is important in one's life, we do not anticipate any differences in how liberal and conservative CEOs consider ethical factors in their decision-making processes. Thus, we turn our focus to the identity perspective of political ideology to understand the ideology-misconduct link.

Second, the *ideology-as-identity* perspective refers to the extent to which self-concept stems from membership to political groups (Swigart et al., 2020). We introduce CEO *political partisanship* defined as the strength of identification with political and ideological groups (Huddy & Bankert, 2017). We hypothesize that CEO political partisanship underlies corporate misconduct. Our arguments draw on recent advances in political science research that link political partisans to reduced perspective-taking (van Prooijen & Krouwel, 2019) and elevated moral foundations (Graham, Haidt, & Nosek, 2009). Accordingly, we argue that partisan CEOs are subject to rationalizing their misconduct by disregarding stakeholders harmed by corporate misconduct and by viewing themselves and their organizations as morally superior. We test our

theory using data on Fortune 500 CEOs between 2010 and 2018, and find that political identity, not political values, explains corporate misconduct. Our results prove robust over an array of analyses. We also explore the theorized mechanisms to show that politically partisan CEOs seem prone to hold themselves in high moral standard, which is positively associated with corporate misconduct.

Our study offers key theoretical implications for research on corporate misconduct and political ideology in organizations. First, we advance existing CEO-based perspectives of corporate misconduct (e.g., Castro et al., 2020; Koch-Bayram & Wernicke, 2020; Zhang, Ren, Chen, Li, & Yin, 2020) by introducing the ideological underpinnings of misconduct. Here, we show empirical support for our theory that political ideology guides CEOs' rationalizations, thus serving as a filter by which CEOs evaluate information in justifying misconduct (Gupta et al., 2019). Second, we join the research on political ideology in organizations that has offered rich insights on how decision-maker political ideology can tilt an array of firm outcomes, from engagement in tax avoidance to more socially responsible business practices (e.g., Chin, Hambrick, & Treviño, 2013; Christensen et al., 2015), though yet silent on corporate misconduct. Our theory addresses this void by linking an ideology-misconduct relationship to the *identity* dimension of ideology. We hereby introduce political partisanship to the study of political ideology in organizations. Third, we contribute to research at the nexus of organization studies and political science to show how political identities may shape non-political outcomes (e.g., Bermiss & McDonald, 2018; Gift & Gift, 2015). Our focus on CEO partisanship is a timely approach to examine the organizational implications of political ideologies as executives become more active in the political arena and as polarization sharpens and hardens political identities.

THEORETICAL BACKGROUND

CEOs shape their firms' activities (e.g., Hambrick & Mason, 1984; Neely, Lovelace, Cowen, & Hiller, 2020) and influence corporate misconduct in two ways. First, CEOs may have a *direct* hand in misconduct as they exercise discretion and control over firm resources (Schnatterly et al., 2018). For example, Sam Bankman-Fried, founder and CEO of FTX, was sentenced to 25 years in prison for wire and securities fraud for his responsibility in illegally transferring customer assets to Alameda Research to inflate the price of FTX's crypto token. Theranos' CEO Elizabeth Holmes, too, was charged with raising \$700 million from investors through false claims of accuracy in the company's blood-testing technology (Keenan, 2022). Second, CEOs can affect misconduct *indirectly* by setting the tone and strategy of the business (Kish-Gephart, Harrison, & Treviño, 2010). Here, CEOs can breed misconduct by creating or perpetuating poor corporate culture, harmful incentive structures, and ethical ambiguity. The cross-selling strategy of Wells Fargo is one such example. In 2016, its CEO admitted his full responsibility for creating the incentive structure that led to employees creating millions of fake accounts and to other sales malpractices (Zoltners, Prabhakant, & Lorimer, 2016).

Prior research has cast corporate misconduct as poor moral judgment (Bandura, 2016) where CEOs engage in rationalization processes to justify these actions (Schnatterly et al., 2018). Rationalization is a mental strategy that prompts people who have violated or are about to breach standards of acceptable conduct to continue perceiving themselves as moral actors (Troy, Smith, & Domino, 2011). Individuals may justify questionable acts, leaning them toward misconduct without any apparent compromise of their own perceived identities as honest, ethical persons (Morales, Gendron, & Guénin-Paracini, 2014). For example, CEOs with a military background appear less likely to engage in corporate misconduct as their values of loyalty and integrity steer

them to view obedience to rules and regulations as morally upright (Koch-Bayram & Wernicke, 2020). Conversely, CEOs with weak ethical values seem more likely to engage in misconduct as their lack of moral reasoning leads them to explain wrongdoing as somehow appropriate.

Corporate misconduct has also been linked to CEO narcissism, ambition and hubris (e.g., Rijsenbilt & Commandeur, 2013; Zhang et al., 2020) as CEOs with these features seem much more prone to overestimate their sense of personal ethics (Schnatterly et al., 2018). One study recently found CEOs to be more likely to engage in misconduct after receiving media accolades because these awards increase their sense of self-entitlement (Li et al., 2020).

Importantly, individuals also tend to rationalize right versus wrong in ways consistent with their ideological worldviews (Hatemi, Crabtree, & Smith, 2019; Jost & Amodio, 2012). Political ideology is defined as “widely shared and deeply held beliefs regarding how a society ought to be structured” (Swigart et al., 2020: 1065). Political ideology exists on a spectrum, with the left and right dimensions being synonymous with liberalism and conservatism, respectively (Jost et al., 2009). Prior research has recognized the influence of CEO political ideology in resource allocation decisions (Gupta, Briscoe, & Hambrick, 2018), compensation structure (Chin & Semadeni, 2017; Gupta & Wowak, 2017), and innovation (Fallah, 2021). Yet, the relationship between CEO political ideology and corporate misconduct is much less established. We are consequently left with only a partial picture of how CEOs rationalize corporate misconduct. In the following section, we shed light on the relationship between CEO political ideology and misconduct by isolating political ideology’s distinct value and identity components.

Political Ideology-as-Values and Corporate Misconduct

Research on political ideology in organizations has submitted mainly to the ‘ideology-as-values’ perspective (Swigart et al., 2020). Values here refer to principles that motivate action

(Schwartz, 1992). In this view, liberal and conservative values guide CEO rationalizations and serve as a filter by which CEOs evaluate information to guide and justify their decisions (Gupta et al., 2019). Consequently, rationalization enables CEOs to see their actions as congruent with their personal values, thus fostering a moral sense of self (Schnatterly et al., 2018). This implies that values underpinning a political ideology may lead a CEO to justify corporate misconduct.

We qualify this line of thinking in two ways. First, we see no values in either liberal or conservative ideologies that imply misconduct. Second, while values relate to varied personal principles or judgments of what is important in life, we expect no differences in how liberal versus conservative CEOs weigh ethical factors in their decision-making processes.

Regarding the values of liberalism and conservatism, Table 1 provides a detailed look at the political values studied in prior organizational research. True, liberal and conservative values diverge in how one favors social change versus tradition, seeks equality versus hierarchy, and emphasizes contextual factors versus personal agency (Jost et al., 2009). However, these studies remain unclear as to any discernable ideology-based value rationalizing wrongdoing. Consider a contrast in how liberals and conservatives appraise change and tradition, respectively. Firms run by CEOs with a liberal political ideology engage in more tax avoidance than those run by CEOs with a conservative ideology since conservatives seem more apt to avoid risk and defer to the status quo (Christensen et al., 2015). Tax avoidance, though, is not illegal while tax evasion is (IRS, 2023). Further, there remains no conclusive explanation why a liberal value of system reform would make such a CEO any more likely than a conservative to evade taxation.

Also consider how a conservative value of hierarchy and authority promotes existing social and economic arrangements. Scholars have found conservatives to oppose environmental restrictions on corporations because of their belief that current economic arrangements are fair

(Layzer, 2012). Yet, prior research has shown conservatives to be no more likely than liberals to engage in environmental violations (Shere, 1996), and there is no compelling reason to believe such a value of hierarchical economic arrangements would lead them to do so. Thus, while a CEO's political ideology may motivate behavior congruent with their ideological values, none of these values is seen as driving a CEO to rationalize misconduct.

< Insert Table 1 about Here >

Regarding values that equally infuse ethicality in either side of the political spectrum, the moral domain of liberal and conservative values relates to different norms about how individuals engage and treat others (Jost et al., 2009). These intuitive ethics or innate moral judgments, intrinsic to individuals on both sides of the political spectrum, need not predispose adherents to unethical, deceptive, or illegal acts (Graham & Haidt, 2012; Graham et al., 2009). They simply inform how individuals approach moral dilemmas (Hatemi et al., 2019). In fact, research recently found moral norms to exist in the decision-making processes of both liberals and conservatives (Luke & Gawronski, 2021). Therefore, the moral domain of ideological values suggests that, regardless of one's position on the political spectrum, such values tend to invoke ethical musings when tackling moral dilemmas. The presence of moral norms does not negate the existence of differences in values between liberals and conservatives, but this does imply that both groups consider ethical factors in their decision-making processes. Prior research has further shown that a CEO's personal ethics can diminish the likelihood of fraud, as sounder moral reasoning tends to curb executive urges to rationalize fraud (Weber, 2010). This effect can thus occur in both directions and suggests no differences between how liberal and conservative CEOs rationalize misconduct.

Hence, a lack of prior research likely owes to CEO political ideology cast as not favoring engagement in misconduct, regardless of ideological proclivity. We trace this to dual underlying features of political ideology: neither liberal nor conservative values promotes misconduct, and moral justification linked to an ideology precludes an urge to engage in misconduct. We thus turn next to the identity dimension of political ideology to explain corporate misconduct.

Political *Ideology-As-Identity* and Corporate Misconduct

Political ideology may define not only one's values, but a political identity of its holder. The identity dimension treats political ideology as a symbolic membership to a political group yielding social cohesion among adherents (Jost et al., 2009), with potential power in motivating conduct as individuals navigate their social arenas (Swigart et al., 2020). Through this social identity lens, the labels of liberal and conservative represent a personal connection to a political group (Lelkes & Westwood, 2017). Political scientists have often described this identity component of ideology as *political partisanship*, which is defined as the strength of an individual's identification with an ideological group (Zwicker, van Prooijen, & Krouwel, 2020).

People having congruent political values are more likely to identify with similar political parties (Kates & Tucker, 2019; Swigart et al., 2020; Tucker et al., 2018). They are more apt to ingest information and arguments that reinforce and sharpen existing beliefs, solidifying one's identity. Thus, existing research has found partisanship homologous to ideological convictions, and one's identification with a political group may strengthen as ideology deviates from the political center (Abramowitz & Webster, 2016; Huddy & Bankert, 2017). That is, political partisanship encompasses *both* ends of the political spectrum where individuals strongly identify with either liberal or conservative ideology (van Prooijen & Krouwel, 2019: 159). Strong fidelity to these groups, in turn, shapes how partisans perceive social dynamics and behave in social

interactions (e.g., Bermiss & McDonald, 2018; Gift & Gift, 2015; Swigart et al., 2020) distinct from their underlying ideological values (Huddy & Bankert, 2017; West & Iyengar, 2022). In fact, political science research has found political identity to be more impactful to behavior than ideological values themselves (van Prooijen & Krouwel, 2019).

Partisans are motivated to defend and promote their political party to maintain its positive standing in society, beyond any policy agenda (Huddy, Bankert, & Davies, 2018). For instance, Adams, Ezrow, and Somer-Topcu (2011) have discovered the public to remain largely unaware of changes in a party's issue stance when they occur, suggesting that issues and partisanship are loosely aligned. And 41% of partisans engage politics to win an election than to primarily pursue policy or ideological goals (Miller & Conover, 2015). Those who identify as 'strongly liberal' are more likely than those 'moderately liberal' to endorse gerrymandering at the expense of the erosion of their own value of egalitarianism (Moore-Berg, Hameiri, & Bruneau, 2020). Barber and Pope (2019) also recently found Republican group loyalty to be a stronger motivator of constituents' attitudes and behavior than underlying conservative principles. Further, new research has observed partisans as more prone to engage in political violence, even at the cost of their underlying moral values (Gøtzsche-Astrup, 2019).

Partisans' strong identifications with their ideological groups and conviction in political supremacy has yielded similarities among those that have opposing values at opposite ends of the political spectrum. Thus, we see 'ideology-as-identity' as a key, understudied component of CEO political ideology. We posit a political partisanship-based explanation of corporate misconduct in the following section.

HYPOTHESIS DEVELOPMENT

CEOs may rationalize misconduct to construe moral judgment as justified or to divert responsibility for misconduct and its outcomes (Troy et al., 2011). Accordingly, we propose that politically partisan CEOs will be more likely to rationalize engagement in misconduct as they: (1) fail to take others' perspectives as to the harm from these actions, and (2) invoke a self-awarded moral superiority making them feel removed from any wrongdoing. These two features, we argue, could enable partisan CEOs to rationalize misconduct.

First, we argue that partisan CEOs are susceptible to lower levels of perspective-taking. Perspective-taking is the cognitive process by which individuals "adopt others' viewpoints in an attempt to understand their preferences, values, and needs" (Grant & Berry, 2011: 79). Here, the strength of political identity among partisans may favor in-group loyalty over out-group views. Strong political identity can lead partisans to perceive the world through a political lens that splits the world sharply into political in- versus other out-groups (van Prooijen & Krouwel, 2017, 2019). This divide, in turn, hinders the ability to see other perspectives, even as to non-political issues. Partisans' strong identities with political groups might also lead them to prioritize their own interests over others' (Duspara & Greitemeyer, 2017). Thus, they seem more likely to ignore and reject referents, opinions, and needs that differ from their own.

A lack of perspective-taking may situate partisan CEOs toward rationalizing misconduct, since perspective-taking is a key part of individuals' moral reasoning (Galinsky, Magee, Rus, Rothman, & Todd, 2014; Ku, Wang, & Galinsky, 2015). Narrowed perspective-taking further impairs the capacity to comprehend others' frameworks and situations, particularly those holding different or opposing viewpoints, i.e., out-groups (Bartunek, Gordon, & Weathersby, 1983; Galinsky & Moskowitz, 2000). Partisan CEOs, therefore, face more difficulty in understanding and attending to stakeholders' needs. Failing to consider or empathize with those who would be

harmed by corporate misconduct inhibits executive understanding of risks and dangers in their own (in)actions (Zhang, 2019). CEOs who neglect stakeholders' needs and sentiments may fail to eschew or condemn misconduct throughout their organizations, perhaps condoning misdeeds as they struggle to empathize with and regard those harmed by their firms' malfeasance. That is, we propose that partisan CEOs can indirectly spawn misconduct by neglecting stakeholders in the strategies and incentive structures they set forth in their organizations.

Moreover, partisan self-interest means a greater proclivity to ignore and reject referents, opinions, and needs that are different from their own (van Prooijen & Krouwel, 2017). Partisan CEOs may discount or disregard stakeholders' welfare, instead opting to focus on their own interests. Self-interest invites opportunistic behavior over concern for others' well-being (Schnatterly et al., 2018). This is because individuals that actively consider the other person's perspective are less likely to choose actions that harm others, even when sacrificing some personal benefit (Pierce, Kilduff, Galinsky, & Sivanathan, 2013). Partisan CEOs, therefore, may rationalize involvement in misconduct by focusing on the benefit that their behavior yields for themselves or their own political in-groups. That is, we argue that partisan CEOs are likely to directly contribute to misconduct by engaging in actions which prioritize and advance their own interests.

Second, we propose a positive relationship between CEO partisanship and engagement in misconduct as partisanship paradoxically tends to invoke moral foundations. Moral foundations here refer to the degree of self-righteousness and convictions animating a person's own moral beliefs and worldview (Graham & Haidt, 2012; Graham et al., 2009). Partisans experience a sense of epistemic clarity and certainty in their worldview, which leads them to sacralize their beliefs and to experience them as moral absolutes reflecting universal truth (van Prooijen &

Krouwel, 2019). Perceiving themselves and their political groups as moral may lead partisans to conceive a greater moral gap between themselves and others (Zwicker et al., 2020). For example, individuals with partisan political views more readily suppress incoming hostile rhetoric and desire preferential treatment for their social groups (Lelkes & Westwood, 2017). Partisans further seem more likely to display prejudice, biases, discrimination and overt hostility toward out-groups (Iyengar, Lelkes, Levendusky, Malhotra, & Westwood, 2019; Iyengar & Westwood, 2015).

We argue that partisan CEOs' perceived moral superiority leaves them more vulnerable to rationalize misconduct. When individuals believe that they occupy the moral high ground, they may feel freer to act in a more immoral manner (Klein & Epley, 2016). For example, Sachdeva et al. (2009) have reported that individuals with high moral foundations tend to make fewer environmental-friendly decisions and charitable donations, as they feel less compelled to prove their moral standards. Partisan CEOs' elevated perceptions of their own moral standing might cause them to feel less obligated to ensure the morality of the firm's actions. Such elevated moral foundations, on the other hand, can also exact obedience throughout an organization. Partisan CEOs may incentivize employees to join their in-groups and follow the tone they set. Here, we argue that partisan CEOs indirectly contribute to misconduct by not embedding or upholding otherwise proper moral standards in their firms' code of conduct.

Additionally, elevated moral foundations may lead partisans to perceive themselves and their groups as more honorable and virtuous than others (Zwicker et al., 2020). Here, partisan CEOs could view themselves and their groups as occupying the moral high ground, but others as morally inferior. Comparisons of a righteous self and immoral others, as Bandura (2002: 106) argues, result in "what was once morally condemnable becom[ing] a source of self-valuation"

where “moral ends justify violent means” (Graham & Haidt, 2012: 11). This strong sense of righteousness manifests in sharpened in-group loyalty, leading to the pursuit of unethical acts that advance the group’s interests. Partisans’ self-awarded moral superiority may lead them to believe that corporate misconduct is a justifiable pathway to penalize and attack ‘immoral’ outsiders or ‘unjust’ opinions and policies. Thus, partisan CEOs may directly contribute to misconduct by engaging in actions that they sanctify as retribution against immoral others. Our arguments lead us to a paradoxical outcome: partisan CEOs may engage in more corporate misconduct while viewing themselves and their political groups as morally superior.

Hypothesis: CEO political partisanship is positively associated with corporate misconduct. That is, firms run by partisan CEOs (i.e., strongly liberal or strongly conservative) are more likely to engage in corporate misconduct than firms run by politically non-partisan CEOs (i.e., moderately liberal or moderately conservative).

METHODS

Sample and Data Structure

We sampled all firms listed in the Fortune 500 from 2010-2018 to test our hypotheses. This period is well-suited for our study as CEOs increasingly wade into the public discourse on social and political issues, making their political stances more widely known (Fos, Kempf, & Tsoutsoura, 2023). Thus, this period contains an abundance of data to capture CEO political ideology. We selected the CEOs of Fortune 500 firms since larger companies face keen public scrutiny (Gupta & Briscoe, 2020) and since employees of larger companies are more likely to report misconduct (Jaeger, 2012). After exclusions due to missing data, the final sample

comprises 498 firms, 831 CEOs, and 3,950 firm-year observations between 2010-2018. Table A1 in the online supplement lists the variables, data sources and measurements.

Dependent Variable

Our outcome of interest is *corporate misconduct*. We relied on Good Jobs First's Violations Tracker database.² This database collects information from over 400 federal, state and local regulatory agencies that oversee and enforce corporate misconduct related to competition, consumer protection, employment, environment, financial reporting, government contracting, and workplace health and safety. It records instances where companies, their subsidiaries, and large non-profits paid monetary penalties for regulatory violations and other forms of misconduct. In an interview, the Research Director of Good Jobs First told us that, “[they] have internal quality controls and include only resolved cases and settlements that resulted in a monetary penalty of \$5,000 or more.” Thus, these violations are validated instances of company wrongdoing.

We identified all firms within this database which were listed in the Fortune 500 from 2010-2018 by using a matching algorithm based on a Jaro-Winkler (JW) distance metric (Winkler, 1999). This metric captures similarity between two strings, where 1 equates to an exact match, and that of 0 indicates no similarity. We used a conservative score to identify the firms that engaged in misconduct, detecting matches of 0.90 or greater. Consistent with recent research (e.g. Li & Raghunandan, 2021), we observe that 365 firms (i.e., 73%) in our sample engaged in corporate misconduct at least once during the study period, with the median firm incurring four instances of misconduct.

² Headquartered in Washington, D.C., Good Jobs First is a national policy resource center promoting corporate and government accountability. More information about this organization and the list of agencies that contribute to the Violations Tracker database can be found at <https://www.goodjobsfirst.org/violations-tracker>.

Because firms often negotiate the monetary penalties, and these penalties may therefore be subject to influence by skillful litigators or further cover-up schemes, we choose to record misconduct as the number of all enforcements taken against the company. Not only is this consistent with other studies that have employed this database (see Campbell & Shang, 2021; Neville et al., 2019), but it also removes any potential variation in enforcement that is exogenous to our study.³

Recent studies have operationalized both regulatory violations and financial restatements to capture corporate misconduct (e.g., Park, Boeker, & Gomulya, 2020; Zorn, Shropshire, Martin, Combs, & Ketchen, 2017). However, violations and penalties are observed only at the time of enforcement and not necessarily at the time of misconduct.⁴ In line with prior studies which have used the Violations Tracker database (e.g., Campbell & Shang, 2021; Li & Raghunandan, 2021), we use both short- and long-term lag-leads in our empirical analyses.⁵

Independent Variables

Our independent variable of interest is *CEO political partisanship*. We measured CEO partisanship by the deviation of the CEOs' ideology from the political center because identification with political and ideological groups strengthens as one moves in either direction

³ Neville et al. (2019) demonstrated that the antecedents of misconduct do not vary across misconduct types. Nevertheless, we examine this possibility in the robustness section.

⁴ Since we can observe misconduct only when enforcement was taken against a firm, we may fail to account for undetected cases of misconduct. However, this limitation is well understood in research on corporate misconduct and is thus not distinctive to our study (Campbell & Shang, 2021).

⁵ While the dataset does not include the start dates for litigation, we have randomly selected a subset of 200 violations to verify the appropriateness of the lag-leads. After manually going through legal documentation related to these cases, we were able to identify the start date for 168 violation litigations. We observe that the average period of litigation was 14 months, the median period of litigation was 7 months, and the 75th percentile period of litigation was 24 months. Therefore, to capture the delay between when the violation was reported to authorities and when the violations were enforced or settled, we model a one-year and three-year lag on corporate misconduct.

along the political spectrum (Abramowitz & Webster, 2016; Huddy & Bankert, 2017; Lupton, Smallpage, & Enders, 2020). We derived CEO political partisanship in five steps.

First, we collected political donations data from the U.S. Federal Election Commission (FEC), an independent regulatory agency that monitors and publicly discloses all campaign finance information. Political donations form an unobtrusive trail that signals political views since individuals may downplay political ideologies and affiliations to manage their public image (Cowan & Baldassarri, 2018). Furthermore, political scientists have demonstrated that donation-based measures are powerful predictors of individuals' political identities, comparable to roll-call voting in the legislature (Bonica, 2019). Organizational scholars have used this approach heavily to examine the impact of political orientation on firm outcomes (e.g., Briscoe, Chin, & Hambrick, 2014; Gupta et al., 2018). Additionally, research has also shown that individual political donations strongly reflect personal orientations as opposed to efforts to gain favors or influence (Ansolabehere, De Figueiredo, & Snyder Jr., 2003). Compared to other measures, political donations represent one of the most visible behaviors of political identity (see Swigart et al., 2020), and thus are ideal for capturing the degree of political partisanship.

Second, the FEC tabulates every contribution—including the date and amount—to a political candidate, campaign committee, and PAC. The FEC also lists the contributor's name, address, occupation, and employer, alongside the recipient(s) and their political affiliation. For recipients having an unlisted political affiliation in the FEC database, including donations to PACs that pool funds to various candidates, we identify the primary political orientation of these recipients as either liberal or conservative by using the Center for Responsive Politics (see [opensecrets.org](https://www.opensecrets.org)), which tracks donations from committees to candidates. Because political candidates may be affiliated with a political party but hold dissimilar ideological views, we also

validate the dominant political orientation of candidates using the ideology report cards from GovTrack.us, a nonprofit group that tracks congressional members' legislative behavior and assigns them an ideology score.

Third, using data drawn from the executive compensation (ExecuComp) database offered by Wharton Research Data Services (WRDS), we identified all CEOs of the companies in our sample. To identify Fortune 500 CEOs within our set of donations, we again enlist a conservative JW algorithm on CEO names, comparing the addresses of individuals in the FEC data with those in the ExecuComp database.

Fourth, we then used the Chin et al. (2013) multi-item index of political ideology, which captures the behavioral, financial, and depth of commitment to political beliefs, and has proven consistent across individuals. This index has been widely used and become a standard measure in prior research (e.g., Briscoe et al., 2014; Gupta et al., 2018). It comprises: (1) the total number of donations made to Democrats divided by the total number of donations made to both parties; (2) the total dollar amount of donations made to Democrats divided by the total dollar amount made to both parties; (3) the total number of years the CEO made donations to Democrats divided by the total number of years that the CEO donated to both Democrats and Republicans; and (4) the total number of distinct Democrat recipients divided by the total number of distinct recipients of Democrat and Republican affiliation.⁶ Consistent with prior research (e.g., Briscoe et al., 2014; Chin & Semadeni, 2017; Gupta & Briscoe, 2020), we observe a Chronbach's alpha of 0.94.

⁶ Our empirical analysis models a cumulative sample moving window to measure CEO political ideology. However, our results are robust to one- and four-year sample moving windows, as well as considering CEO political ideology from all donations made during the sample period. We find consistent results in both CEO political ideology score and model results. These results are in line with prior research that finds political orientation to be stable at the intra-personal level (Chin et al., 2013).

The index takes a simple average of these four ratios to place a CEO on the political spectrum, with scores ranging from 0 to 1. A score closer to 0 indicates a highly conservative CEO, while a score closer to 1 indicates a highly liberal CEO. In line with the aforementioned studies which have employed this index, we find the data to be normally distributed and the within-CEO political ideology score to be highly stable across all years.

Fifth, we derived political partisanship from this index. Political science research shows that partisans are more politically active than political moderates, donate at higher rates than those who are centrists, and follow politics more closely than most societal groups (Huddy, Mason, & Aarøe, 2015). Thus, political donations are the quintessential source to capture partisanship. Moreover, the consistency, frequency, and exclusivity of donations has been shown to indicate the strength of one's identification with his/her ideological views (Bonica, 2019). Thereby, the location of a CEO on the political spectrum, as captured by the Chin et al. (2013) measure, is appropriate to discern meaningful differences among levels of partisanship in CEOs.⁷

As noted, the identity component of political ideology (i.e., political partisanship) increases with distance from political center (Abramowitz & Webster, 2016; Huddy & Bankert, 2017; Lupton et al., 2020), irrespective of the left/right direction (Ditto et al., 2019).⁸

⁷ We acknowledge that this index has several limitations, thus prompting us to run several robustness checks. First, not all CEOs in our sample made donations. Consistent with prior studies, we classify these CEOs as non-partisan (see, for example, Chin et al., 2013; Gupta et al., 2018; Gupta & Wowak, 2017). However, our results remain robust when we exclude from our sample all CEOs who did not donate. Second, the index tends to classify CEOs who donated only once as having a partisan political ideology. This provides a more conservative test of our hypothesis, as partisan classification may include non-partisan CEOs who do not donate frequently, thus dampening the effect. When we control for the number of donations made by a CEO, the effect of CEO political partisanship on misconduct remains qualitatively unchanged (i.e., $B = 2.260$, $SE = 1.093$, $p = 0.039$, for a 1-year lag of misconduct; $B = 2.417$, $SE = 1.228$, $p = 0.049$, for a 3-year lag of misconduct). These results provide stronger support for our hypothesis of a positive relationship between CEO political partisanship and corporate misconduct.

⁸ To validate this assumption, we use the 'unquestioning affiliation' index to measure partisan identity strength recently developed by Ashokkumar and Pennebaker (2022), who found that traces of people's

Accordingly, we measured CEO political partisanship as the squared term of political ideology, thereby capturing the deviation from political moderates.⁹

In the robustness analyses, we used alternative measures to capture political partisanship, including using a dichotomous variable and coding partisanship as a 1 if a CEO's ideology falls at different points on political spectrum, confirming robustness at a multitude of levels of partisanship. We control in all models for the underlying *CEO political ideology*, captured by the Chin et al. (2013) index.

Control Variables

A recent review by Schnatterly et al. (2018) highlights that CEO-based corporate misconduct arises from rationalization, opportunity, and pressure. We employ several control variables to account for these drivers. First, prior research has highlighted that various CEO traits might also shape rationalizations. For example, research finds that younger CEOs are more likely to rationalize fraud, and that male executives are more likely to engage in misconduct than female executives (Troy et al., 2011). Accordingly, we draw from the ExecuComp database and control for the CEO's *age* and *gender*. Research also finds that narcissism increases the likelihood of fraud (Rijsenbilt & Commandeur, 2013). We use four indicators developed by Chatterjee and Hambrick (2007) to control for CEO *narcissism*. This index combines the CEO's

political group identities in the language that they use. We included this index score as the dependent variable in our main model, and see that CEO political partisanship is positively and significantly related to unquestioning affiliation ($B = 0.250$, $SE = 0.111$, $p = 0.024$). We conduct this analysis using CEO speeches during the Q&A portion of quarterly earnings calls. We describe this data collection approach in the section titled 'Variables Related to Theoretical Mechanisms' This further provides empirical support for our measure of political partisanship by suggesting that identity strength increases toward the tails of the ideological spectrum.

⁹ To simplify calculation of the squared index score, we deduct 0.5 from all ideology scores, thus centering political moderatism equal to 0, with conservative-leaning CEOs scoring on the negative ideology axis, and liberal-leaning CEOs scoring on the positive axis.

photograph size in the letter to shareholders, the number of other people in those photographs,¹⁰ the ratio of the CEO's cash compensation relative to the second-highest paid executive, and the ratio of the CEO's non-cash compensations relative to the next-highest paid executive.

Second, the opportunity of not being detected or punished may also lead CEOs to commit wrongdoing. Because CEO power relates to the opportunity to engage in wrongdoing (Ramdani & van Witteloostuijn, 2012), we control for the CEO's *tenure* and *duality* status, as a CEO who is long-tenured and the chairperson may exert more power over their firm. Because company equity is also another proxy for CEO power (Chatterjee & Hambrick, 2007), we include a variable of the log of the CEO's *market value of stock*. Larger firms may also be the subject of greater scrutiny and more external awareness of conduct (Gupta & Briscoe, 2020), and thus we control for the firm's *market capitalization* using the Compustat database. Boards also differ in their ability to monitor misconduct (Schnatterly et al., 2018). We control for *board size* and *board insiders*, as more eyes might reduce the ability for misconduct to go unnoticed. Independent board members are less likely to have close relationships with the CEO and thus will be more likely to identify misconduct (Agrawal & Chadha, 2005).

Third, CEOs feeling pressure to perform may be more likely to commit wrongdoing. Financial pressures to meet the shareholders' expectations can lead to misbehavior (Mishina, Dykes, Block, & Pollock, 2010). Thus, we control for the firm's *debt ratio*, and logged variables of *cash*, *dividends issued*, *capital expenditures*, and *net income*. We also control for the firm's *performance* by taking the year-over-year share price change. Finally, with corporate misconduct being more frequent—or heavily enforced—in some industries (Campbell & Shang, 2021), and

¹⁰ Prior research measured narcissism by manually coding the images of CEOs in annual reports' letters to shareholders. Instead, we utilized less cumbersome and more accurate pattern recognition algorithms in Python to precisely calculate the size of images containing the CEO and detect number of individuals alongside the CEO in an image. Our online app makes the code available for use.

its propensity changing over time, we include fixed effects for both the year and the 4-digit SIC industry codes.

Variables Related to Theoretical Mechanisms

We explore the mechanisms underlying our theory: (1) partisan CEOs engaging in less *perspective taking* and (2) partisan CEOs experiencing elevated *moral foundations*. To demonstrate these mechanisms and rule out alternative explanations, we conduct a text analysis of CEO speeches during the Q&A portion of quarterly earnings calls. We collected these speeches from the Seeking Alpha and Motley Fool websites for all firms in our sample from 2010-2018. After excluding missing or unrecorded calls, we identified 19,715 earnings calls transcripts (i.e., nearly 88% of all calls during this time). We focused exclusively on the Q&A portions of the earnings calls, as these portions are known to flow unscripted and have been used in prior studies to capture CEO attributes (e.g., Malhotra, Reus, Zhu, & Roelofsen, 2018).¹¹

Perspective taking refers to attending others' "viewpoint, thoughts, motivations, intentions, and/or emotions" (Ku, Wang, & Galinsky, 2015: 95). Here, perspective taking is inversely related to self-focus, as people are less aware of the wellbeing of others because they are more focused on themselves (Hass, 1984). Scholars have typically employed Davis' (1983) Interpersonal Reactivity Index, experimentally prompted participants to read, watch, listen or write about others to capture perspective taking (Ku et al., 2015), or analyzed how frequently first-person singular pronouns are used (i.e., I, me, my, mine, and myself) (e.g., Seih, Chung, & Pennebaker, 2011). We employed the latter approach and measure perspective taking through the

¹¹ We identify the instances and content of CEO speeches in the call transcripts using a Jaro-Winkler matching algorithm, detecting matches of 0.90 or greater. We then aggregate the content of CEO speeches for the four quarterly earnings calls each year, and consider a cumulative moving sample measure to capture these mechanisms.

CEOs' use of first-person singular pronouns. To ease interpretation, we reversed this measure by multiplying it with -1 so that high values indicate higher perspective taking.

To reveal how important these terms were for a given firm-year relative to the corpus of all CEO speeches, we utilized an inverse document frequency analysis. This analysis counts the number of times a word appears in a corpus of text, but discounts commonly used words like 'this' or 'the'. Then, it takes the logarithm of the word's frequency in all the CEO speeches (Robertson, 2004). For example, if there are 2,000 CEO speeches in a given firm-year, and the word "Apple" appears in 50 speeches, then its inverse document frequency is $\log(\frac{50}{2000})$. Previous works have used this approach widely to understand the tone of a text and to capture manager characteristics (e.g., Tasselli, Zappa, & Lomi, 2020).

We captured elevated *moral foundations* by using an inverse document frequency analysis of the moral foundations dictionary created by Graham et al. (2009). This dictionary is composed of 41 terms including *noble*, *ideal*, *commendable*, and *righteous*. These words are associated with an array of moral concepts like sanctity, loyalty, and authority, which are important to those with a strong sense of morality. This dictionary is appropriate for capturing CEO moral foundations because individuals with a stronger sense of self-morality are more likely to use these words (Graham & Haidt, 2012).

Analytical Approach

To determine whether partisan CEOs are more likely to engage in corporate misconduct than non-partisan CEOs, we enlist a Poisson regression featuring standard errors clustered by firm. We created an online interactive app, which allows the readers to employ alternative model specifications (e.g., Negative Binomial regression), discard or transform control variables, and use varying lag windows: <https://mtarakci.shinyapps.io/PartisanMisconduct/>.

RESULTS

Table 2 presents descriptive statistics for all variables in our analysis. We observe the mean number of annual corporate misconduct cases per CEO to be nearly two. Mean *CEO political ideology* in our sample is -0.08, in line with prior work showing Fortune 500 CEOs as being more prone to conservatism (e.g., Chin et al., 2013). Figure 1 provides the binned scatter plots of raw-data showing a U-shaped relationship between the raw data on CEO ideology and corporate misconduct at the observation level (left panel) and aggregated at the CEO level (right panel).

< Insert Table 2 about here >

< Insert Figure 1 about Here >

Models 1 and 2 in Table 3 present the effects of the model controls on one- and three-year lagged *corporate misconduct*. Models 3 and 4 present the main effects of *CEO political ideology*. Neither of the models reveals a significant effect of *CEO political ideology* on corporate misconduct for either short ($B = -0.542$, $SE = 0.515$, $p = 0.292$, in Model 3) or long lags ($B = -0.449$, $SE = 0.507$, $p = 0.376$, in Model 4). Thus, we fail to reject the null hypothesis that no relationship exists between the political values of the CEO and corporate misconduct.¹²

< Insert Table 3 about here >

We have hypothesized a positive relationship between CEO political partisanship and corporate misconduct, where partisans at the end of the political spectrum are more prone to engage in misconduct than political moderates. Because we are testing a U-shaped relationship

¹² To address concerns over type II error—i.e., failure to reject a false null hypothesis, we compared the effect sizes in our study to prior research and found that our sample size and statistical power (0.85) were sufficient to detect a real effect, even if it is relatively small (Abadie, 2020). We conclude that this result is not a statement of no effect, but a statement that there is no effect large enough to be detected with the given sample size and statistical power.

between CEO political ideology and misconduct, we must satisfy three requirements (Haans, Pieters, & He, 2016). First, the squared *CEO political ideology* term (i.e., *CEO political partisanship*) in Models 5 and 6 yields a positive, significant relationship between *CEO political partisanship* and misconduct (i.e., $B = 2.571$, $SE = 0.993$, $p = 0.010$, in Model 5; and $B = 2.564$, $SE = 1.122$, $p = 0.022$, in Model 6). These results suggest that firms with a partisan CEO (i.e., having an ideology score at the 10% ends of the political spectrum) are 47 percent more likely to engage in misconduct than firms with a non-partisan CEO (i.e., having an ideology score within 10% of the political center).

Second, the slope must be sufficiently steep at both ends of the data range such that low values of *CEO political ideology* (i.e., conservative partisans) are negative and significant, and high values of *CEO political ideology* (i.e., liberal partisans) are positive and significant. Based on Model 6, we plot the slopes of the quadratic model and confidence intervals in Figure A1 in the online appendix. We observe negative and significant slopes at high levels of conservative partisanship (i.e., at the 5% left tail; $B = -2.523$, $SE = 1.247$, $p = 0.043$) and positive and significant slopes at high levels of liberal partisanship (i.e., at the 5% right tail; $B = 2.605$, $SE = 1.046$, $p = 0.013$). These results further support the U-shaped relationship between CEO political ideology and misconduct.

Third, the turning point of the model and the 95 percent confidence interval of this point must be within the range of data. We find that the turning point of Model 6 is -0.01, which is well within the range, suggesting that there is a genuine point of inflection and thus a squared, or U-shaped, relationship. The turning point is also observable in Figure A1 in the online appendix. We also note the 95 percent confidence interval of the turning point of this model is still classified as politically non-partisan (i.e., -0.11, 0.09).

Haans et al. (2016) suggest substituting the quadratic term with a cubed term to determine if an S-shaped or U-shaped relationship best explains the model. We find a negative but insignificant relationship between the cubed term and the one-year ($B = -5.689$, $SE = 6.775$, $p = 0.401$) and three-year ($B = -6.382$, $SE = 6.299$, $p = 0.311$) lags on misconduct. We also interact political ideology with the dichotomous version of political partisanship, yielding non-significant coefficient for the one-year ($B = 0.096$, $SE = 1.534$, $p = 0.950$) and three-year lags ($B = -0.542$, $SE = 1.282$, $p = 0.672$). These results further support the relationship between CEO partisanship and misconduct.

Exploring the Underlying Mechanisms

We estimate the propensity of a partisan CEO to use words associated with perspective taking and moral foundations in a given year by conducting a fixed-effects, ordinary least squares (OLS) regression. We include all variables from our main analysis, as well as the year and industry fixed effects.¹³ We observe a negative relationship between partisanship and *perspective taking* ($B = -10.924$, $SE = 3.484$, $p = 0.002$; see Model 2 of Table A2 in the online appendix). But, the results of a Poisson regression in Model 5 yield a statistically non-significant relationship between perspective taking and misconduct (i.e., $B = -0.010$, $SE = 0.008$, $p = 0.230$).

Another mechanism underlying our theory of corporate misconduct is partisan CEOs' elevated *moral foundations*. Despite having more egregious records of misconduct than non-partisan CEOs, we expect partisan CEOs to claim higher morality due to their perceived moral superiority. Our analysis reveals a positive relationship between CEOs' partisanship and use of moral language (i.e., $B = 2.044$, $SE = 0.673$, $p = 0.002$; in Model 4). We also find that elevated moral foundations among CEOs is positively and significantly associated with corporate

¹³ We conduct this analysis on the 3-year misconduct sample as CEO speech may occur in the last two fiscal quarters of the year and thus be occurring during the same year as the 1-year window.

misconduct (i.e., $B = 0.162$, $SE = 0.053$, $p = 0.002$ in Model 6). These findings provide anecdotal support for the mechanism of elevated moral foundations.¹⁴

CEO political ideology and types of corporate misconduct. Because our empirical analysis aggregates several types of corporate misconduct, this raises the question of whether specific types of misconduct drive the results. For example, Hutton et al. (2015) find that firms may differ in the subject of corporate litigation because of the predominant political ideology of the firm. To examine the extent to which the direction of CEO political ideology (i.e., liberal or conservative) influences the type of corporate misconduct, we test the direct effect of CEO political ideology on the seven misconduct types mentioned in the Violations Tracker database related to competition violations, consumer protection violations, employment violations, environmental violations, financial violations, government contracting violations, and health and safety violations. We display the results in Tables A3 and A4 in the online appendix. Across all models, we observe no significance in the left-right direction of CEO political ideology on any specific type of misconduct in either the 1-year or 3-year lags of misconduct. These analyses not only provide evidence that our results are not driven by ideological values affecting misconduct types, but further support our theory of the effect of CEO political partisanship on corporate misconduct.

Robustness Analyses

Our results could be affected by omitted variable bias or endogeneity issues since it is impossible to assign CEOs to firms randomly and political partisanship might be a proxy for an

¹⁴ We explore the underlying mechanisms here instead of testing for mediation statistically. This is because many statisticians have warned against the use of mediation analysis with observational data, as it is susceptible to producing spurious results (Hernán & Robins, 2020; Pearl, 2018; Simonsohn, 2022).

omitted variable. To address these concerns, we explore changes in misconduct around CEO turnover events.

We transform our dataset into panel data of 498 CEO turnover events and employ a difference-in-differences (DID) design by comparing misconduct around within-firm CEO changes. Since misconduct may arise from unseen firm-level factors, this approach eases concerns about omitted-variable bias. To show the effect of CEO political partisanship on corporate misconduct, we select several cutoff points for the strength of partisanship and compare firms' record of misconduct around changes from politically non-partisan to politically partisan CEOs. We run the following model:

$$Misconduct_{it+1} = f(\beta_1 \times (Partisan_{it} \times New_{it}) + \beta_2 \times Partisan_{it} + \beta_3 \times New_{it} + \gamma' X_{it}) + \epsilon_{it} \quad (1)$$

where *Misconduct* is the number of misconduct cases recorded for firm *i* in year *t + 1*, *Partisan* is an indicator variable equal to 1 for CEOs classified as partisan (beyond various cutoff levels at the ends of the political spectrum) and 0 for CEOs classified as non-partisan. *New* denotes a CEO recently appointed to a firm following an observable pre-treatment CEO, *X* is a vector of the control variables, and ϵ is the error term. We focus on the estimate of β_1 , the coefficient on *Partisan* \times *New*, since it is the DID estimator reflecting the difference in misconduct between partisan CEO hires as compared to their non-partisan predecessors.

Table A5 in the online appendix shows that firms replacing politically non-partisan CEOs with partisan CEOs engage in more corporate misconduct following the appointment of new partisan CEOs. Consistent with our hypothesis, we observe that this effect only occurs at higher levels of political partisanship (i.e., at the ends of the political spectrum): 0.20 tails (B = 0.437, p = 0.023), 0.15 tails (B = 0.453, p = 0.017), 0.10 tails (B = 0.478, p = 0.010), and 0.05 tails (B = 0.681, p = 0.009).

To address potential endogeneity in the CEO turnover and/or the assignment of politically partisan CEOs, we conduct an additional robustness check on a subsample of exogenous CEO deaths and illnesses. Drawing from a recent dataset of CEO turnover and dismissal (Gentry, Harrison, Quigley, & Bovie, 2021), we identify in our dataset all cases of CEO turnover events that resulted from CEO deaths and illness (i.e., 12 events and 86 firm-year observations). We ran a univariate difference-in-differences regression on these events using a one-year lag on misconduct. We observe consistent results with this subsample, finding that, at high levels of partisanship (i.e., 0.05 tails), firms replacing non-partisans with partisans are much more prone to engage in corporate misconduct (i.e., $t = 2.38$; $p = 0.019$). In contrast, low levels of partisanship (i.e., 0.40 tails) yield no relationship between CEO political partisanship and corporate misconduct (i.e., $t = 0.97$; $p = 0.337$). These findings support our hypothesized positive relationship between political partisanship and corporate misconduct.

DISCUSSION

We propose an identity-based theory of political ideology in organizations. Our theory argues that it is CEOs' political partisanship that affects their firms' engagement in corporate misconduct. Data from Fortune 500 CEOs between 2010 and 2018 provide robust empirical evidence for the partisanship-misconduct link. Our theory of a partisan view of misconduct offers timely theoretical and practical implications for research on corporate misconduct and political ideology.

Theoretical Implications for Corporate Misconduct Research

Our study adds political ideology to the growing catalog of literature which has shown how CEO characteristics like media accolades (Li et al., 2020), military background (Koch-Bayram & Wernicke, 2020), and hubris (Zhang et al., 2020) shape engagement in corporate

misconduct. While prior research has grounded corporate misconduct in CEO moral philosophies (Stahl & Sully de Luque, 2014) which shape judgments of appropriate courses of action (Schnatterly et al., 2018), the relationship between political ideology and misconduct has received less attention. We cast corporate misconduct as rooted in CEOs' political ideology and build on the less-studied *ideology-as-identity* perspective (Swigart et al., 2020), suggesting that this feature of political ideology influences how CEOs rationalize wrongdoing. In doing so, our study opens the door for deeper examination of the role of political ideology in rationalizing misconduct, thereby enriching our understanding of the multifaceted influences on unethical behavior within organizations.

Our findings point to how other ideological belief systems—beyond political ideology—may lead to an engagement in misconduct. One belief system that has been shown to occupy the core of individuals' worldviews is religious ideology. Mohliver and Ody-Brasier (2023) recently found that religious-affiliated care homes in the U.S. experience more violations because shared identity processes in these homes lead to a failure to speak up against the violations that would trigger preventive inspections. Thus, future studies should explore if, and how religious ideologies drive the rationalization of corporate misconduct among CEOs. Closer examination of the ideological roots in decisions to engage in misconduct advances scholarly understanding of the link between these deep-rooted worldviews and harmful societal outcomes.

We provide empirical support for moral foundations as cognitive features of the partisan CEOs which bridge their rationalization of corporate misconduct. Our inquiry into the role of CEO moral foundations in corporate misconduct adds to recent research on the implications of executives' moral values (Hambrick & Wowak, 2021). We complement the discussion related to the moral values of left-right ideologies in organizations (cf., Graham & Haidt, 2012; Graham et

al., 2009), and highlight the conviction in those beliefs as shaping firm outcomes. Thus, a critical insight of our study is that strong CEO moral convictions emanating from their partisan identities influence their engagement in (im)moral conduct. Future studies should build from our ideology-based theory and continue to explore the underpinnings of moral foundations as they relate to corporate misconduct.

In addition to identifying how CEO political ideology relates to rationalization of misconduct (Schnatterly et al., 2018), our study opens the door to explore the other ways in which CEO political ideology could facilitate corporate misconduct. Future studies should consider how political ideology shapes the pressure and opportunity to engage in misconduct. Gupta and Briscoe (2020), for example, find that liberal organizations are more receptive to social activism and thus are more likely to succumb to stakeholder pressure. But it remains unclear the extent to which predominantly liberal firms may feel pressure to engage in misconduct due to stakeholder intervention and involvement. Park et al. (2020) find that conservative-leaning corporate boards are more likely to dismiss CEOs who engage in misconduct. So, could monitoring differences among liberal- and conservative-leaning boards shape the opportunity to engage in misconduct? Recent research also notes the importance of ideological asymmetries in influencing individuals' behaviors (Iyengar et al., 2019). Klar and McCoy (2021) find that partisans' evaluations of party member's misconduct shapes their evaluation of the behavior as good or bad. Future studies should examine how ideological (a)symmetries among CEOs and stakeholders shapes the opportunity set to engage in misconduct. Thus, our study opens the door for inquiries into how political ideology may shape other antecedents of misconduct, like pressure and opportunity.

Theoretical Implications for Research on Political Ideology in Organizations

Our study contributes to a growing body of research on the organizational implications of political ideology. Although existing studies have linked attributes of political conservatives and liberals to organizational outcomes (e.g., Chin et al., 2013; Christensen et al., 2015; Gupta & Briscoe, 2020; Park et al., 2020), we expand upon a neglected, but important identity dimension of political ideology: political partisanship. Political scientists have pointed to the polarizing effects of partisanship, such as discrimination, conflict, and violence (Gøtzsche-Astrup, 2019; Iyengar & Westwood, 2015). Yet, the majority of research on political ideology in organizations remains from the *ideology-as-values* perspective (Swigart et al., 2020). Several recent works have begun to observe this identity dimension, studying ideological fit among employees (Bermiss & McDonald, 2018) and employee hiring decisions (Gift & Gift, 2015; Roth et al., 2020). We join such studies which have looked at the implications of identity-based asymmetries, and explore the effects of political partisanship outside of politically focused interactions.

The identity dimension of political ideology is theoretically and practically essential to furthering the study of political ideologies in organizations, both in political and non-political contexts. For example, prior studies confirm that strong political views are better predictors of an individual's response to social events than political moderatism, and that highly partisan individuals display similar psychological features (Iyengar et al., 2019; West & Iyengar, 2022). With escalating political polarization, and the Democrat-liberal and Republican-conservative associations looming with increasing strength (West & Iyengar, 2022), there is growing salience in further evaluating the organizational impact of political partisanship. Our theory points to the importance of studying the identity-based features of partisans in organizations, as executives

and employees hold increasingly polar political ideologies and politics continue to permeate organizations.

Integrating this partisanship perspective into organizational studies opens several avenues for future research. First, efforts to explore the organizational implications of political ideology should position political partisanship as a key driver of organizational outcomes, since partisans exhibit many similar behavioral and psychological attributes. For example, are partisan CEOs more likely to pursue innovation (Fallah, 2021)? Do partisan CEOs overpay for acquisitions (Malmendier & Tate, 2008)? And do partisan CEOs assume riskier financial positions (Aabo, Hvistendahl, & Kring, 2020)? Second, inquiries into the organizational implications of political ideology should continue to view partisanship as a driver of social relations among organizational stakeholders. Hambrick and Wowak (2021), for example, suggest that ideological alignment among stakeholders will shape a CEO's decision to engage in sociopolitical activism. Our partisan perspective of political ideology suggests that partisan identity similarities among stakeholders may be an important and nuanced consideration to this theory. Third, while political scientists find that partisan identities “outstrip other divides associated with alternative group affiliations” (West & Iyengar, 2022: 810), future research should consider how other forms of strong partisan identity (e.g., religion, sports, academic, etc.) shape firm outcomes. For example, through a political populist lens, expanding upon the implications of a strong anti-elite identity among executives may reveal important insights into organizational outcomes.

Our study opens the door to re-examine prior studies which have looked at how political values drive certain firm outcomes, from a partisan perspective. For example, existing research has generally painted liberal CEOs as more attentive to and considerate of organizational stakeholders (Chin et al., 2013; Gupta et al., 2019). While we find that liberal and conservative

CEOs do not differ in the extent to which they engage in misconduct that harms stakeholders, we find that strongly partisan CEOs do. Our findings complement these studies by providing additional evidence that political ideology can play a role in responsible corporate behavior; however, our partisanship lens suggests that the relationship is more complex than previously thought. Chin et al. (2013) find, for example, that liberal and conservative CEOs diverge more in their attention to ‘doing no harm’ than in their emphasis on ‘doing good’ as it pertains to corporate social responsibility. Thus, one potential explanation could rest in the moral foundations of liberal and conservative partisans, which promote symmetrical sentiments of moral superiority on both ends of the political spectrum and supersede a concern to not harm constituents. Future research should continue to unpack the complex relationship between political ideology and firm outcomes, through values and identity lenses.

Cross-Disciplinary Implications

We also contribute to emerging research at the nexus of organization studies and political science by demonstrating how political identities can influence non-political outcomes. Amidst a broader trend of political polarization, partisan identities are becoming increasingly central in political and non-political social relations. This has led scholars from political science to take notice, calling for research to further explore the role and implications of political ideology within social relations (Iyengar et al., 2019; Jost & Amodio, 2012). Yet, the creation of political ‘echochambers’ and the selective avoidance of interactions with those holding opposing political beliefs in their daily lives suggests a deterioration of contexts to study the effects of ideology in non-political contexts (Guilbeault, Becker, & Centola, 2018). We build upon recent research in organizational studies that has begun to explore the effects of political identity among organizational members (e.g., Bermiss & McDonald, 2018; Roth et al., 2020) and identify the

organizational context as one of the few social settings where inter-partisan interactions are still apparent (Mutz & Mondak, 2006). Thus, political science research can benefit from the inquiry of organizational scholars when unpacking non-political outcomes of partisan political identities. Our findings suggest that a future focus on partisanship among executives may provide mutually informative and timely results for organizational studies and political science research alike.

Central to the identity perspective of political ideology is the effects of political ideology on intergroup attitudes and behaviors (Iyengar et al., 2019; Iyengar & Westwood, 2015). This line of political science research finds differences between liberal and conservative values regarding their perceptions of others (Jost et al., 2009), where partisans perceive more social distance from non-party members (Zwicker et al., 2020). While we draw from those studies to theorize how a strong partisan identity prevents CEOs from assuming the perspective of those harmed by misconduct, we failed to find empirical support for this perspective taking mechanism. Instead, we find evidence for the mechanism that a strong partisan identity shapes CEOs self-perceived moral superiority. Thus, we contribute to political science research by taking moral foundations into account when exploring the impact of political ideology on intergroup attitudes and behaviors.

Our perspective also invites further investigation of the benefits of diversity in political ideology, particularly in ethical decision-making. Political diversity within top management teams or the board may buffer the negative effects of partisan CEOs, since these CEOs would be exposed to diverse perspectives. However, potential positive effects may be overturned by partisan CEOs, with diversity spurring the entrenchment of these CEOs' strongly held political convictions. Thus, we advise scrutinizing TMT and board decision-making processes when teams serve as political echo-chambers rather than politically diverse entities, since CEOs may

appoint ideologically similar executives (Busenbark, Bundy, & Chin, 2022). Additionally, we propose further exposing the relationship between CEO political ideology and corporate misconduct using the ideology of organizational stakeholders as a backdrop. For example, are partisan CEOs more likely than moderates to alienate stakeholders having a different ideology? And are extremely conservative CEOs in ultra-liberal communities more likely to disregard employees, even when they are ideologically aligned? Such inquiries can prove invaluable in understanding the wide-ranging effects of political partisanship.

Limitations

Our study is subject to some limitations. First, we invite future research to continue to examine the relationship between political ideology and corporate misconduct and unpack which ideology-related values, if any, affect misconduct. On the one hand, it may be that certain values predict difficult-to-identify or difficult-to-prosecute forms of misconduct. On the other hand, it may be that the forms of misconduct that political ideology predicts falls outside the bounds of tracked misconduct in this study. While there are advantages to a violations-based proxy of corporate misconduct, we invite future research to consider alternate measures.

Additionally, future research should explore the jurisdictional and environmental features of ideology-based misconduct. For example, partisan CEOs might be more likely to “stand out” to the governing bodies that oversee their organization’s conduct. Alternatively, misconduct may be more likely to be identified and punished when there is a strong mismatch between the CEO’s ideology and local community. Also, the divergence in values of a CEO and stakeholders (Hambrick & Wowak, 2021) may prompt them to be less regarding of stakeholders when engaging in misconduct. Future studies should therefore explore the ideology of the organization’s stakeholders and the jurisdictions, countries, and regions in which they operate as

it relates to the antecedents and identification of misconduct. Many economies in the world do not have such simple bipartisan systems to proxy for ideology. It may be that partisanship is less influential in multiparty systems or authoritarian regimes. Thus, generalizing our findings across contexts may reveal more insights into the complex relationship between political ideology and corporate misconduct.

Second, we acknowledge political partisanship might be a proxy for an omitted variable which may confound the relationship between partisanship and misconduct. To address this issue, we controlled for a number of confounders which could influence the observed relationship, and conducted robustness checks through a difference-in-differences analysis of CEO turnovers. Our exploration of the underlying mechanisms provided support for partisan CEOs' reduced perspective taking and elevated moral foundations in their speech, but we found empirical support only for elevated moral foundations. We thus invite future research to continue to unpack perspective taking, moral foundations, and other potential mechanisms underlying the ideology-misconduct link, ideally with new measures and causal methods.

Third, we rely on political donations to capture political ideology. While this approach is unobtrusive and widely used, it may capture a CEO's desire to gain favor from a governing body in the wake of their wrongdoing. A more direct measure of ideology and qualitative insights into partisan CEOs' decision-making would be a welcome addition in future studies. For example, recent studies have used content analysis of social media platforms to capture political ideology (Ashokkumar & Pennebaker, 2022). As CEOs become more active on social media, sentiment analysis and topic modeling may be used to confirm ideological values and positions.

Our empirical analysis also draws from CEO political donations to conceptualize both the values and identity elements of political ideology. We demonstrate that these are distinct

concepts through CEO speeches, but future research should consider alternative measures of ideology which disentangle these two dimensions. One way that researchers can do this is through a factor analysis to identify underlying constructs that represent values and identity dimensions of political ideology.

Additionally, while we did not find significance in our S-shape analysis, future studies should also consider the potentially complex interaction between political values and political identity. This could imply that the relationship between partisanship and misconduct might slightly be stronger at one tail. Future studies may consider unpacking the conditions of this relationship, specifically in different political contexts and climates.

Finally, although we build on the rationalization element and control for pressure and opportunity of the fraud triangle (Schnatterly et al., 2018), other mechanisms might be at play. For example, Busenbark, Bundy, and Chin (2022) have shown that CEOs proactively appoint ideologically likeminded boards. Board ideology may therefore be an important predictor of the opportunity for an ideologically aligned CEO to engage in misconduct. Future studies should explore the boundary conditions of how the organization's governance arrangements and similar mechanisms, in relation to political ideology, shape the opportunity set and pressure to engage in corporate misconduct.

CONCLUSION

Analyzing data from a sample of Fortune 500 CEOs, we unveil the relationship between CEO partisanship and corporate misconduct. Specifically, we build from research in political science which suggests that political partisans demonstrate similar psychological features in contrast to same-ideology moderates. We argue and show that political partisans are more likely to experience elevated moral foundations. This identity-based perspective of CEO political

partisanship offers several avenues for organizational scholars to continue to explore the relationship between political ideology and organizational outcomes.

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TABLE 1
Political Ideology Values Studied in Prior Organizational Research

| | | Liberalism | Conservatism |
|--|--|--|--|
| Value | Description | Illustrative finding and reference | Illustrative finding and reference |
| Openness to change vs. traditionalism | A desire for progress and flexibility through system reform versus defend and justify the legitimacy of the status quo. | <ul style="list-style-type: none"> • Liberal CEOs are more likely to experience employee activism (Briscoe et al., 2014). • Liberal leaning firms are more likely to concede to the demands of social activism (Gupta & Briscoe, 2020). • Liberal CEOs are more likely to pursue research-driven innovation (Fallah, 2021). | <ul style="list-style-type: none"> • Conservative executives are less likely to engage in tax avoidance (Christensen et al., 2015). • Conservative organizations are less likely to undertake CSR initiatives (Gupta, Briscoe, & Hambrick, 2017). • Conservative CEOs are more likely to pursue corporate entrepreneurship (Chin, Zhang, Jahanshahi, & Nadkarni, 2021). • Conservative CEOs are more likely to adopt industry CSR practices (Gupta, Fung, & Murphy, 2021). |
| Egalitarianism vs. hierarchy and authority | A goal of fairness in opportunity in social and economic arrangements versus viewing unequal arrangements as fair and desirable. | <ul style="list-style-type: none"> • Liberal CEOs are more likely to have pay equality within the TMT (Chin & Semadeni, 2017). • Liberal CEOs are more likely to make evenhanded resource allocations (Gupta et al., 2018). • Liberal CEOs are more likely to undertake CSR initiatives (Chin et al., 2013). • Liberal investors are more likely to engage in socially responsible investing (Aiken, Ellis, & Kang, 2020). | <ul style="list-style-type: none"> • Conservative CEOs are more likely to restructure through workforce downsizing (Gupta et al., 2019). • Conservative firm owners are more likely to overlook the interests of other stakeholders (Shi, Xia, & Meyer-Doyle, 2022). • Conservative boards are more likely to prefer governance structures where the CEO is the voice of authority (Gupta, Wowak, & Boeker, 2022). |

| | | | |
|-------------------------------------|--|--|---|
| Contextual factors vs. human agency | The belief that circumstances and systematic barriers impede individuals' attainment of outcomes versus individuals have the ability to shape their situations and outcomes. | <ul style="list-style-type: none"> • Liberal managers are more likely to prefer process (vs. outcome) accountability (Tetlock, Vieider, Patil, & Grant, 2013). • Liberal managers are more likely to have equal performance-based pay for male and female workers (Briscoe & Joshi, 2017). • Liberal managers are more likely to hire and promote females (Carnahan & Greenwood, 2018). | <ul style="list-style-type: none"> • Conservative boards are more likely to pay CEOs more than other executives (Gupta & Wowak, 2017). • Conservative boards are more likely to pay CEOs more in line with the performance of the firm (Shi, Connelly, Mackey, & Gupta, 2019). • Conservative boards are more likely to dismiss CEOs who engage in misconduct (Park et al., 2020). |
|-------------------------------------|--|--|---|

TABLE 2
Summary Statistics and Correlations

| | Mean | SD | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. Misconduct (1 year lag) | 1.87 | 9.07 | | | | | | | | | | | | | | | | | | | | |
| 2. Misconduct (3 year lag) | 1.96 | 7.85 | 0.91 | | | | | | | | | | | | | | | | | | | |
| 3. CEO Political Ideology | -0.08 | 0.28 | -0.05 | -0.07 | | | | | | | | | | | | | | | | | | |
| 4. CEO Political Partisanship | 0.08 | 0.10 | 0.05 | 0.06 | -0.34 | | | | | | | | | | | | | | | | | |
| 5. Age | 57.08 | 6.30 | 0.03 | 0.05 | -0.10 | 0.10 | | | | | | | | | | | | | | | | |
| 6. Gender | 0.96 | 0.18 | 0.00 | 0.00 | -0.09 | 0.05 | 0.03 | | | | | | | | | | | | | | | |
| 7. Narcissism | 1.10 | 0.81 | 0.02 | 0.03 | -0.09 | 0.06 | 0.13 | 0.01 | | | | | | | | | | | | | | |
| 8. Market Value of Shares | 0.32 | 0.36 | 0.00 | 0.00 | 0.00 | 0.08 | 0.12 | 0.01 | 0.01 | | | | | | | | | | | | | |
| 9. Tenure | 7.29 | 6.75 | -0.04 | -0.03 | -0.07 | 0.16 | 0.42 | 0.09 | 0.20 | 0.43 | | | | | | | | | | | | |
| 10. Duality | 0.51 | 0.49 | 0.05 | 0.06 | -0.10 | 0.09 | 0.27 | 0.00 | 0.15 | 0.13 | 0.24 | | | | | | | | | | | |
| 11. Cash | 0.34 | 0.033 | 0.05 | 0.08 | 0.06 | -0.03 | 0.00 | -0.03 | -0.04 | 0.17 | -0.05 | 0.06 | | | | | | | | | | |
| 12. Dividends Issued | 1.21 | 0.82 | 0.10 | 0.12 | -0.07 | -0.02 | 0.15 | -0.08 | 0.04 | 0.00 | -0.09 | 0.18 | 0.43 | | | | | | | | | |
| 13. Capital Expenditures | 3.20 | 1.24 | 0.12 | 0.14 | 0.00 | 0.03 | -0.01 | -0.04 | -0.01 | 0.08 | -0.11 | -0.01 | 0.14 | 0.18 | | | | | | | | |
| 14. Debt Ratio | 0.62 | 0.25 | 0.01 | 0.02 | 0.00 | -0.02 | 0.04 | -0.03 | 0.02 | -0.06 | -0.05 | 0.05 | 0.12 | 0.14 | -0.03 | | | | | | | |
| 15. Market Capitalization | 27.16 | 57.86 | 0.07 | 0.11 | 0.02 | 0.00 | -0.04 | -0.02 | -0.01 | 0.21 | -0.01 | 0.05 | 0.45 | 0.35 | 0.38 | -0.06 | | | | | | |
| 16. Net Income | 0.88 | 0.53 | 0.12 | 0.14 | -0.02 | -0.02 | 0.07 | -0.07 | 0.03 | 0.10 | -0.04 | 0.13 | 0.49 | 0.54 | 0.42 | 0.01 | 0.54 | | | | | |
| 17. Performance | 0.52 | 0.08 | -0.01 | 0.00 | 0.02 | -0.01 | -0.03 | -0.01 | -0.01 | -0.02 | -0.04 | -0.02 | -0.01 | -0.13 | -0.05 | 0.03 | 0.00 | -0.05 | | | | |
| 18. Board Size | 10.19 | 2.63 | 0.07 | 0.09 | 0.04 | 0.00 | 0.01 | -0.05 | 0.02 | -0.08 | -0.15 | 0.08 | 0.31 | 0.40 | 0.14 | 0.19 | 0.11 | 0.28 | -0.08 | | | |
| 19. Board Insiders | 1.68 | 0.78 | 0.01 | 0.02 | 0.00 | 0.03 | 0.12 | 0.02 | -0.08 | 0.11 | 0.11 | 0.01 | -0.01 | -0.02 | -0.04 | -0.04 | -0.03 | -0.02 | -0.01 | -0.03 | | |
| 20. Perspective Taking | -6.32 | 5.40 | 0.03 | 0.00 | 0.04 | -0.04 | -0.01 | -0.03 | -0.05 | -0.05 | -0.04 | -0.08 | -0.13 | -0.11 | -0.04 | -0.02 | -0.15 | -0.15 | 0.04 | -0.03 | 0.00 | |
| 21. Moral Foundations | 1.42 | 1.22 | 0.00 | 0.04 | -0.05 | 0.03 | 0.00 | 0.00 | 0.06 | -0.01 | 0.00 | 0.08 | 0.10 | 0.15 | 0.06 | 0.04 | 0.14 | 0.17 | -0.03 | 0.04 | -0.05 | -0.78 |

Correlations greater than 0.03 are significant at $p < .05$

TABLE 3
Poisson Regression Results

| Dependent Variable: Corporate Misconduct | | | | | | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------|--------------------------------|
| | 1-year lag (1) | 3-year lag (2) | 1-year lag (3) | 3-year lag (4) | 1-year lag (5) | 3-year lag (6) |
| CEO Political Ideology | | | -0.542 (0.515) | -0.449 (0.507) | -0.060 (0.248) | 0.040 (0.259) |
| CEO Political Partisanship | | | | | 2.571** (0.993) | 2.564* (1.122) |
| Age | 0.008 (0.012) | 0.012 (0.014) | 0.009 (0.012) | 0.013 (0.014) | 0.010 (0.013) | 0.013 (0.014) |
| Gender | 0.067 (0.251) | 0.110 (0.334) | 0.040 (0.244) | 0.071 (0.328) | 0.009 (0.224) | 0.034 (0.296) |
| Narcissism | 0.038 (0.057) | 0.094 (0.061) | 0.029 (0.057) | 0.088 (0.061) | 0.046 (0.057) | 0.093 (0.060) |
| Market Value of Shares | 0.037 (0.225) | 0.014 (0.265) | 0.016 (0.236) | -0.005 (0.275) | 0.062 (0.234) | 0.033 (0.273) |
| Tenure | -0.025 ⁺ (0.015) | -0.026 ⁺ (0.015) | -0.029 ⁺ (0.016) | -0.028 ⁺ (0.016) | -0.031* (0.015) | -0.030 ⁺ (0.016) |
| Duality | 0.210 (0.142) | 0.249 (0.161) | 0.187 (0.137) | 0.234 (0.156) | 0.140 (0.126) | 0.218 (0.151) |
| Cash | 0.014 (0.324) | 0.193 (0.383) | 0.064 (0.305) | 0.244 (0.360) | 0.112 (0.283) | 0.265 (0.328) |
| Dividends Issued | 0.616** (0.211) | 0.401* (0.204) | 0.621** (0.207) | 0.404* (0.204) | 0.616** (0.188) | 0.408* (0.194) |

continued

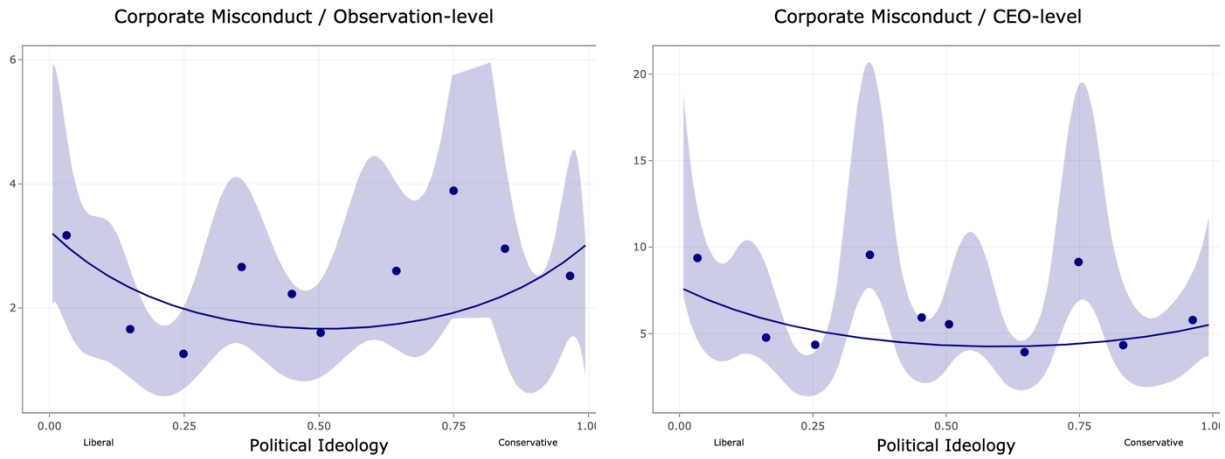
TABLE 3
Poisson Regression Results (continued)

| | | | | | | |
|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| Capital Expenditures | 0.196 (0.158) | 0.127 (0.131) | 0.197 (0.160) | 0.134 (0.137) | 0.175 (0.154) | 0.126 (0.132) |
| Debt Ratio | -0.287 (0.513) | -0.273 (0.451) | -0.255 (0.451) | -0.253 (0.421) | -0.110 (0.369) | -0.128 (0.357) |
| Market Capitalization | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) |
| Net Income | 0.187 (0.170) | 0.312 (0.246) | 0.156 (0.150) | 0.284 (0.223) | 0.192 (0.149) | 0.337 (0.225) |
| Performance | 0.393 (0.579) | 0.332 (0.559) | 0.301 (0.558) | 0.247 (0.557) | 0.280 (0.580) | 0.208 (0.539) |
| Board Size | 0.023 (0.023) | 0.023 (0.023) | 0.029 (0.021) | 0.026 (0.022) | 0.036 ⁺ (0.021) | 0.030 (0.022) |
| Board Insiders | -0.019 (0.069) | -0.007 (0.069) | -0.023 (0.069) | -0.009 (0.069) | -0.030 (0.068) | -0.025 (0.070) |
| Intercept | -1.645 (1.168) | -1.793 (1.246) | -1.530 (1.186) | -1.655 (1.241) | -2.083 (1.278) | -2.177 (1.338) |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Year Fixed FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 3,950 | 2,456 | 3,950 | 2,456 | 3,950 | 2,456 |
| Pseudo R-squared | 0.53 | 0.48 | 0.53 | 0.48 | 0.55 | 0.49 |
| Log Pseudolikelihood | -7,660.34 | -5,037.49 | -7,599.47 | -5,011.10 | -7,431.87 | -4,904.37 |

Note. ⁺ p < .10; * p < .05; ** p < .01; *** p < .001; Standard errors clustered by firm are in parentheses.

FIGURE 1

Binned scatter plots showing the relationship between the raw data on CEO ideology and corporate misconduct at the observation level (left panel) and aggregated at the CEO level (right panel).



Notes. A binned scatterplot simplifies the representation of large datasets by dividing the data into a set number of bins and then calculates and displays the average outcomes for observations within each bin. The shaded area indicates the confidence bands, and the fitted line is a second-degree polynomial. We used the binsreg package in R developed by Cattaneo et al. (2024).

ONLINE APPENDIX

TABLE A1
Data Sources and Variable Descriptions

| Data Source | Variable | Description |
|--|-----------------------------------|--|
| Violations Tracker (source: Corporate Research Project of Good Jobs First) | <i>Corporate Misconduct</i> | The number of enforcements against the company in a firm-year. |
| Political Contributions (source: U.S. Federal Election Commission website) | <i>CEO Political Ideology</i> | The Chin et al. (2013) multi-item index of political ideology using cumulative donations. |
| | <i>CEO Political Partisanship</i> | <i>CEO Political Ideology</i> mean centered at 0, and squared. |
| ExecuComp (source: Wharton Research Data Services) | <i>Age</i> | CEO age in years. |
| | <i>Gender</i> | Dummy variable indicating if CEO is a female. |
| | <i>Tenure</i> | CEO tenure in years. |
| | <i>Duality</i> | Dummy variable indicating if CEO is also chairman of the board. |
| | <i>Market Value Stock</i> | Log of CEO stock value in millions. |
| | <i>Board Size</i> | Number of people on the board of directors. |
| | <i>Board Insiders</i> | Number of senior leadership team members on the board. |
| Compustat (source: Wharton Research Data Services) | <i>Net Income</i> | Log of firm net income in hundred-millions. |
| | <i>Cash</i> | Log of firm cash in hundred-millions. |
| | <i>Dividends Issued</i> | Log of firm dividends issued in millions. |
| | <i>Capital Expenditures</i> | Log of firm capital expenditures in hundred-millions. |
| | <i>Debt Ratio</i> | Firm total debt over total assets. |
| | <i>Market Capitalization</i> | Firm market capitalization in billions. |
| | <i>Performance</i> | Firm year-over-year percent change in share price. |
| Annual Reports (source: Mergent, ABI/Inform, and company websites) ExecuComp (source: Wharton Research Data Services) | <i>CEO Narcissism</i> | The Chatterjee and Hambrick (2007) index, combining the size of the CEO photographs in annual reports, the number of people in those photographs, the ratio of the CEO's cash compensation relative to the second-highest paid executive, and the ratio of the CEO's non-cash compensations relative to the next-highest paid executive. |
| Earnings Calls Transcripts (source: Seeking Alpha and Motley Fool) | <i>Perspective Taking</i> | Inverse document frequency analysis on first person singular pronouns. |
| | <i>Moral Foundations</i> | Inverse document frequency analysis on moral foundations dictionary created by Graham et al. (2009). |

TABLE A2
Political Partisan Mechanisms

| Dependent Variable | Perspective Taking (1) | Perspective Taking (2) | Moral Foundations (3) | Moral Foundations (4) | Misconduct (3-year lag) (5) | Misconduct (3-year lag) (6) |
|----------------------------|---------------------------|---------------------------|--------------------------|--------------------------|--------------------------------|--------------------------------|
| CEO Political Ideology | 0.992 (1.331) | -0.291 (1.341) | -0.326 (0.250) | -0.086 (0.243) | 0.033 (0.153) | 0.037 (0.151) |
| CEO Political Partisanship | | -10.924** (3.484) | | 2.044** (0.673) | 2.534*** (0.557) | 2.446*** (0.532) |
| Perspective Taking | | | | | -0.010 (0.008) | |
| Moral Foundations | | | | | | 0.162** (0.053) |
| Age | 0.255** (0.078) | 0.253** (0.077) | -0.070*** (0.011) | -0.070*** (0.011) | 0.013 (0.008) | 0.018* (0.008) |
| Gender | -7.223*** (1.143) | -7.171*** (1.137) | 0.842** (0.308) | 0.833** (0.304) | 0.012 (0.168) | -0.017 (0.168) |
| Narcissism | -2.220*** (0.448) | -2.195*** (0.450) | 0.479*** (0.091) | 0.474*** (0.091) | 0.086 (0.078) | 0.051 (0.070) |
| Market Value of Shares | -3.433** (1.090) | -3.350** (1.078) | 0.293 (0.186) | 0.277 (0.186) | 0.037 (0.164) | 0.029 (0.159) |
| Tenure | -0.208** (0.075) | -0.192* (0.076) | 0.046** (0.013) | 0.042** (0.013) | -0.029** (0.009) | -0.028** (0.009) |
| Duality | -3.973*** (0.650) | -3.942*** (0.648) | 0.628*** (0.121) | 0.623*** (0.121) | 0.211* (0.103) | 0.195+ (0.102) |
| Cash | -2.089 (1.825) | -2.028 (1.837) | 0.392 (0.342) | 0.380 (0.344) | 0.259 (0.181) | 0.215 (0.180) |
| Dividends Issued | 0.595 (0.661) | 0.594 (0.658) | -0.020 (0.138) | -0.020 (0.138) | 0.404*** (0.101) | 0.368*** (0.099) |
| Capital Expenditures | 1.291** (0.437) | 1.282** (0.435) | -0.298** (0.088) | -0.296** (0.088) | 0.129 (0.078) | 0.136+ (0.079) |
| Debt Ratio | -2.846* (1.151) | -3.031** (1.144) | 0.367+ (0.222) | 0.402+ (0.220) | -0.146 (0.208) | -0.117 (0.201) |
| Market Capitalization | -0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) |

continued

TABLE A2
Political Partisan Mechanisms (continued)

| Dependent Variable | Perspective Taking (1) | Perspective Taking (2) | Moral Foundations (3) | Moral Foundations (4) | Misconduct (3-year lag) (5) | Misconduct (3-year lag) (6) |
|-------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------------|-----------------------------|
| Net Income | -4.306*** (1.100) | -4.404*** (1.097) | 1.033*** (0.227) | 1.052*** (0.227) | 0.332* (0.146) | 0.315* (0.142) |
| Performance | 10.220** (3.215) | 10.391** (3.225) | -1.306* (0.665) | -1.338* (0.667) | 0.218 (0.592) | 0.181 (0.587) |
| Board Size | -0.170 (0.132) | -0.144 (0.131) | 0.000 (0.024) | -0.003 (0.025) | 0.032* (0.014) | 0.035* (0.014) |
| Board Insiders | -1.002* (0.422) | -0.892* (0.422) | 0.054 (0.083) | 0.033 (0.083) | -0.031 (0.042) | -0.037 (0.042) |
| Intercept | -6.908 (5.583) | -5.576 (5.611) | 3.527*** (0.943) | 3.277*** (0.936) | -2.230** (0.740) | -2.580** (0.773) |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Year Fixed FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 2,449 | 2,449 | 2,449 | 2,449 | 2,456 | 2,456 |
| (Pseudo) R ² | 0.28 | 0.28 | 0.32 | 0.32 | 0.49 | 0.49 |

Note. + p < .10; * p < .05; ** p < .01; *** p < .001; Cluster-robust standard errors clustered are in parentheses; In Models 1-4, we use a 1-year lag on CEO speeches; We use only the 3-year misconduct sample as CEO speech may occur in the last two fiscal quarters of the year and thus be occurring during the same year as the 1-year window; Model Fit in Models 1-4 is R-squared indicating the model fit of the OLS regressions, whereas Model Fit in Models 5-6 is the McFadden's Pseudo R-squared from the Poisson regressions.

TABLE A3
Poisson Regression Misconduct Type Results (1 year lag)

| Dependent Variable | Competition Misconduct | Consumer Misconduct | Employment Misconduct | Environment Misconduct | Financial Misconduct | Govt. Contracting Misconduct | Safety Misconduct |
|----------------------------|--------------------------------|-------------------------------|-----------------------|------------------------|--------------------------------|-------------------------------|--------------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| CEO Political Ideology | 0.192 (0.668) | 0.510 (0.556) | -0.069 (0.298) | 0.167 (0.336) | 0.399 (0.245) | 0.262 (0.717) | -0.196 (0.256) |
| CEO Political Partisanship | -1.713 (1.737) | 0.787 (1.569) | 0.361 (0.771) | 2.040** (0.771) | 0.893 (0.867) | -3.653* (1.767) | 2.691** (0.943) |
| Age | -0.029 (0.033) | -0.015 (0.035) | 0.003 (0.014) | 0.005 (0.020) | 0.048* (0.020) | 0.046 ⁺ (0.027) | 0.031 ⁺ (0.017) |
| Gender | -0.045 (0.589) | 11.086*** (0.486) | -0.238 (0.288) | -0.433 (0.292) | -0.279 (0.426) | -0.968 (0.708) | -0.043 (0.265) |
| Narcissism | -0.007 (0.256) | 0.114 (0.169) | -0.040 (0.063) | 0.065 (0.090) | 0.071 (0.131) | -0.006 (0.151) | 0.051 (0.077) |
| Market Value of Shares | -0.238 (0.669) | -0.137 (0.529) | 0.064 (0.201) | -0.179 (0.277) | -1.026 ⁺ (0.581) | 0.625* (0.288) | -0.997* (0.500) |
| Tenure | 0.000 (0.039) | -0.053 (0.043) | -0.030* (0.015) | -0.027 (0.029) | -0.100*** (0.023) | -0.043 (0.027) | -0.032 (0.022) |
| Duality | -0.466 ⁺ (0.277) | -0.090 (0.386) | -0.058 (0.151) | -0.089 (0.183) | 0.401* (0.169) | 0.182 (0.317) | 0.085 (0.150) |
| Cash | 1.204* (0.552) | 1.400*** (0.375) | 0.815** (0.255) | -0.426 (0.353) | 1.898*** (0.303) | 0.277 (0.388) | -1.373** (0.454) |
| Dividends Issued | 0.525* (0.234) | -0.328 (0.213) | 0.327* (0.165) | 0.504** (0.194) | 0.188 (0.231) | 0.379 ⁺ (0.228) | 0.569* (0.227) |
| Capital Expenditures | -0.032 (0.164) | -0.039 (0.123) | -0.257* (0.177) | 0.508* (0.238) | -0.048 (0.067) | 0.143 (0.228) | 1.080*** (0.253) |
| Debt Ratio | -1.318 ⁺ (0.782) | 1.286 ⁺ (0.675) | 0.262 (0.183) | 0.579 (0.406) | 0.772 ⁺ (0.399) | 1.056 (0.724) | -0.972 ⁺ (0.538) |
| Market Capitalization | 0.000* (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | -0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) |
| Net Income | 0.520 ⁺ (0.297) | 0.460 ⁺ (0.250) | 0.409* (0.201) | 0.054 (0.209) | -0.074 (0.125) | 0.617 ⁺ (0.346) | 0.177 (0.199) |
| Performance | 1.386 (1.126) | 0.619 (0.961) | 0.428 (0.660) | 2.030** (0.617) | 1.796 (1.306) | 0.963 (1.167) | -0.282 (0.740) |

continued

TABLE A3
Poisson Regression Misconduct Type Results (1 year lag) (continued)

| Dependent Variable | Competition Misconduct | Consumer Misconduct | Employment Misconduct | Environment Misconduct | Financial Misconduct | Govt. Contracting Misconduct | Safety Misconduct |
|-----------------------|------------------------|---------------------|-----------------------|------------------------|----------------------|------------------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Board Size | 0.016 (0.050) | 0.057 (0.048) | 0.064* (0.025) | 0.045 (0.038) | 0.099* (0.041) | 0.087 (0.063) | 0.048 (0.034) |
| Board Insiders | -0.006 (0.261) | -0.186 (0.287) | 0.026 (0.093) | 0.192+ (0.107) | -0.020 (0.152) | 0.212 (0.195) | 0.044 (0.097) |
| Intercept | -2.461 | -36.849 | -3.201 | -5.083 | -9.078 | -8.881 | -6.515 |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Year Fixed FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 3,950 | 3,950 | 3,950 | 3,950 | 3,950 | 3,950 | 3,950 |
| Pseudo R ² | 0.19 | 0.43 | 0.23 | 0.36 | 0.62 | 0.35 | 0.67 |
| Log Psuedolikelihood | -358.17 | -285.49 | -1,556.66 | -1,585.48 | -352.54 | -287.89 | -4,730.24 |

Note. + p < .10; * p < .05; ** p < .01; *** p < .001; Standard errors clustered by firm are in parentheses.

TABLE A4
Poisson Regression Misconduct Type Results (3 year lag)

| Dependent Variable | Competition Misconduct | Consumer Misconduct | Employment Misconduct | Environment Misconduct | Financial Misconduct | Govt. Contracting Misconduct | Safety Misconduct |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|--------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| CEO Political Ideology | -0.449 (0.708) | 0.104 (0.713) | -0.333 (0.318) | 0.433 (0.346) | 0.332 (0.309) | 0.079 (0.889) | -0.142 (0.309) |
| CEO Political Partisanship | -1.419 (1.839) | 2.917 ⁺ (1.548) | 0.326 (0.875) | 2.206 ^{**} (0.788) | 3.546 ^{***} (1.005) | -4.139* (2.075) | 2.622* (1.032) |
| Age | 0.017 (0.040) | -0.027 (0.039) | 0.007 (0.016) | 0.016 (0.022) | 0.050* (0.022) | 0.046 (0.029) | 0.035 ⁺ (0.019) |
| Gender | 0.084 (0.954) | 8.958 ^{***} (0.580) | 0.408 (0.313) | -0.658* (0.326) | -1.273 ^{**} (0.384) | 0.629 (1.099) | -0.119 (0.337) |
| Narcissism | 0.117 (0.204) | -0.233 (0.261) | -0.019 (0.078) | 0.030 (0.091) | -0.300 ⁺ (0.173) | 0.133 (0.174) | 0.117 (0.095) |
| Market Value of Shares | -0.261 (0.663) | -0.861 (0.550) | -0.263 (0.256) | -0.429 (0.292) | -0.741 (0.532) | 0.011 (0.509) | -1.109* (0.521) |
| Tenure | 0.016 (0.042) | 0.028 (0.030) | -0.025 (0.019) | -0.003 (0.026) | 0.000 (0.025) | -0.043 (0.042) | -0.027 (0.022) |
| Duality | 0.169 (0.388) | 0.138 (0.386) | -0.106 (0.181) | -0.095 (0.218) | 0.643* (0.304) | -0.083 (0.312) | 0.148 (0.170) |
| Cash | 2.595 ^{***} (0.798) | 1.772 ^{***} (0.362) | 1.287 ^{***} (0.400) | 0.362 (0.420) | 1.503 ^{***} (0.258) | 0.002 (0.588) | -1.468 ^{**} (0.435) |
| Dividends Issued | 0.182 (0.347) | -0.113 (0.253) | 0.135 (0.181) | 0.239 (0.186) | 0.100 (0.242) | 0.748 ⁺ (0.406) | 0.199 (0.252) |
| Capital Expenditures | -0.068 (0.311) | 0.069 (0.145) | -0.149 ⁺ (0.089) | 0.088 (0.276) | -0.183* (0.089) | 0.151 (0.214) | 1.047 ^{***} (0.264) |
| Debt Ratio | -1.457 (1.453) | 1.183* (0.503) | 0.081 (0.230) | 0.867* (0.414) | 1.149 ^{**} (0.389) | 1.488 ⁺ (0.837) | -0.992 ⁺ (0.515) |
| Market Capitalization | -0.000* (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 ⁺ (0.000) | -0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) |
| Net Income | 0.260 (0.598) | -0.126 (0.340) | 0.309 (0.232) | 0.178 (0.302) | 0.058 (0.162) | 0.156 (0.452) | 0.709* (0.289) |
| Performance | 2.099 (1.978) | 0.737 (1.068) | -0.560 (0.766) | -0.588 (1.189) | -0.638 (1.275) | -0.165 (1.521) | 0.069 (0.833) |

continued

TABLE A4
Poisson Regression Misconduct Type Results (3 year lag) (continued)

| Dependent Variable | Competition Misconduct | Consumer Misconduct | Employment Misconduct | Environment Misconduct | Financial Misconduct | Govt. Contracting Misconduct | Safety Misconduct |
|-----------------------|------------------------|-------------------------------|-----------------------|------------------------|----------------------|------------------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Board Size | -0.005 (0.073) | 0.086 ⁺ (0.050) | 0.074* (0.030) | 0.007 (0.043) | 0.099* (0.041) | 0.080 (0.065) | 0.043 (0.040) |
| Board Insiders | 0.111 (0.227) | -0.133 (0.254) | 0.036 (0.102) | 0.244* (0.096) | -0.217 (0.140) | 0.138 (0.205) | 0.058 (0.086) |
| Intercept | -5.762 | -33.993 | -4.296 | -2.153 | -5.839 | -11.652 | -7.144 |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Year Fixed FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 2,456 | 2,456 | 2,456 | 2,456 | 2,456 | 2,456 | 2,456 |
| Pseudo R ² | 0.19 | 0.43 | 0.24 | 0.33 | 0.60 | 0.34 | 0.63 |
| Log Psuedolikelihood | -185.62 | -208.33 | -953.05 | -1,116.33 | -250.32 | -179.74 | -3,070.03 |

Note. ⁺ p < .10; * p < .05; ** p < .01; *** p < .001; Standard errors clustered by firm are in parentheses.

TABLE A5
Differences-in-Differences Analysis with Different Cut-off points for Partisanship

| Dependent Variable: Corporate Misconduct | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|--|------------------|------------------|------------------|------------------|------------------|-------------------------------|-------------------|-------------------|--------------------|--------------------|
| CEO Political Partisanship Cut-offs | <i>.45 tails</i> | 0.023 (0.155) | | | | | | | | |
| | <i>.40 tails</i> | | 0.101 (0.147) | | | | | | | |
| | <i>.35 tails</i> | | | 0.198 (0.167) | | | | | | |
| | <i>.30 tails</i> | | | | 0.269 (0.179) | | | | | |
| | <i>.25 tails</i> | | | | | 0.357 ⁺ (0.212) | | | | |
| | <i>.20 tails</i> | | | | | | 0.437* (0.192) | | | |
| | <i>.15 tails</i> | | | | | | | 0.453* (0.190) | | |
| | <i>.10 tails</i> | | | | | | | | 0.478** (0.185) | |
| | <i>.05 tails</i> | | | | | | | | | 0.681** (0.262) |
| All Controls | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 4,479 | 4,479 | 4,479 | 4,479 | 4,479 | 4,479 | 4,479 | 4,479 | 4,479 | 4,479 |
| Pseudo R ² | 0.21 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.19 |
| Log Pseudolikelihood | -15,492.26 | -15,536.31 | -15,550.57 | -15,524.39 | -15,561.42 | -15,588.59 | -15,581.36 | -15,581.82 | -15,581.82 | -15,697.73 |

Note. ⁺ p < .10; * p < .05; ** p < .01; *** p < .001; Standard errors clustered by firm are in parentheses. Misconduct is lagged one year.

FIGURE A1
Slopes of the Quadratic Function (Squared Ideology)

