When Awareness of Death Improves Corporate Prosocial Behaviour

By Guoli Chen , INSEAD Associate Professor of Strategy

The sudden loss of a colleague can quickly readjust corporate priorities.

"Someone has to die in order that the rest of us should value life more." – Virginia Woolf

Richard, the CEO of a large manufacturing firm, was in the Philippines meeting local government leaders as part his company's global expansion strategy when he heard the news: One of his firm's company directors, someone he had been instrumental in bringing into the organisation, had died unexpectedly of a heart attack. Upset by the news, Richard cut short his visit and flew home to his family. Little was heard from him for some weeks. The heads of the firm's Asian operations were beginning to wonder whether the proposed expansion for the region would go ahead. It was decided that the expansion would continue but within a less aggressive timeframe, and it would run alongside a community education programme to assist factory workers' families.

It could have been me

While the change of plan seemed erratic, such behaviour is not unusual when considered in the context of the director's demise. Studies in the field of thanatology – death, dying, and bereavement – show that in the early stages of grief bereaved individuals may experience some degree of death anxiety, resulting in a period of withdrawal from everyday interactions. Sometimes termed "common grief", death anxiety is associated with stress, strain and emotional exhaustion. It can result in self-protective behaviours and disengagement at work. CEOs experiencing death anxiety may, at least in the short-term, be less immersed in company business, perhaps seeking more of a **"quiet life"**.

A second but more gradual and long-term outcome of bereavement is death reflection. Individuals faced with a death may ponder their own demise and behave in ways that seem out of character. Research indicates this increased awareness of the inevitability of death – also known as mortality salience – represents a **singularly powerful influence** on how we behave. While the loss can be traumatic, mortality salience is also associated with a range of positive, self-transcendent cognitive responses which lead to generative behaviour, that is how people make sense of their lives in society. Individuals are more likely to engage in self-reflection; express a desire to better appreciate the time they have left; re-evaluate the nature and purpose of their careers; search for greater personal meaning; and investigate ways of making a more lasting contribution to society resulting in **prosocial behaviour**.

The death of a peer or colleague can trigger heightened mortality salience as people tend to innately categorise such individuals as being **similar to themselves**, reinforcing the distressing reminder that "it could have been me".

Death in the boardroom

While it is well acknowledged that death can have a significant impact on the behaviour of individuals, it is rarely discussed in the corporate environment. Previous studies of death conducted in the management field have looked at the impact of a business leader's death on the stock market, or considered as the loss of knowledge and capabilities. More recent studies show that CEOs respond to the death of a firm's director by **pursuing lower-risk strategies** or becoming **less acquisitive (i.e. quiet life).** These studies provide initial insights into the question of how director deaths can influence corporate activities.

We set out to expand on this by examining the link between mortality salience and organisational prosocial behaviour. Our research, ***That Could Have Been Me: Director Deaths, CEO Mortality Salience and Corporate Prosocial Behavior*** (co-authored with C. Crossland and S. Huang, forthcoming in *Management Science*), tested whether CEOs who lost a role-relational peer (in this case, a board director of the same firm) would respond by re-evaluating their priorities and increasing the firm's corporate social responsibility (CSR) activities, such as greater investment in improving working conditions or additional community development.

To identify whether this response would be amplified in situations where the death was likely to be particularly salient for the CEO, we looked at two additional situations: when the deceased director had been appointed during the CEO's tenure (suggesting a closer connection between the CEO and the director) and when the death was unexpected. As healthy CEOs are more likely to identify with peers who show no sign of illness or infirmity, the assumption was that they would suffer greater trauma at the news of a director's unexpected death and have little time to engage in **anticipatory grief**.

Improve the firm or the community

We began the research by identifying 755 director deaths during the period 1990 to 2013. Firms with director deaths ('treatment firms') were then matched with a list of firms which did not experience a loss ('control firms'), that were as similar as possible at the time of the death. A total of 89 treatment firms and their corresponding control firms were used in our final sample. We then conducted a difference-in-differences analysis to compare CSR activities after the firms experienced the death of a director with the control group.

Each company's CSR involvement was measured and scored in the four years prior to and four years after the director's death. Possible CSR dimensions included community engagement, environmental opportunities, human rights, workforce diversity, employee relations, and product safety and quality. CSR performance data were extracted from KLD database. It provides a set of indicators assessing positives/strengths (e.g. renewable energy) and negatives/concerns (e.g. toxic emissions) of ESG performance.

To measure a firm's overall CSR activities, we subtracted the concern scores from the strength scores. Our analyses show that firms which had a director die exhibited an average increase in CSR of 0.372 (or 57 percent relative to its mean of 0.649) in the post-death period relative to the control firms. Thus the effect size of director death on CSR performance is highly significant.

In addition, we also divide CSR activities into two categories: those that appear to be more ingroup-focused (employee relations, workforce diversity, product safety and quality) and those that are outgroup-focused (community relations, human rights and environmental opportunities). Our analyses show that the improvement in CSR activities after a director's death was largely due to an increase in ingroup activities, that is, those related directly to the firm. For example, Jones Lang LaSalle (JLL) experienced the death of a director in 2008. Data showed that the firm's CSR strength score rose from 4 in the year that the director passed away to 7 three years after the death. The firm's CSR score rose to 11 just four years after the loss of the director. In this case, the improvement was almost exclusively from changes in employee relations and workforce diversity, with the community focused activities rising much less acutely.

Awareness and impact

This research provides some of the very first evidence of a connection between individual mortality salience and corporate prosocial activity. It suggests that the impact of director deaths has a more profound effect than the traditional argument of loss of knowledge, skills or social capital due to the death. Bereavements indeed trigger those who are left behind to reconsider the value of life, which motivates them and their firms to move beyond immediate financial rewards and shift their efforts to improve the firm's engagement in prosocial activities. While society as a whole and the business community hope that firms and their leaders may be more responsible for their actions, our study provides an interesting perspective. Fundamentally, CEOs and managers should have the intrinsic motivation to realise that life has something more to offer than money.

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