

CEO Integrity's Influence on Firm Digital Orientation: How CMOs and Ad Intensity Drive Digital Orientation

Prachi Gala, Saim Kashmiri and Jason Koufodontis
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This study explores the impact of CEO integrity on a firm's digital orientation, with a focus on how ethical leadership influences digital transformation efforts. CEO integrity, characterized by ethical conduct, transparency, and a focus on long-term sustainability, has been traditionally recognized as a key element of effective leadership. However, its implications for digital transformation remain underexplored. Using data from 741 firm-year observations, we find that CEOs with high levels of integrity tend to adopt a conservative approach to digital adoption, prioritizing concerns such as data security, privacy, and ethical risks. This cautious stance results in a negative relationship between CEO integrity and a firm's digital orientation.

The study also identifies three moderating factors: CMO presence, advertising intensity, and R&D intensity. Firms with a CMO or high advertising intensity weaken the CEO integrity impact on digital orientation, while firms with high R&D intensity experience a stronger negative impact. Our research contributes to upper echelon theory by highlighting the role of CEO ethical values in shaping strategic organizational decisions. It also offers practical insights for firms on the importance of balancing ethical leadership with the need for innovation. The findings provide a nuanced understanding of the complex interplay between leadership, organizational factors, and digital transformation efforts.

Key take aways:

1. CEO integrity leads to cautious digital adoption focused on data security.
2. CMO presence reduces the negative effect of CEO integrity on digital orientation.
3. High R&D intensity amplifies the cautious approach of integrity-driven CEOs.
4. Advertising intensity attenuates the conservative stance of high-integrity CEOs.
5. Ethical CEOs balance innovation with long-term sustainability and privacy concerns.