PROJECT DESCRIPTION

Abstract

This study argues that the personal values of CEOs will have a significant influence on their firm’s social performance (e.g., human rights policies, labor relations, environmental sustainability practices, safety standards). Specifically, it will be argued that a CEO who adopts Christian values derived from several Scriptural principles will help their firm have a positive impact on society. This hypothesis will be empirically tested using a sample of firms in the S&P 500 from 2004 by compiling data from four independent sources. The findings are likely to make contributions to business practitioners, Christian scholars, and to the broader academy of scholars.

Introduction

In the 1950s, Howard R. Bowen, the “Father of Corporate Social Responsibility” (Carroll, 1999; p. 270) noted that a few hundred large firms were “centers of power” possessing great influence over the lives of citizens which gave cause to ask “what responsibilities to society may businessmen reasonably be expected to assume” (Bowen, 1953; p. xi)? Bowen went on to describe corporate social responsibility (CSR) as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (1953: p. 6). After decades of academic research and business practice, focus on the topic has only increased. With such attention, new fields have been created attempting to find evidence of a firm’s CSR, referred to corporate social performance (CSP). A firm’s CSP reflects characteristics such as toxic emissions, treatment of
employees, diversity policies, product safety standards, human rights practices, and a host of other practices and policies which impact society.

However, societal stakeholders are not the sole beneficiary of CSP—firms themselves also benefit. Firms able to meet or exceed societal expectations develop strong positive reputations (Turban and Greening, 1996), enhance firm legitimacy (Handelman and Arnold, 1999), strengthen firm image (Brown and Dacin, 1997), reduce risk (Husted, 2005), develop valuable organizational capabilities (Sharma and Vredenburg, 1998), and are more likely to be viewed as ethical (Valentine and Fleischman, 2008).

With potentially beneficial outcomes for both society and firms themselves, it is becoming increasingly important to understand the antecedents of CSP (Waldman et al., 2006). Previous research has noted the importance of investigation on relevant managerial variables (Wood, 1991; Thomas and Simmerly, 1994). Specifically, the role of the CEO has been recognized due to its significant influence on CSP initiatives (Agle et al., 1999). As primary decision maker (Hosmer, 1982; Mintzberg, 1978), the CEO not only plays a critical role in core business strategies, but also in social strategies and resource allocation to such pursuits (Agle, Mitchell, & Sonnenfeld, 1999; Wood, 1991). Based on upper echelons theory (Hambrick & Mason, 1984), prior research has found that CEO characteristics (e.g., tenure, functional background, international experience, MBA education) influence selective perception, interpretations, decision-making, and ultimately firm outcomes including societal outcomes (Simerly, 2000; Slater & Dixon-Fowler, 2009, Slater & Dixon-Fowler, 2010). Based on upper echelons theory, I will extend this line of research by proposing that a CEO’s personal values will also influence their firm’s CSP.
Theory

First introduced by Hambrick and Mason (1984), upper echelons theory is based on bounded rationality (Cyert & March, 1963; March & Simon, 1958). The assumption is that executives are not able to comprehend and process all available information, but rather the situation is perceived with the executives’ limited cognitive resources. In addition, the limited information which is perceived is filtered through an interpretation process influenced by the executive’s experiences, values, and personality. These perceptions will then influence the choices made. In summing up the theory, Hambrick states that “the central premise of upper echelons theory is that executives’ experiences, values, and personalities greatly influence their interpretations of the situation they face and, in turn, affect their choices” (Hambrick, 2007). In essence, because the executive is unable to make a completely rational decision based on all available information, their choices will ultimately reflect their individual differences.

In their original articulation of upper echelons, Hambrick and Mason (1994) describe several characteristics which could influence an executive’s strategic choices (education, functional background, etc.). In Figure 1, they provide a summary of their theory and depict a unique status to the characteristic of values. They suggest that values is the only characteristic which could by-pass the interpretation process and have a direct influence on choice. The implication here is that when moral implications are present, personal values could override any other influences on strategic choice.
Given the unique place of values in the upper echelons framework, this study will focus on the effects of a CEO’s values which could influence their firms CSP—in particular Christian values. Several Scriptural principles would suggest that Christian CEOs should be very diligent in their CSP pursuits. First, the “Golden Rule” derived from Matthew 7:12 instructs Christians to ‘do unto others as you would have them do unto you’. Many corporate actions deemed to be socially irresponsible would likely apply. It seems doubtful many CEO’s would want their own water contaminated by mercury, yet executives regularly allow their firm’s to dispose of their waste in a method which will knowingly contaminate local water and wildlife. It also seems doubtful that many CEO’s would appreciate being “laid-off” without notice, yet executives regularly withhold lay-off notices (sometimes to be effective the same day) to their employees to avoid potential negative outcomes to their firm. A personal value such as the gold rule would suggest that a Christian CEO will be more likely to make socially responsible decisions given their consideration of the way they themselves would want to be treated.
A second Christian principle which has bearing on CSP is derived from Luke 12:48 indicating that from those who have been given much, much will be required. Other variations of this principle suggest that with great power comes great responsibility. This suggestion contains significant implications for these powerful Christian executives. The scale and influence of our largest companies are greater than that of many nations and as a result these businesses have a significant impact on our world (Samuelson, 2006). A single CEO has power over tens of thousands of employees, millions of other stakeholders (e.g., customers, shareholders, local communities), and billions of dollars. Thus, the responsibility for Christian CEO’s to use their power for societal good (or at the very least to avoid societal damage) is significantly enhanced.

Based on the above arguments, I hypothesize that:

\[\text{Firms whose CEO adopts Christian values will have significantly great CEP than firms whose CEO does not adopt Christian values.}\]

**Methods**

This study’s sample will consist of S&P500 firms and CEOs from 2004. Four independent data sources will be compiled for empirical testing. First, CSP data has been collected from KLD Research and Analytics Inc., an independent investment research firm specializing in firm ratings of environmental, social, and governance performance for use in investment decisions. KLD’s ratings of CSP have become frequently employed within academic research (e.g., Coombs, & Gilley, 2005; Johnson, & Greening, 1999; Turban & Greening, 1996). Second, firm level performance data (industry classifications, firm size, and prior financial performance) to be used as control variables has been retrieved from COMPUSTAT, an extensive database of financial information for all publicly traded firms. Third, several CEO
biographical variables (i.e., functional background, tenure) to be used as controls have been obtained from Spencer Stuart—a global executive search firm. Finally, data on CEO values will be measured by their affiliation (or lack thereof) with a Christian church to be collected from the Notable Names Database (NNDB). NNDB aggregates information on noteworthy individuals (similar to Who’s Who) including known affiliations with religious institutions. Data from all four sources will be compiled and analyzed to test this study’s hypothesis.

**Goals / Contributions**

This study will make several contributions to academic research, practitioners in business, and to the Christian scholarly community.

To academic research, the addition of a CEO’s personal values as a predictor of CSP contributes to CSP scholars’ further understanding of its antecedents. Given the importance of CSP for outcomes on business such as reputation and image, any variable which increases CSP enhances firm performance. In addition, this study makes a contribution to upper echelons research. While Hambrick and Mason (1984) suggested that values has a unique influence on strategic choice, this area is largely under researched, especially in regards to strategic choice on social outcomes such as CSP. Thus, this study will help fill a gap in the literature to further understand executive decision-making.

To practitioners in business who are concerned with firm performance, an understanding of enhanced CSP will likely be welcome. However, the application of the findings may be less useful as it is doubtful too many firms will begin hiring CEO’s on the basis of Christian values. However, at a more general level, understanding that the CEO’s personal values play a role in these outcomes could be taken into account to a greater degree.
To the Christian scholarly community, this study will contribute by providing evidence of Christian values being enacted in business, or a lack thereof depending on the results. Given the many complexities and variety of forces exerting their influence on firms, it would seem especially encouraging to see evidence of powerful Christians positively influencing the world through their given platform. On the other hand, if the results demonstrate no difference in CSP (or worse, a negative relationship), this study could still contribute as an encouragement for more executives to enact their faith in the workplace.

**Timeline/Dissemination**

The project will begin during this fall semester of 2011. A first draft will be completed by January 2012 for submission to the Academy of Management conference (submissions due in January). The ultimate outlet is yet to be determined and may depend on the nature of the study’s results. However, an initial target outlet would be the *Journal of Business Ethics* which attracts a wide academic and practitioner audience. The manuscript will be submitted to a journal after presenting it at the Academy of Management conference and making refinements based on feedback received.

**Budget**

The proposed budget for this project includes $1,000 for conference expenses and $3,500 for a stipend.
References


How my Christian faith relates to my understanding of my discipline.

‘It’s not personal, its business’ is a phrase often used to justify business decisions. The implicit assumption inherent in such a statement is that a double-standard is both understood and acceptable. The statement suggests that an action taken in one’s personal life could be viewed as inappropriate, but in the context of business the same rules don’t apply. However, I see nowhere in Scripture where we are allowed to selectively apply God’s principles to certain domains of our life and not others. As a business professor, I accept the principles of capitalism (within certain boundaries) which mandate a pursuit of profits. I understand and advocate a fierce drive for efficiency, productivity, and growth. However, based on my Christian worldview, I cannot condone the pursuit of such objectives using a standard other than the Bible. My faith establishes much needed boundaries on the methods I will teach students to use in their business activities. Based on Christian values, many commonly accepted business practices must be questioned, such as; the deception tactics involved in negotiation; the enhanced materialism inherent in marketing tactics such as manufactured demand; and the intentional destruction of competitors required by methods of hyper-competition. In addition to the boundary conditions, Christian principles also provide sound business counsel. For example, principles such as reaping what you sow have direct implication for the way a business should interact with their competitors. Likewise, principles such as servant leadership provide practical methods by which executives may be able to earn their subordinates trust and loyalty. Thus, the Christian faith influences my understanding of business by providing both boundaries and counsel.
How my Christian faith relates to this scholarly endeavor.

Several years ago, when selecting a topic for my dissertation I found myself intrigued by this notion of a business’s social responsibility. At the time, I didn’t even really evaluate why. After a few months of investment in the topic I began to realize that social responsibility aligned very closely with some fundamental personal values I have adopted as a Christian. Specifically, the “Golden Rule” derived from Matthew 7 and the principle of enhanced responsibility taken from Luke 12 (discussed in more detail in “Theory” section of the project description). When I discuss the topic of CSR in my business classes, I use these principles to teach students why I believe in the pursuit of socially responsible business. This research project allows me the opportunity to discover if Christian CEOs feel the same way and if they are moved to act on that belief. In addition, this project allows me to disseminate these ideas to a broader audience, perhaps even a secular audience. If the results turn out as hypothesized, I will be able to publish empirically rigorous research demonstrating that Christian principles enacted in business enhance a firm’s performance. As a Christian business academic, what a wonderful story that would be to tell.