CSR STRATEGY REVIEW

Student's Name

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Research Paradigm

Understanding the effect of a leader's motivation on sustainable and responsible investments in the private equity sector is one of the most difficult tasks, especially when the leadership strategies differ. Thus, it requires examining multiple leadership levels singly (Borghesi et al. 2014). In essence, organizational performance is linked to the aggregate impact that the leader has on various hierarchical levels. While most empirical studies on leadership focus more on the effectiveness of a leader as a single individual, it has been established that the overall performance of a firm is reflected in leadership at every level (Cerin & Scholtens 2011). Thus, the organizational leadership should be integrated at all levels to ensure that all programs including CSR investments are coordinated across the firm.

According to Berson and Avolia (2004), upper-level leaders have a great influence on the lower level leaders' ability to translate and disseminate information regarding new firm strategies. Consequently, meanings attached to critical organizational elements by the leaders influence the alignment of leadership and firm performance. Hackman and Wageman (2005) argue that leaders have a great role in compelling their subordinates towards the performance of the organizational duties. Indeed, the overall success of an organization is rooted in the executive leadership of the firm since it gives the direction that is geared towards the attainment of the organizational objectives. Lack of consistency and clarity among leaders may reduce the followers' ability to attach meaning to the firm's strategic initiatives and contribute to low organizational performance (O'Reilly, Caldwell, Chatman, Lapiz & Self 2010). However, different scholars give divergent views to support their arguments regarding the influence of the leadership on responsible investment in private equity (Campbell 2004). As a result, various controversies exist, which cannot be solved on general assertions and divergent views of different scholars. In one instance, it may be argued that a powerful leader may cover up for the dismal performance of his peers at other organizational levels, and the firm still performs excellently.

On the other aspect, an organization may have a set of effective junior leaders who may lack strategic initiatives to stimulate the growth and performance of the firm (Juravle & Lewis 2008). As a result, leadership by itself may not account fully for the performance of the organization. Thus, the alignment of the individual leader to the overall strategic objectives of the firm is critical in the determination of the firm’s performance, a factor that many researchers have failed to account (Paetzold & Busch 2014). Thus, when undertaking socially responsible equity investments, it is critical to determine other underlying factors. For instance, Borghesi, Houston and Naranjo (2014) argue that managers and leaders may undertake investments that maximize their personal goals at the expense of their shareholders, which may harm the future performance of the firm as well as its growth.

In this research paradigm, an interpretative research framework shall be adopted to examine how leadership influences the performance of firms as far as private equity investments are concerned. A positivist research framework will be used since it will enable the researcher to focus more on the facts concerning leadership and private equity investments. The usage of factual data will also enable the researcher to avoid relying on other scholars’ motivations and beliefs that could lead to unsatisfactory conclusions (Caldwell 1980). Positivist framework would be supplemented with the interpretivist approach in order to account for other situational factors that will enable the audience to understand the reality behind other salient features present in our research. Action research will be conducted with a focus on major learning set members comprising of three senior and four junior staffs on the research team. It will provide insight into the specific nature of socially responsible private equity investments and leadership and, therefore, reinforce our research assertions.

Hypotheses Development

The paper proposes that leadership at all levels impacts organizational performance. Similarly, the practice of socially responsible private equity investments by firm managers influences their performance, as well as their subordinates. This aspect shall be explored in three hypotheses as put forward by various scholars, as well as personal insights. The first hypothesis supports the view that CEO authorities have an influence over the practice of CSR investments.

Hypothesis 1: (H1) Powerful CEOS have a great influence on the firm's socially responsible investments and the firm's performance.

Research has shown that increase in the CEO Powers influences CSR activities for firms in private equity investments (Jiraporn & Chintrakarn 2013). However, when the CEO's power reaches a particular threshold, it reduces CSR investments considerably. Several explanations of this phenomenon include the fact that agency conflicts begin to set in. As the CEO gains more authority over CSR investments, it confers him several private benefits. To a certain point, the CEO becomes invulnerable and so entrenched that he/she no longer considers CSR investments favorable since it deprives the firm of its cash flows that they could exploit.

The second hypothesis supports the view that the nature of CEO determines the practice of CSR activities and the underlying payoffs that affect firm performance. That is, liberal CEOs support CSR investments in contrast to conservative CEOs.

Hypothesis 2 (H2): Liberal CEOs are better performers in CSR investments compared to conservative CEOs

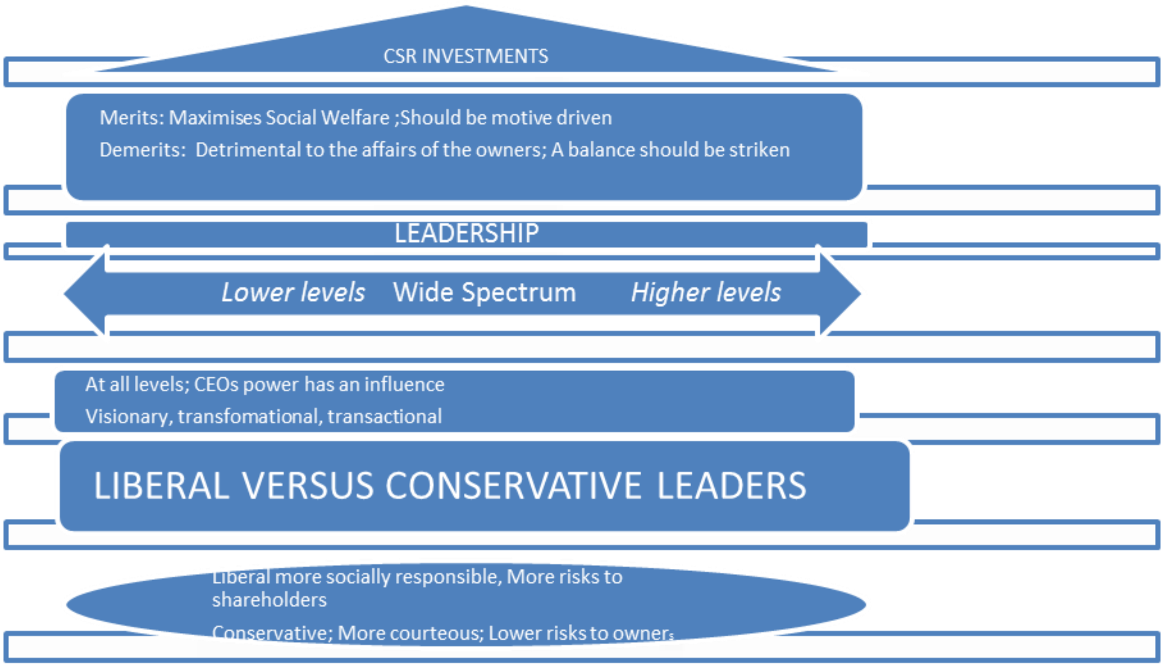
The key question is whether more emphasis on CSR investments by liberal CEOs enhances performance or leads to lowered firm performance. Scholars argue that CEOs who emphasize on CSR investments benefit the firm non-owners at the expense of the owners. Thus, conservative CEOs achieve higher payoffs since they only emphasize CSR investments in ways that benefit the owners and the firm stakeholders (Chin, Hambrick & Treviño 2013). On the other hand, liberal CEOs may pursue CSR investments in ways that may incur the firm huge costs and finally deplete the earnings attributable to the firm shareholders. Sharp contrasts emerge from this argument. In essence, liberal CEOs emphasize CSR as a deliberate business strategy and are thus likely to acquire higher payoffs. Customers tend to associate themselves with firms that recognize the societal issues apart from the normal profit-making business. On the other hand, conservative CEOs use CSR for ceremonial purposes to display themselves as corporate citizens. In the long run, the firm may compete dismally and thus accrue limited economic and social gains due to damaged reputational status.

The third hypothesis presents the view that the leadership motivations behind socially responsible investments account for the firm's payoffs. Thus, profitability should not be the major motive behind socially responsible investments. The manager's motive should be ethical and should seek to enhance the welfare of the society.

Hypothesis 3 (H3): Socially driven CSR investments lead to better firm performance

The hypothesis proposes that firms that carry out CSR investments for the sake of doing it achieve more harm than good. Thus, investments should be guided barely on merits and thus, leaders should examine their own motivations before engaging in CSR investments (Margolis & Elfenbein 2008). However, the leaders should strike a balance in the CSR investments to avoid harming the shareholders to the advantage of the firm non-owners (Filatotchev & Nakajima 2014).

Research Model



Research Design and Methodology

An exploratory research design shall be used to gather data. The exploratory research design was chosen since it enables the researcher to explore the leadership elements that influence socially driven investment. Both qualitative and quantitative data shall be gathered to aid in the analysis. Qualitative data shall be gathered by interviewing top and medium level managers in major organizations engaging in socially responsible investments. The questionnaires shall be formulated to solicit data from the managers. Managers will be given a chance to give their views on CSR as how it impacts their managerial activities. Quantitative data shall be gathered by considering the firms' expenditures on CSR programs in respective accounting periods. In addition, the lower level employees will be interviewed to give their views on how CSR programs of the firm affected their overall productivity and perception of their leaders; which will enable readers to understand other hidden factors that affect firm performance in private equity investments.

Conclusion

The paper highlights the main issues surrounding the practice of leadership in regard to socially responsible investments. In relation to many studies, leadership is exercised at all levels. Leaders are responsible for mobilizing their followers towards the attainment of the firm's strategic objectives, including private equity investments and CSR. In regard to the hypothesis formulated, liberal leaders are more aligned to CSR activities compared to more conservative leaders. However, the liberal leaders may be facing the risk of benefiting the firm non-owners when they are not careful on the execution of CSR programs. Conservative leaders, on the other hand, are more cautious in exercising CSR and try to balance CSR with the interests and motivations of the firm's shareholders. Generally, it has been observed that the leader's motives in CSR activities are what determine his/her success in such programs. Leaders should not be motivated by the profit element of the CSR activities but should engage in such activities as their noble business duty.

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