View from the Top: An A.C.T.I.O.N. Approach to Corporate Social Responsibility

Contact Author:
Burke A. Christensen, JD, CLU
Robert B. Morgan Chair of Insurance
Eastern Kentucky University
859-622-1120
Burke.christensen@eku.edu

Allen D. Engle, Sr., D.B.A.
Professor, MMAC Department
Eastern Kentucky University

Judith W. Spain, J.D.
University Counsel
Professor, MMAC Department
Eastern Kentucky University
View from the Top: An A.C.T.I.O.N. Approach to Corporate Social Responsibility

Biographies

Burke A. Christensen is the holder of the Robert B. Morgan Chair of Insurance, Eastern Kentucky University. He received his J.D. degree from the University of Utah College of Law. He has published two textbooks on the law and regulation of life and health insurance, and has written numerous articles on market conduct compliance and ethical practices in the insurance industry.

Allen D. Engle, Sr. is a Professor, Department of Management, Marketing, and Administrative Communication, Eastern Kentucky University. He received his D.B.A. in Human Resources Management from the University of Kentucky. His research interests relate to ethics and social responsibility, compensation, leadership and organizational change, job analysis, managerial competencies, and organizational design. Dr. Engle has presented academic papers on these topics in the U.S., Australia, Canada, Estonia, Germany, Hungary, Italy, Slovenia, Spain and the United Kingdom.

Judith W. Spain is the University Counsel and Professor of Business Law, Kentucky University. She received her J.D. degree from Capital University Law School in 1983. Her research interests include ethics and employment law issues. She has published in various ethics journals.
View from the Top: An A.C.T.I.O.N. Approach to Corporate Social Responsibility

Abstract

“No man is an island; entire of himself, every man is a piece of the continent.”

John Donne

Businesses exist to make a profit. Yet, there is an increasing public expectation that businesses will be good citizens and that business leaders will act in an ethical manner. Because of the unique nature of the life insurance product, consumer trust in the management of an insurance company is of heightened importance. This paper discusses how executives in the life insurance industry reconcile the self-interest which drives the company to generate profits with the idea that the business should spend its resources to benefit others.

The product manufactured and sold by the life insurance industry is not a tangible object but an intangible promise that the insurance company will be there to provide benefits at some time often many years into the future. Thus, consumer trust, based upon a belief that the insurance company’s executives will keep their promises, is unusually important. This principle is recognized in the laws regulating insurers as well as in the codes of ethics adopted by the insurers.

Corporate social responsibility can be either an abstract term or a management philosophy guiding the corporation. One CEO may be faced with the unnerving task of navigating the rocky waters of business in the pursuit of profit for maximization of shareholder value while struggling with his or her own beliefs regarding how the corporation might act in a more socially responsible manner but which may have a negative effect upon profits. Another CEO might lead a corporation that espouses a
socially responsible approach to financial matters which is not in alignment with his or her own beliefs. How does such a CEO balance his or her personal beliefs with the needs of the corporation? And, if a CEO’s personal beliefs and management responsibilities collide, which takes priority?

The authors suggest that one of the most difficult topics of conversation for a CEO with his or her employees, officers, and the members of the Board of Directors is the one which articulates the definition of social responsibility that will be adopted by the business and defines how that level of social responsibility will be implemented within the corporation.

There are ethical conflicts at all levels. To the employees, getting their raise may be more important than changing their production process in order to save a tree. To the officers, implementing a new marketing plan to promote a profitable product may be more important than designing and promoting a socially responsible investment philosophy. To the Board of Directors, issuing a higher stock dividend may be more important than spending monies to improve the employees’ quality of life by providing employee day care.

Utilizing the A.C.T.I.O.N. Model, this paper presents the results of a series of inquiries of CEOs in the insurance industry in the Midwest in order to ascertain their definitions of social responsibility.

The A.C.T.I.O.N. model is implemented as follows: Asking the questions. These answers will help define the Constructs, including what social responsibility means to the CEO as well as to the corporation. Identification of the Triggers will also be a focal point of the interviews. The CEO will be asked to identify if there was an event or dilemma
that resulted in the corporation changing or reinforcing its philosophy of the importance of corporate social responsibility. Focus also will be placed upon identifying inducements. These incentives for the corporation and CEO to promote social responsibility both internally and externally will be explored during the interview. All of these questions will result in firm-relevant operational definitions of social responsibility for the CEO as well as the corporation. Ultimately, the authors posit that the interview will conclude with identification of the concept of networking as part of the dynamic process of corporate social responsibility models. These series of relationships are promoted by the bonds of social responsibility which are interwoven into the relationships between the CEO and the corporation.

Based upon these inquiries and the utilization of the A.C.T.I.O.N model, the authors will propose a more practitioner-based and user-friendly model to define corporate social responsibility. These inquiries will help us to develop a questionnaire based upon the dimensions outlined in the model, incorporating items and responses empirically based upon the vocabularies and range of responses from this pilot sample of CEOs. These inquiries are the first tentative step in an ongoing stream of research focusing on the actions, motivations and dynamics of socially responsible policies as encompassed by executives. This “view from the top” of corporations will energize academic debate on this critical topic area while at the same time providing much-needed relevance to research in the form of executive perspectives.

As a first step in this process, the authors developed a ten item survey. This preliminary survey focuses on capturing executive descriptions of the nature and intent of the firm’s code of ethics, a relatively concrete expression of social responsibility. By
beginning our stream of research in this relatively concrete domain we may learn more effectively about the complex dynamics of social responsibility by a focus on how executives “operationalize” codes of ethics. Subsequent research will gain from these insights as we systematically investigate the elements of the A.C.T.I.O.N. model.

Almost 100 surveys were sent out to executives in the insurance industry. An initial analysis of partial responses (12 responses for a 12 per cent response rate to date, with an upcoming return deadline approaching) finds:

- The responses range from very small companies to very large companies.
- Eleven of the responders have a code of ethics. One does not.
- The authors’ argument that the adoption of ethics codes is driven from the top is (so far) confirmed.
- Of the persons responding to the surveys, four were the CEO, five were the general counsel, two were the chief compliance officer, and one was the VP of Internal Audit.
- With respect to the 11 responders who had adopted an ethics code, of the people identified as the person/entity driving the creation of the ethics code, one was the Chairman of the Board, four were the CEO, 1 was the Chief Compliance Officer, one was the general counsel, one was the audit committee of the board, and three were identified as members of the board.
- With respect to the 11 responders who had adopted an ethics code, of the person/entity identified as having final approval of the code: two were the
CEO, three were the chairman of the board, five were members of the board, and one was the audit committee of the board.

- Perhaps of most interest were responses to item about whether the code has had a positive influence on the actions taken by company personnel. Five respondents said "we hope so but we don't know", five said "yes" and one respondent stated "Yes and we have specific examples of how it has..." One of the “we hope so" group said that with the next revision, they planned to do a survey to find out.

Taken in its entirety, this initial review of an as of yet incomplete return of responses supports many elements of the A.C.T.I.O.N. model and reinforces the authors’ contention of the promise of this approach to the subject. We look forward to a complete assessment and presentation of the full set of responses.