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Financial Impact of Social Responsibility on Publicly Traded Insurers

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Walden University

College of Management and Technology

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Alaina J. Rowe Winman

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Walden University
2021

Abstract

Financial Impact of Social Responsibility on Publicly Traded Insurers

by

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MS, University of Maryland University College, 2010

BS, University of Maryland University College, 2007

Doctoral Portfolio Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

March 2021

Abstract

Despite significant annual spending on corporate social responsibility (CSR) initiatives, automobile insurance company stakeholders are not aware if there is a relationship between CSR spending and earnings per share (EPS). Leaders of publicly traded automobile insurance companies will benefit from understanding if CSR affects EPS and value creation so they can plan CSR spending and stakeholder management strategies. Grounded in the theoretical framework of stakeholder management theory and signaling theory, the purpose of this quantitative ex-post facto study was to determine if there was a relationship between charitable donations, community development spending, environmental spending, and EPS. Data were collected from publicly published financial reports for seven publicly traded automobile insurance companies and analyzed using multiple regression. The results of the multiple linear regression were not significant, $F(3, 29) = .067$, $p = 0.977$, $R^2 = 0.007$. A key recommendation is for leaders to participate in CSR initiatives, when financially feasible, to show community and environmental responsibility. The implications for positive social change include the potential for leaders of publicly traded automobile insurance companies to empower ongoing discussions about the importance of continuously reviewing literature and studies to determine the benefits of CSR initiatives that could increase stakeholder confidence with the community and environmental support.

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Table of Contents

List of Tables iii

Section 1: Background and Context 1

Historical Background 1

Organizational Context 2

Problem Statement 5

Purpose Statement 6

Target Audience 7

Research Question and Hypotheses 8

Significance 8

Theoretical Framework 10

Representative Literature Review 11

Stakeholder Management Theory 11

Signaling Theory 16

Financial Performance 20

Corporate Social Responsibility 21

Mandated Financial Reporting and Practices 25

Corporate Social Responsibility Reporting 28

Shareholders 29

Employee Engagement and Turnover 31

Stakeholder Perspective 33

Consumer Relationships 34

Stakeholder and Shareholder Value 37
Automobile Insurance Industry 40
Consumer Perceptions of the Insurance Industry 41
Gaps in Literature 44
Theoretical Framework or Program Theory 44
Problem 45
Transition 47
Method and Design 48
Transition and Summary 53
Section 3: The Deliverable 55
Executive Summary 55
Purpose of the Program 55
Goals and Objectives 56
Overview of Findings 57
Presentation of the Findings 57
Assumptions 60
Literature Relationship to Analysis 69
Recommendations for Action 70
Implications for Social Change 71
Skills and Competencies 72

List of Tables

Table 1. Descriptive Statistics..60

Table 2. Collinearity Statistics……..65

Table 3. Model Summary......................... ……………………………….....................68

Table 4. Regression Model...69

List of Figures

Figure 1. Power Analysis....................62

Figure 2. Linearity....................63

Figure 3. Normal Q-Q Plot....................64

Figure 4. Box Plot....................66

Figure 5. Residuals Histogram....................67

Section 1: Background and Context

Automobile insurers are often portrayed as businesses that provide consumers with poor service and lack concern for their customers and the general public (Gbadamosi & Yusuf, 2016). To combat this negative perception, many insurance companies are focusing more heavily on corporate social responsibility initiatives and spending in the way of charitable donations, community development spending, and other social initiative spending. While much of these data are not yet quantifiable, the intent of this study was to understand what is needed by insurance companies to determine the relationship between the initiatives and a company's overall financial performance and financial benefit to the organization.

Historical Background

Corporate social responsibility is a topic that has been researched, analyzed, and written about over the past several decades. Corporate social responsibility initiatives began taking place in the 1950s with increased involvement and focus occurring in the 1970s and continued growth, focus, and traction through the present time (Muhammad et al., 2017). Organizations benefit from participating in corporate social responsibility initiatives through an increase in customer loyalty, creating connections, and influencing customer perspectives of the company, though some consumers remain skeptical of organizational intent (Iglesias et al., 2020). Consumers, employees, shareholders, and stakeholders are demanding greater levels of responsibility from organizations and more detailed information and reporting about the steps taken to improve on corporate social responsibility initiatives (Zhang, Chong, & Jia, 2020).

While financial reporting is required for publicly traded companies (including automobile insurers) that answers many of the questions that consumers have about a company's practices, reporting specifically relating to corporate social responsibility remains optional. Automobile insurance companies are highly regulated as financial institutions and release annual financial reporting, with many beginning to also release reporting specific to their corporate social responsibility initiatives. Insurance is a service provided and not a tangible good, which leads to challenges with reputation because consumers typically only utilize the service after a disaster or emergency (Sakurai et al., 2011). It is common for consumers to have a negative perception toward insurance companies, even when they have not used the service (Gbadamosi & Yusuf, 2016).

As consumers continue to gain interest in the corporate social responsibility initiatives present in the companies with which they conduct business, the types of indicatives, reporting, and communication about what each company specifically participates in is becoming more prevalent. With this gained interest comes the important question of whether participation in corporate social responsibility initiatives impacts company profits and financial results. Publicly traded companies, including automobile insurers, have found mixed results when evaluating if corporate social responsibility initiatives impact overall financial performance, and research specific to insurance companies has been minimal and largely qualitative in nature.

Organizational Context

Large corporations operate with the purpose of creating profit, generating jobs, and paying taxes while creating value by satisfying customers and maximizing profits for

shareholders (Cavazotte & Chang, 2016). The primary purpose of the insurance industry specifically is to take over the risk of others (Singh, 2014). The publicly traded automobile insurance industry services customers by providing insurance policies and handling claims when accidents occur. This industry must evaluate risk, efficiently manage operations, and attract and retain customers (Segovia-Vargas et al., 2015). Organizations within this industry in the United States must please customers while also operating within regulations put forth by various regulatory authorities, including the Consumer Financial Protection Bureau and each state's insurance commission (Lee, 2017). Lee (2017) further stated that insurance advocacy groups and other consumer protection agencies are set up to protect consumer welfare when dealing with insurance companies.

While some insurance companies are organized with mutual funds, this study focused on publicly traded insurance companies. Publicly traded insurance companies, contrary to mutual-funded companies, are monitored by stock prices and analysis, investors, board members, and shareholders (Cheng et al., 2017). The three primary strategic factors impacting the publicly traded insurance industry are the risks stemming from underwriting guidelines, investments (including credit and liquidity), and nontechnical risks. Cheng et al. (2017) stated that publicly traded insurance companies are evaluated and monitored by boards of directors, the capital market, and the external threat of takeover from other companies.

Both internal and external factors impact the success or failure of financial institutions, including publicly traded insurance companies. Internal risks include, but are

not limited to, employee errors, product and project risks, reporting errors, and system capabilities and capacities (Jednak & Jednak, 2013). External risks include, but are not limited to, natural incidents and disasters, physical security, theft, regulatory changes, and supplier risks (Jednak & Jednak, 2013). Additionally, consumer perception will impact the success of the organization.

Multiple consumers have an aversion to insurance companies and the companies are not always positively portrayed (Gbadamosi & Yusuf, 2016). To combat the perception of poor service and lack of concern toward customers, many insurance companies are focusing more heavily on establishing and funding corporate social responsibility initiatives and spending. The consumer's moral emotions and attitudes are positive when corporate social responsibility actions are perceived; yet, depending upon the type of those actions, the regulation of those attitudes could differ (Xie et al., 2019). In order to participate in corporate social responsibility, a business must act morally, legally, and responsibly while pursuing profit (Mujtaba & Cavico, 2013). As social responsibility is a facet of sustainability, sustainability reporting helps protect business organizations address stakeholder pressure (Ekwueme et al., 2013). However, the overarching goal of a publicly traded insurance company is to be profitable because profit is the key to remaining a sustainable business.

One way in which insurance companies remain both profitable and sustainable is by customer retention. Insurance company performance is often measured in part by customer retention, customer satisfaction, and perceived service quality (Venugopal & Priya, 2015). Previous researchers have shown that customer retention is directly

correlated to corporate social responsibility initiatives and supporting community affairs organizations (Ogunshola et al., 2017). Given this correlation, insurance companies should focus on both customer retention and corporate social responsibility initiatives.

Problem Statement

Earnings per share is often used as an indicator of an organization's profitability and ability to generate sustainable internal funding (James et al., 2019). Corporate responsibility initiatives require significant discretionary funding and should be viewed as long-term investments (Camilleri, 2017). Corporate philanthropy spending in the United States exceeded $20 billion in 2014 (Raub, 2017). Prior researchers have demonstrated that corporate social responsibility initiatives do not necessarily improve financial performance but can reduce the risk of reputation losses and government penalties (Cho & Lee, 2017). Some prior studies have shown no relationship between corporate social performance and corporate financial performance, others have shown a positive relationship, while others have shown a negative relationship, which results in no conclusive evidence surrounding the relationship with social responsibility initiatives and overall financial performance (Cho & Lee, 2017). The general problem was the data set including charitable donations, community development spending, environmental spending, and earnings per share has not been used to examine the relationship between charitable donations, community development spending, environmental spending, and earnings per share in publicly traded automobile insurance companies. The specific problem was publicly traded automobile insurance companies, boards of directors, consumers, and other stakeholders are not aware if there is a relationship between

charitable donations, community development spending, environmental spending, and earnings per share.

Purpose Statement

The purpose of this quantitative, ex-post-facto study was to examine the relationship between charitable donations, community development spending, environmental spending, and earnings per share in publicly traded automobile insurance companies. The targeted population consisted of secondary data obtained from publicly traded automobile insurance companies operating and based in the United States. The independent variables from the data set were charitable donations, community development spending, and environmental spending. The dependent variable from the data set was earnings per share. The null hypothesis that there is no statistically significant relationship between earnings per share, charitable donations, community development spending, and environmental spending in publicly traded insurance companies was verified. The reported variance, F-ratio, and probability values did not indicate a statistically significant relationship between the variables across all the data sets that were evaluated. The results from this study may influence businesses within the publicly traded automobile insurance industry to participate in and/or report more thoroughly on charitable donations, community development spending, and environmental spending. The implications for social change include the potential to determine the relationship between social initiative spending and earnings per share, which could influence property and casualty insurers to make higher charitable donations, give more toward community development, and/or spend more on other social initiatives.

Target Audience

In this study, I focused on not only the perspective of each insurance company, but also of its stakeholders, both internal and external. Stakeholders include primary stakeholders, such as customers, employees, shareholders, and suppliers, and more broadly, the secondary stakeholders including communities (Sonpar, 2011). Customers include individuals who purchase automobile insurance. Customers may be interested in the findings of this study because they may choose to purchase insurance from a company that contributes toward charitable donations, community development, and environmental causes. Employees and shareholders may be interested in the results of this study because the overall financial performance of automobile insurance companies, including earnings per share, could impact their own personal finances and opportunities for growth. Secondary stakeholders, including community members and those benefiting from charitable donations, community development spending, and environmental spending, may be interested in the findings of this study because they are receiving a direct benefit from the social responsibility initiatives being supported by the automobile insurance companies.

The automobile insurance industry was the population focus of the study, specifically companies that are operating and based in the United States and are publicly traded. While there are some companies that operate independently or as mutual funds, I focused only on publicly traded companies because the financial reporting for these organizations is public information. The research included data from fiscal years 2015 through 2019 because these were the most recent complete years with published financial

reporting data. Only companies with published social responsibility spending were included. To address the possibly limited sample size due to not all companies including social responsibility spending in annual financial reporting because it is not a requirement, I narrowed the population and specifically included companies for which this reporting is included annually.

Research Question and Hypotheses

RQ: What is the relationship between charitable donations, community development spending, environmental spending, and earnings per share (EPS)?

H_0 – There is no statistically significant relationship between charitable donations, community development spending, environmental spending, and EPS in publicly traded insurance companies.

H_a - There is a statistically significant relationship between charitable donations, community development spending, environmental spending, and EPS in publicly traded insurance companies.

Significance

In a competitive business market, consumers seek service providers that offer more than just the lowest rate; the consumer is often seeking an overall experience and a company with whom trust is established (Jeng, 2011). Current research surrounding the financial impact of corporate social responsibility in business, specifically in the insurance industry, when reviewing the relationship between corporate social responsibility and return on assets, return on equities, and EPS have produced conflicting results (Manokaran et al., 2018). While some research has indicated that corporate social

responsibility is positively related to business financial performance, other research has shown inconsistent financial results when correlated with corporate social responsibility (Kim, 2010). These inconsistent results merit further research that is industry specific to obtain accurate, specific results surrounding the relationship between corporate social responsibility and financial performance. Additionally, there is little research on financial performance related to social initiative spending, community development spending, charitable donations, and EPS, specifically within the insurance industry. In this study, I determined the relationship between social responsibility spending and financial performance within the publicly traded automobile insurance industry.

The relationship between financial growth and long-term sustainability has been researched, and it is largely concluded that this growth must be responsible to be sustainable long term (Hill & Seabrook, 2013). Additionally, companies must be cognizant of sustainability practices and work to incorporate these practices to sustain long-term financial growth in the business in a responsible manner (Hill & Seabrook, 2013). The current secondary data analysis helped clarify if the practice of responsible financial growth contributes to long-term financial performance and sustainability, specifically within the automobile insurance industry.

Understanding the relationship between corporate social responsibility and financial performance within the automobile insurance industry could help insurance companies determine in what areas spending and growth is responsible and how this contributes to long-term sustainability and profitability. This study contributes to positive social change by determining the relationships between charitable donations and EPS as

well as social initiative spending and financial performance, which could influence insurance companies to spend more money on charitable donations, which, in turn, could influence other industries and consumers to contribute toward charitable causes.

Theoretical Framework

This quantitative study was based on Freeman's stakeholder management theory. Stakeholder management theory was first introduced by Freeman in 1984 and related the idea of stakeholders, presented first in the 1930s, to what businesses owed to these stakeholders (Lindborg, 2013). According to Freeman et al. (2004), stakeholder theory first focuses on the purpose of the organization and second on any responsibility to stakeholders. Freeman et al. stated further that the basic premise of stakeholder theory is to focus on the importance of building relationships with and investing in those who have an interest in the business. Social responsibility is a facet of sustainability, and sustainability reporting helps protect business organizations against stakeholder pressure (Ekwueme et al., 2013). Stakeholder management theory ties in to corporate social responsibility spending because the theory focuses on the relationships between the organization and stakeholders, which is one of the principles of corporate social responsibility as opposed to other theories that may only focus on one aspect of the business rather than relationships and ethical principles. Stakeholder management allows organizations to build intrinsic value through relationships and ethical decision-making (McVea & Freeman, 2005).

Representative Literature Review

Corporate social responsibility is an integral part of corporate sustainability. A plethora of research has been completed on the relationship between social responsibility initiatives and overall corporate sustainability, but a minimal amount of this research is specific to the insurance industry. The first section of the literature review includes information on some of the research completed on the theoretical framework of this study. In the second section of the literature review, I discuss the insurance industry and theories that will help inform further research on the topics presented in this study. The literature reviewed comprised 90% peer-reviewed journal articles spanning several countries as well as information from the Insurance Information Institute and government sources related to accounting and financial reporting practices.

Stakeholder Management Theory

Stakeholders are a crucial and necessary part of any business organization. A strategic management model, when aligning with stakeholder interests, includes direction, program formulation, budgeting, control, and structure and systems (Freeman, 1984). Stakeholders that should be considered when making strategic management decisions include any groups that could affect the organization as well as those who could be affected by the organization (Freeman, 1984). To create intrinsic value for these stakeholders and contribute toward sustainable development when making strategic management decisions, social and environmental issues must be interlinked (Hörisch et al., 2014). Stakeholder management theory is often categorized into three subsets (i.e., descriptive, normative, and instrumental), with instrumental stakeholder theory focused

on stakeholder relationships that are built on traditional ethical principles (Jones et al., 2018). I used stakeholder management theory as the theoretical framework for this study.

Some stakeholders are easily identifiable while others are more difficult to identify. The first step when considering stakeholder management theory is to determine what and who qualifies as a stakeholder (Reed, 1999). Reed (1999) agreed with Freeman (1984) that a stakeholder is someone affected by an organization's decisions but stated further that a stakeholder should have an interest in the way things ought to be and the organization's values and practices surrounding business ethics. While there are many interpretations of what constitutes a stakeholder, it is important to note that there are instances where a stakeholder relationship may exist even if it is not recognized by organizational management or the stakeholder (Miles, 2017). Failure to recognize stakeholder relationships and the importance of those relationships could lead to negative financial impacts for the business.

Maintaining a positive and constructive stakeholder relationship creates many benefits for an organization. Some scholars and business professionals have made a general assumption that stakeholder management strategies, when grounded in ethical practices, regardless of context, will have a positive effect on financial performance (Jones et al., 2018). While the bottom-line financial impact is important to all organizations, stakeholders being and feeling a part of a larger community within the organization is important because this sense of community leads to inherent value and this sense of community and inherent value can lead to a sustainable competitive advantage in the marketplace (Jones et al., 2018; Reed, 1999). This competitive

advantage may not include shareholder profits or overall financial gain for the organization but rather lower costs, higher moral motivation, higher quality stakeholder attraction, and other reciprocal factors (Jones et al., 2018). Reciprocal factors are varied for each organization but could include outside influences, such as environmental or other sustainability improvements.

Value creation is important for each identifiable stakeholder group. Rather than focusing solely on shareholders, organizations should focus on creating value for all stakeholders while also considering community and environmental factors and sustainability (Tarigan et al., 2019). Stakeholder management is a core competency that should be used to affect bottom-line results by creating value for various stakeholders (Loi, 2016). Value creation can be measured in the form of economic value added, which determines how an organization has created and enhanced wealth for stakeholders while also measuring the efficiency of management practices in utilizing capital (Tarigan et al., 2019). Because the goal is for an organization to maximize benefits to all stakeholders, this value and benefit creation and improvement will inherently maximize the organization's performance (Částek & Cenek, 2017). Maximizing organizational performance is more easily completed when stakeholders are properly identified and managed.

Stakeholders must be identified, categorized, and have their priorities determined in order to assess any potential conflict between stakeholders and shareholders. This categorization leads to an understanding of management's role toward shareholders and stakeholders, responsibilities that lie within each subgroup (e.g., employees,

shareholders, and consumers), and what can influence or create conflict amongst these subgroups (Reed, 1999). Focusing on stakeholder roles and management could help to attract high-quality stakeholders, which is important for the organization's bottom line and can lead to a communal relationship where stakeholders and shareholders are contributing toward the organization's wealth creation and inherent value (Jones et al., 2018). Taking a unique approach to stakeholder management is what creates higher levels of success because innovation in this area can lead to greater economic gain (Verbeke & Tung, 2013). Innovation cannot supersede organizational alignment with goals, value creation, and competitive advantage.

With so many possible stakeholders involved in any organization, focusing on each stakeholder group's priorities and needs is crucial. While stakeholder identification, categorization, and priority determination are crucial pieces of stakeholder management theory, it is also important to balance the entire system of stakeholders (Freeman et al., 2020). Part of achieving this balance is identifying stakeholder values, norms, and ethics (Freeman et al., 2020). By identifying these key areas, business leaders can determine if the business is aligned with their stakeholders. If alignment exists, trust can be built that leads to value creation and sustainable competitive advantage (Freeman et al., 2020). Part of creating competitive advantage is fostering relationships between the organization and its various stakeholders.

Stakeholder relationships are multifaceted and must be viewed from several angles to ensure effectiveness. Fostering the stakeholder–organization relationship can increase the organization's competitive advantage and create economic value (Jones et

al., 2018). While this value is not necessarily attributed to higher shareholder returns or organizational profit, it could include lower cost, higher moral motivation, higher quality stakeholder attraction, and other reciprocal factors (Jones et al., 2018). This does not mean that successful stakeholder management always leads to positive organizational change.

As with any theory related to business, limitations on the effectiveness of stakeholder management theory exist, even when the stakeholder–organization relationship is seemingly successful. Stakeholder management theory has limitations including leaving questions about how stakeholder interactions are influenced and how interactions with stakeholders can influence and change corporate political strategy (Ferrary, 2019). A systemic shock can occur (as is outlined in complex network theory), which can prompt interactions between stakeholders and destabilize a prescribed system (Ferrary, 2019). These systemic shocks can occur either intentionally or randomly and can impact how the organization handles corporate political strategies (Ferrary, 2019). Interactions occurring after a systemic shock could either influence the company in a positive or negative manner, and stakeholder management theory helps to determine how the stakeholder responds to these shocks and interactions through urgency, dependence, and legitimacy (Ferrary, 2019). Stakeholders who themselves possess urgency, dependence, and legitimacy are more salient to managers in organizations, and managers must decide how responsive and urgent they are toward these stakeholders (Uysel et al., 2018). For these reasons, balancing stakeholder needs and wants with organizational needs and wants is crucial.

There are instances when stakeholder desires do not align with organizational desires and/or goals. A crucial part of stakeholder management is balancing and prioritizing competing stakeholder demands, specifically when they are not aligned (Uysel et al., 2018). Stakeholder salience theory argues that stakeholders are more salient to organizations when they possess legitimacy and power, which lead to authority and concern from the organization (Uysel et al., 2018). While there are salient stakeholders, the argument remains whether an organization should be run based upon stakeholder or shareholder interest (Vilanova, 2007). A salient stakeholder may easily accept when a decision is made for the benefit of shareholders as opposed to all stakeholders. If considering only financial outcomes, the shareholder perspective will win over the stakeholder perspective, but when considering all facets, including corporate stewardship, where social responsibility initiatives could come into play, stakeholder management theory is important because the manager will consider the needs and wants from a stakeholder perspective relative to power, legitimacy, and urgency of that stakeholder (Vilanova, 2007). Part of interpreting these stakeholder needs and wants is understanding the signals that are being sent between the organization and the stakeholder groups.

Signaling Theory

Signals are constantly sent to and from organizational stakeholders, whether intentional or not. Signaling theory consists of three primary elements: the service provider, the customer, and the signal (Boateng, 2019). The organization sending the signal (i.e., the service provider in most cases) may attempt to influence the customer by sharing information about quality of service, branding, and other activities (Boateng,

2019). Because the service provider inherently has greater knowledge about the product than the customer, the service provider's goal is to send signals that will influence the customer's decisions and perception of the service provider, specifically when the quality of the service being provided is not known by the customer until consumption (Fleming et al., 2018). Signals are crucial to insurance company interactions with customers because these companies specifically provide a service, as opposed to a product, that consumers hope they never have to use but are often required to purchase. It is important for the service provider to send consistent and intentional signals to consumers and other stakeholder groups.

Organizations send many, varied signals and these signals must be intentional, accurate, and purposeful to be successful and create open lines of communication through all possible avenues. Various signals are sent to consumers, specifically surrounding corporate social responsibility initiatives through several forms of media, including, but not limited to social responsibility reporting, social media, and other forms of marketing (Saxton et al., 2019). Organizations are likely to communicate their social responsibility involvement and initiatives through signals because some investors and consumers want to evaluate the organization's performance with social responsibility (Utgård, 2018). While some signals are one-way, including marketing campaigns and published social responsibility reports, other signals can lead two-way communication and countersignals from consumers, including social media responses and other methods of communication (Saxton et al., 2019). One and two-way signals can be started at both the organization and the consumer level.

Corporate social responsibility initiatives are often influenced by signals to and from shareholders, customers, community members, and other stakeholder groups. Shareholders send signals to managers within the organization to convey their thoughts and feelings surrounding corporate social responsibility and environmental initiatives (Lund, 2019). Upon sending these signals, the shareholder expects a response in the form of changes to policy, organizational activities, or personal response regardless of management's desire to respond or make changes (Cundill et al., 2018). Organizational leaders send signals to shareholders and stakeholders via news that shows the effect of corporate social responsibility initiatives on the organization's value or cash flow, whether through same day news or through later reporting (Groening & Kanuri, 2018). This signaling process may include dialogue or symbolic responses rather than change (Cundill et al., 2018). Much of this dialogue and symbolic response system takes place in an online format rather than face-to-face consumer interaction.

It is important for an organization to consider signaling theory when participating in social media posting, including when using hashtags on Twitter and other forms of social media. Some companies have created feeds that include information specific to social movements and social responsibility and use this format to send signals to customers (Saxton et al., 2019). It is unclear if it is effective for an organization to use a hashtag tied to an existing social movement (e.g., #CSRChat, #GirlRising), but the overarching goal when using this communication method is to send a signal that will increase the organization's reputation in the public eye (Saxton et al., 2019). Research shows that the public wants and responds positively to social responsibility messaging

and that the messages are more likely to be shared when the content of the signal is the social responsibility related topic on an account that focuses specifically on that topic as opposed to a marketing-related signal (Saxton et al., 2019). While the public responds positively to social responsibility messaging, consumers can be skeptical about underlying tone and ulterior motives if this information is presented in such a way that the consumer views it as self-serving (Kim, 2019). Striking a delicate balance between sharing positive information and deeds and not self-promoting is of importance in the insurance industry because consumer trust is typically low, and this skepticism can lead to negative signals and communication even when not intended.

Negative signals and communication can impact a consumer or other stakeholder's opinion of the organization more severely than positive signals and communication. Interactions often occur online through various methods including social media, and positive online interaction and the signals sent during this interaction can help convey reliability and dependability (Boateng, 2019). Like social media impacts, negative word of mouth communication carries significant signaling power (Stockman et al., 2020). Negative word of mouth can have negative impact on an applicant's attraction to an organization even if the organization is well-known and has a positive reputation (Stockman et al., 2020). Signaling theory suggests that when presented with inconsistent information, people find it more difficult to process new information, which can present a challenge when comparing an organization's reputation and negative word of mouth (Stockman et al., 2020). Signals, communication, and business reputation help influence

a consumer's purchasing choice, and financial performance influences an investor, employee, or other stakeholder's choice.

Financial Performance

Businesses have many goals and competing priorities. According to many scholars and business professionals, the primary goal of an organization and the primary responsibility of a manger is to maximize profit for both the organization owner and its shareholders (Friedman, 2017; Manokaran et al., 2018). Contrary to this notion, others believe that with the introduction of corporate social responsibility and stakeholder management, organizations and managers still have a primary responsibility to shareholders, but also have responsibility for stakeholders (Atif, 2019). Goals for both maximizing profit and being responsible to stakeholders can be met in addition to standard business activity by incorporating environmental, social, and economically responsible practices (Jang et al., 2019). Regardless of the organization's function and practices, measuring and evaluating financial performance is required.

One way in which financial performance for publicly traded companies can be measured is EPS. EPS is one of the most important financial results to investors (Al-Natsheh & Al-Okdeh, 2020). Publicly traded companies publish EPS as part of their annual financial reporting. EPS is commonly forecast long term for businesses and these forecasts influence investment strategies and valuation models (Jung et al., 2019). EPS is commonly calculated by dividing profit by outstanding stock shares, though some variations will deduct dividends from profit and weight the average number of outstanding shares.

Corporate Social Responsibility

Corporate social responsibility principles and practices have evolved over the past 70 years. Social responsibility practices did exist prior to conceptualization but were referred to in broad terms and actions including welfare and service (Husted, 2015). The principle and practice of corporate social responsibility was conceptualized in the 1950s and in the late 1970s organizations identified that focus on these factors was important (Muhammad et al., 2017). In the 1990s, shareholder thoughts and ideals were considered as part of corporate social responsibility (Muhammad et al., 2017). As time continues to pass, organizations are becoming more focused on different facets of corporate social responsibility and how these practices influence the organization.

In recent years there has been an increased focus on corporate social responsibility at all levels within a business. The 2016 Global RepTrak 100 report findings showed that 64% of CEOs surveyed included corporate social responsibility initiatives in their strategies, 45% thought that investors wanted more corporate social responsibility investments, and social responsibility is an important part of reputation and can lead to improved financial performance and stock values (Iglesias et al., 2020). Evidence exists that corporate social responsibility success and practice is linked to CEO ability and characteristics (Yuan et al., 2019). Further, corporate social responsibility initiatives can increase customer loyalty, create connections, and influence customer perceptions, though sometimes in a negative manner as some consumers are skeptical of the intent behind these practices (Iglesias et al., 2020.) The increased focus on the

benefits of corporate social responsibility initiatives has resonated with consumers and helped build brand loyalty.

Brand loyalty stemming from corporate social responsibility initiatives occurs at both the consumer and employee level, specifically when consumer and employee involvement is encouraged. When consumers are able to provide input and/or participation in an organization's corporate social responsibility initiatives, the consumer will in turn have a greater level of trust and commitment to the organization when communication is clear and both consumers and employees are involved (Iglesias et al., 2020). Beyond having input into social initiatives, consumers and employees feel a closer connection and are more likely to support the organization's brand when they feel closely connected to its corporate social responsibility initiatives (Cha et al., 2016). Though benefits of corporate social responsibility are becoming clearer as time passes, these practices remain largely voluntary and not every organization actively participates in or publicizes its actions.

Benefits are not limited to consumer and employee brand loyalty. While corporate social responsibility still largely remains voluntary for organizations, a contemporary approach to corporate social responsibility focuses on a triple bottom-line approach including economic, environmental, and social concerns (Hussain et al., 2018). When considering the triple bottom-line approach, corporate social responsibility initiatives are directly related to issues of corporate governance and sustainability in all organizations across the globe (Geetika & Shukla, 2017). Research has proven that corporate governance mechanisms help organizations develop in a sustainable manner and that

governance and sustainability practices complement one another in relation to stakeholder management (Hussain et al., 2018). When making decisions around corporate social responsibility initiatives, decision makers must balance both internal and external sustainability concerns with stakeholder expectations and desires. Stakeholders continue to expect greater involvement in various initiatives, including a more recent involvement in environmental issues.

As time passes, consumers are beginning to expect more involvement at the organizational level in environmental issues. Corporate social responsibility became a focus of organizations in the late 1970s, though it was initially conceptualized in the 1950s, and in recent years environmental concerns have been in the forefront for organizations and their stakeholders (Muhammad et al., 2017). Environmental responsibility has become a dominant theme and continues to become both a challenge when trying to maintain stakeholder expectations and a source of competitive advantage when properly executed (Lee et al., 2018). Larger organizations receive more pressure to conduct business in an environmentally conscious way and can have a greater impact on customers through their environmental practices (Seroka-Stolka, 2016). As such, an organization’s response to stakeholder pressure surrounding environmental responsibility should be more proactive rather than reactive in order to positively contribute to the organization’s competitive advantage.

A proactive approach to corporate social responsibility has benefits beyond those reaped from a reactive approach. Focus on corporate social responsibility has the potential to lead organizations to innovation (Bocquet et al., 2017). Further, organizations

that participate in social responsibility initiatives find higher value in their innovation efforts (Mishra, 2017). Innovative companies often create information asymmetry to consumers which can cause a negative perception. This negative perception can be combatted by continued focus on corporate social responsibility initiatives which leads to a more positive consumer perception as well as increased purchase intention (Upadhye et al., 2019). In addition to innovative gains, responsible practices positively influence the community and the organization itself.

Many organizations began participating in social responsibility initiatives out of moral obligation and due to consumer and/or employee demand. Beyond this initial reason for involvement, social responsibility practices can also claim to celebrate exceptional behaviors, encourage improvement, and punish those who exploit society (Heath & Waymer, 2019). Social responsibility practices can lower costs, increase community resources and programs, and help solve community-based problems (hunger, energy crises, etc.); (Heath & Waymer, 2019). Despite the positive outcomes, it can be argued that the motivation for being socially responsible is one of self-interest, but this does not negate the impact and benefits to the community (Heath & Waymer, 2019). Regardless of the reasons for involvement in responsible practices, both individuals and businesses have the ability to initiate and define their responsible practices and abide by the commitments made to act responsibly (Williams, 2019). When businesses engage in responsible practices, decision makers within the business choose if and how to share information surrounding those practices and whether to include details in their mandated financial reporting.

Mandated Financial Reporting and Practices

Insurance companies use statutory accounting principles rather than generally accepted accounting principles as the former are more conservative in nature and help to ensure that insurance companies have the proper amount of funding to cover possible expenses. Statutory accounting principles identify profit sharing and shareholder/policyholder obligations which are crucial to conducting business as an insurance company (Gambaro et al., 2018). Insurance companies are required to regularly set reserves, which are potential liabilities in the form of loss reserves and premium reserves that are yet to be paid. Insurance companies use premium dollars for investments in order to increase capital. In addition to loss reserves and investment funds, it is important for an insurer to monitor combined ratio, which reflects whether the company is operating with an underwriting loss or profit (Insurance Information Institute, 2019). Every aspect of a publicly traded insurance company's required financial practices is typically released in a published financial report.

Most insurance companies operating and conducting business in the United States are required to create statutory financial statements based upon federal and state requirements and variations. These reports include solvency information to ensure that the policyholder and any additional legal requirements are met. Solvency reporting helps protect consumers and creates additional transparency (Chmielowiec-Lewczuk, 2016). Insurance company financial reporting in accordance with statutory accounting principles includes consideration for conservatism, recognition, and consistency. Conservatism protects policyholders against financial fluctuations through adverse conditions,

recognition includes the ability to meet financial obligations, and consistency includes comparable and meaningful financial documentation and information in accordance with statutory accounting principles (National Association of Insurance Commissioners, 2019). Employees at all levels of the insurance company hold responsibility for financial transactions and reporting.

The Sarbanes-Oxley Act holds publicly traded executive officers responsible for financial statements, audit controls, and whistleblowing protection. The Sarbanes-Oxley Act was created with the intention of improving trust between publicly traded organizations and their stakeholders by encouraging and requiring ethical behaviors and reporting (Gordon & Nazari, 2018). The Sarbanes-Oxley Act was intended to push organizations away from minimal compliance only and create a legal requirement for ethical financial behavior, reporting, and decision-making and create a higher level of transparency for stakeholders (Ahluwalia et al., 2018). Stakeholders have come to expect high levels of transparency in financial reporting and significant detail in the published reports.

Annual financial reporting includes many financial results and detail-oriented breakdowns of the company’s financial status. For the purpose of this study, EPS was the focus of financial performance. EPS is measured by dividing the organization’s net income by the number of outstanding shares. EPS reflects how profitable an organization is based upon individual shares and shareholders which allows for various organization sizes to be compared (Ng et al., 2019). Insurance companies vary greatly in size and stock price, therefore evaluating earnings per share will create higher confidence in the

results of the study. EPS is a standardized calculation that is included in most company's annual reporting.

In addition to earnings per share, companies determine what level of detail and what other non-mandatory information will be included. While the majority of public financial reporting for financial institutions (including insurance carriers) is mandatory, the release of this reporting and data is used as a method of communication between the organization and its stakeholders and can lead to continuous dialog which reduces the risk of mistrust or misunderstanding (Zhang et al., 2020). Mandated public financial reporting can influence stakeholders and the general public, but it can be misleading and lead to an inaccurate confidence level or assessment of the organization (Zhang et al., 2020). Financial reports can be interpreted in different ways and the quality, timeliness, and transparency, and exhaustiveness of these reports influences consumer confidence (Petrova, 2016). Mandatory financial reporting when coupled with corporate social responsibility reporting can provide the consumer and stakeholders with additional information with which the consumer and stakeholder can make an informed assessment.

Corporate Social Responsibility Reporting

An increase in voluntary financial reporting coupled with greater transparency and detail in mandated reporting has occurred recently. While corporate social responsibility reporting is not mandated by the government, an increased demand from stakeholders for transparency and a growing demand for responsible practices surrounding environmental, social, and economic factors has occurred (Manokaran et al., 2018). Voluntary corporate disclosures on environmental and social responsibility are growing in popularity for organizations as well as growing in demand from consumers as an addendum and additional resource to evaluate the organization's performance (Zhang, Chong, & Jia, 2020). Consumers are beginning to demand obtainable and transparent information on businesses' involvement in and support of various social responsibility initiatives.

Despite the increased demand for social responsibility reporting, the reporting is still not mandatory, but business participation is growing. With increased demand for social responsibility reporting coming from mandatory government requirements, stakeholder demands, transparency demands, and general increased interest comes increased reporting as is outlined by a 35% report rate in 1999 and a 92% report rate in 2015 according to a survey completed by KPMG (Cook et al., 2018). Environmental reporting specifically has been proven to positively impact earnings per share in Malaysia as the reporting helps to portray the organization in a positive manner and builds trust and subsequent further investment (Ng et al., 2019). Though relationships have been proven between corporate social responsibility participation/reporting and consumer trust, the

relationship between corporate social responsibility participation/reporting and financial performance is not yet defined.

The lack of clear and definitive understanding surrounding the relationship between corporate social responsibility and financial performance has led to recent research on the relationship. Research is still ambiguous and inconclusive regarding the relationship between corporate social responsibility reporting and overall financial performance (Mukherjee & Nuñez, 2019). Mandatory disclosure of nonfinancial information could increase the quality of overall financial reporting (including the release of corporate social responsibility information) per a study completed in China, but future research is required to determine this relationship in developed markets (Wang et al., 2018).

Shareholders

Shareholders are the interested parties who hold stock and shares in a publicly traded business and these shareholders have varying levels of involvement in the business. Shareholder involvement influences organizational performance, risk taking, and innovation (Zhang et al., 2018). Shareholders should be cognizant of an organization’s risk-taking prior to making decisions about their interest in the organization, and organizations should be cognizant of shareholder interests as internal governance in the form of shareholder participation is often more impactful in reducing issues than external governance (Zhang et al., 2018). Shareholder centric governance programs have the potential to be detrimental to management, but managers can be protected against the potential for detrimental effects when short-term provisions are

made for limited commitments, but long-term accountability is valued by the organization (Borghesi et al., 2019). Businesses have a responsibility to satisfy shareholders with both the financial and social decisions made, whether the shareholders have input into those decisions or will be able to provide feedback. The varying levels of shareholder involvement in businesses can lead to different business strengths and challenges.

While, traditionally, shareholders have held voting power, there are now multiple levels of shareholder involvement available. Some companies are now issuing nonvoting shares at a lower cost than voting shares which is arguably making corporate governance more efficient (Lund, 2019). In addition to voting powers, shareholders influence organizations through forms of activism including conversation with management or proposals, even when not voting (Lund, 2019). Conversely, implementation of governance policies that limit shareholder activity and rights during periods of uncertainty can allow for organizations to respond to shifting market conditions (Borghesi et al., 2019). One of the most common times for shareholder interest to be challenging for a business is when the business is faced with adversity and/or disagreement.

One shareholder concern during a time of adversity and/or disagreement that specifically relates to liability insurers is litigation. Shareholders (as well as other entities including employees and suppliers) can file litigation either individually or as a class action against the organization (Park, 2018). When an organization has a fiduciary duty to its shareholders, there is an inherent risk for litigation and risk for disagreement among

parties. When this inherent risk is present, there could be a correlation between the quality of the disclosure of corporate social responsibility and litigation risk (Zi-hang et al., 2014). The inherent litigation risk and subsequent negative company perception can be partially offset by corporate social responsibility initiatives.

Shareholders often weigh risks and benefits when investing in a business and also consider their own perception and intended level of involvement with the company. Many businesses view shareholder engagement and involvement as a means to build a strong long-term relationship, not only to close a sale (Beckers et al., 2018). Shareholder involvement drives corporate social responsibility investments that are financially motivated and drive organizational profit and reduce the risk of negative social issues including discrimination lawsuits, noncompliance with regulatory requirements, and other lawsuits and penalties (Chen et al., 2020). Further, shareholders affect social responsibility initiatives that lead to long-term progress and goals, not only short-term demands by investors (Chen et al., 2020). Shareholder involvement has long-term benefits so businesses must actively engage and interact with their shareholders in order to foster these relationships and reduce risk. In addition to shareholder demands, employees have demands that must be met by the company.

Employee Engagement and Turnover

Employee quality and retention leads to greater employee engagement and subsequently greater organizational success. Successful organizations attract and retain quality employees, and the impact of corporate social responsibility initiatives on these employees is becoming more prevalent (Mella & Gazzola, 2016). Employees who are

engaged in social responsibility initiatives within the organization recognize that there are returns for their own personal engagement as well as positive returns both socially and economically (Slack et al., 2015). When employees are engaged, they contribute positively to overall business goals and performance.

Employee engagement is important as it impacts not only the employee positively, but also the business and its consumers. Employees feel highly engaged when their organization cares not only about its customers, but also about its employees by practicing both external social responsibility in the form of various community and charitable work, but also internal social responsibility in the form of engagement and developmental activities (Ferreira & Oliveira, 2014). Employees who are highly engaged and participate in social responsibility initiatives that lead to their increased happiness are rejuvenated and invested in the organization as they feel their values align with those of the organization (Gupta & Sayeed, 2016). Employees who are aligned with the business are more likely to remain loyal to the business and not seek alternate employment.

Employee turnover rates are affected by employee engagement levels. Organizations that are mindful of social impact benefit from higher levels of engagement in the forms of motivation, satisfaction, morale, and lower turnover (Camilleri & Nisar, 2016). Social responsibility initiatives positively influence employee engagement and can improve employee turnover intention when there is goal congruence between the organization and its employees (Lin & Liu, 2017). Social responsibility initiatives can be a reason for employees to join and stay at an organization and for this reason, organizations should focus on the effect of social responsibility initiatives when

recruiting and retaining employees in order to achieve lower turnover (Camilleri & Nisar, 2016).

Stakeholder Perspective

Businesses have a variety of stakeholders and are responsible for fostering relationships with their stakeholders. Building and maintaining a trusting relationship between stakeholders and the organization fosters an environment for positive long-term organizational performance (Barnett, 2019). An organization that focuses on orientation toward stakeholders' desires and creating a positive relationship with stakeholders results in the reduction of implicit costs, while an organization that focuses on managing costs and keeping stakeholders satisfied but at the expense of a lack of focus on social responsibility initiatives may create unintended competitive disadvantages (Brulhart et al., 2019). Orientation toward meeting stakeholder desires specifically around environmental sustainability creates an environment of trust and collaboration (Brulhart et al., 2019). Collaborative efforts between the business and its stakeholders can create higher levels of consumer trust and positively impact the business' image.

Value creation is, in part, tied to the company's image and consumer perception. Participation in corporate social responsibility initiatives signals high quality and a positive image for the organization (Mishra, 2017). Participation in corporate social responsibility initiatives and sustainability practices also influence the quality of goods and services, cash flow, customer loyalty, and the organization's overall image and perception (Ngai et al., 2018). Stakeholders expect the company with which they conduct business or invest to be accountable and operate in a responsible manner.

External stakeholders have high expectations with companies as they are often not able to know the day-to-day operations and rely upon information that is reported out and becomes accessible to them. This is part of the reason why external stakeholders place increased demands on organizations to increase accountability for social and environmental issues (Hasan et al., 2018). When participation in corporate social responsibility initiatives is communicated, it is a branding tool for the organization and becomes a strategic marketing tool (Ahmad et al., 2016). When used as a marketing tool, corporate social responsibility initiatives can impact consumer relationships with the business.

Consumer Relationships

Consumers often conduct research prior to engaging in business with a company. Organizations should participate in corporate social responsibility initiatives because consumers are significantly more likely to purchase from an organization if they perceive high levels of involvement in corporate social responsibility initiatives (Upadhye et al., 2019). This is the case even when a consumer does not identify with the organization and thus information surrounding the organization's corporate social responsibility initiatives should be shared in order to build the organization's reputation (Kim, 2019). Even when corporate social responsibility initiatives are shared with consumers in a promotional manner, those consumers will still have a more positive perception of the organization's reputation.

Many organizations share their corporate social responsibility practices and initiatives in various formats including marketing, social media, and annual reporting.

Cause-related marketing (as a part of corporate social responsibility initiatives within the organization) can trigger empathetic responses and association with the consumer's moral identity which can influence the consumer's decision on purchase intentions (Yang & Yen, 2018). Regardless of the medium for sharing cause-related marketing and corporate social responsibility initiatives, there is an increase in the perception of those initiatives and practices and the consumer's loyalty, intentions, and behaviors (Mercadé-Melé et al., 2018). As consumers are influenced by marketing, organizations must share details around their initiatives, morals, and practices in order to positively influence consumer purchasing behaviors rather than creating a negative perception either through lack of socially responsible practices or lack of marketing these practices. Consumer perception influences purchasing behavior and long-term brand loyalty.

Consumers make purchasing decisions in part based on the messages that are sent to the consumers through advertising. Framing consists of creating messages and sending signals about how the product compares to its competitors (Nisar & Prabhakar, 2018). Nisar and Prabhakar (2018) argued that many organizations have set up social media accounts in order to interact with customers and to help send chosen signals. Consumers who are inherently risk-adverse are prone to respond positively to a positively framed message and negatively to a negatively framed message, which could result in consumer positivity if an organization uses their social media account to communicate about social responsibility initiatives (Nisar & Prabhakar, 2018). Consumers may react positively to a company that engages the consumer in conversation and involvement with the company's corporate social responsibility dialogue and activity.

Consumer perceptions are influenced by the information that businesses release publicly about their corporate social responsibility actions. The level in which a consumer understands social responsibility, trusts the participating organization, and engages with the organization is dependent upon how each specific organization portrays itself to the customer and communicates its activities and involvement (Kim, 2019). Consumers have more trust in an organization and better knowledge about the organization's social responsibility involvement when the organization presents information in a manner that is detailed, relevant, consistent, factual, and transparent (Kim, 2019). Information received from an organization also helps consumers determine risk and increased risk could cause the consumer to feel the business is not trustworthy (Vassilikopoulou et al., 2018). Consumers weigh risk, trust, and perception daily when making purchasing decisions and these decisions are heavily influenced by the information received from businesses. The information, signals, and performance of organizations influence not only consumer purchasing decisions, but also the organization's reputation.

Given that corporate reputation is an important, though intangible, factor for organizations, organizations must focus on building relationships with their consumers through various avenues and keep their social responsibility clear and in line with consumers' expectations and understanding (Kim, 2019). As consumer expectations are diverse, social responsibility initiatives may not appeal to every consumer and the relationship between the organization and the consumer is based largely upon consumer's perception of shared values (Eveland et al., 2018). Relationship building is a key factor in

building consumer confidence through perception, expectations, and understanding of the organization's goals and risk factors. Positive consumer perception can influence both stakeholder and shareholder value, which is why both must be constantly evaluated by business decisionmakers.

Stakeholder and Shareholder Value

Stakeholder and shareholder value can be influenced by a multitude of factors, including the businesses' actions toward corporate social responsibility. Social responsibility initiatives have been regarded as an expenditure that occurs at the expense of shareholders as opposed to a benefit to shareholders, and scholars have noted that shareholder needs should be primary to the societal needs (Faller & Knyphausen-Aufsess, 2018). Research has shown, however, that social responsibility initiatives can contribute positively to shareholder interests beyond strict financial gains (Faller & Knyphausen-Aufsess, 2018). While financial gains are important to businesses, shareholder and stakeholder value are of significant, if not equal, long-term importance.

Modern shareholders and stakeholders often seek information on a company's sustainability and corporate social responsibility initiatives and viewpoints. Sustainability reporting can increase shareholder value by positively influencing the organization's reputation regarding social and environmental responsibility initiatives, and shareholder value should be viewed as a long-term goal relative to these initiatives (Bistrova et al., 2014). If a company is reputable, it is more likely to experience a positive favorable perception from stakeholders and shareholders (Kim & Ferguson, 2019). Attention to both sustainability reporting and increasing shareholder value is important because the

company's reputation can be influenced and changed in addition to the viewpoints held by current shareholders and stakeholders.

Corporate social responsibility initiatives, or lack thereof, can either positively or negatively influence a company's reputation with both consumers and shareholders. A company with a negative reputation is likely to experience a positive outcome when participating in a low-fit initiative by delaying the impact of its negative reputation (Kim & Ferguson, 2019). Shareholders and stakeholders are more likely to show better attitudes regarding social responsibility initiatives to companies that already have a positive reputation than they are toward companies that have a negative reputation which leads to less positive outcomes in a negative reputation company's social responsibility initiative (Kim & Ferguson, 2019). Several important factors to a company's reputation are communication, ease of access of information, and public awareness.

In order to best capitalize on shareholder value related to corporate social responsibility initiatives, the shareholder must first be aware of said initiatives. Organizations must market their social responsibility actions and communicate these actions to shareholders in order to experience a financial return and create shareholder value relative to social responsibility (Kim & Kim, 2019). It is difficult to determine or predict the financial implication of social responsibility relative to nonprimary stakeholders (the community and the environment, for example) as it is not necessarily quantifiable but the image of an organization can be positively affected for external stakeholders in addition to shareholders who are primary stakeholders (Kim & Kim, 2019). External stakeholders typically impact symbolic and appearance-based

commitments from organizations while internal stakeholders typically impact substantive practices that promote responsibility (Hyatt, & Berente, 2017). With a multitude of stakeholders to consider, regardless of the financial implications, organizations must focus on perceptions and desires from both their internal and external stakeholders in order to foster long-term growth and success. As growth is impacted by shareholder and stakeholder perceptions, companies should work to foster existing relationships while still growing new relationships.

Relationship building is important to every business, so growth must be prioritized. The ability of an organization to create sustainable growth, wealth, and a positive reputation is tied to its relationships with stakeholders (Hogarth, Hutchinson, & Scaife, 2018). Participation in activities that will increase the positivity of an organization's reputation with stakeholders will increase both market value and the organization's profitability in the long term according to enlightened stakeholder theory (Hogarth et al., 2018). Long-term relationships are more likely to be fostered when stakeholders feel invested in the company's reputation.

Shareholders find value in businesses with positive reputations. Hogarth et al.(2018) stated that organizations that participate in corporate philanthropy (whether it stems from motivation to help the community or solely to increase stakeholder perception) must also work toward increasing their reputation in order to directly impact shareholder value. Conversely, Hogarth et al. (2018) stated that this type of spending could negatively impact profit but have a long-term contribution to market value due to the potential increase in reputation, and thus the potential increase in shareholder value.

In the service industry, long-term market value is important as the consumer does not receive a tangible good, but rather relies on a service to be provided in the event of what is often an unforeseen event or emergency situation, including the automobile insurance industry which provides consumers with a service when accidents and/or emergency situations occur.

Automobile Insurance Industry

Insurance companies are financial institutions and are similarly regulated. Though previous research has been completed surrounding the banking industry's involvement in corporate social responsibility and the resulting impact on financial performance, minimal research exists specific to insurance companies, publicly traded automobile insurance carriers. Current research does not yet address if a consumer's perception of an automobile insurance company's participation in corporate social responsibility initiatives would influence their purchasing decisions.

In most venues in the United States, automobile insurance is required to legally own and operate a vehicle. Despite the requirement to purchase automobile insurance, there remains a concern around its affordability. According to the Consumer Federation of America, automobile insurance is generally not affordable for moderate- and low-income Americans (Schmid, 2014). Insurance affordability and price is directly correlated to the cost of injury exposure, uninsured motorist claims, property damage claims, and economic factors including inflation, unemployment, and the income index (Schmid, 2014). With so many factors that contribute toward insurance affordability and

pricing, social responsibility spending has not yet been widely researched in the automobile insurance industry.

Social responsibility initiatives in insurance companies exist, but there is minimal research surrounding the financial impact that social responsibility initiatives have in this specific industry. The research that has been completed in this area is largely qualitative and reveals in some cases that insurance companies emphasize human impact related initiatives as opposed to environmental and community concerns (Ullah et al., 2019). Research also shows that insurance companies specifically participate more in social responsibility initiatives, spending, and charitable causes when female directorship and ownership is higher and is also positively related to CEO bonus plans (Adams et al., 2017). It is important for both executives and consumers to understand how corporate social responsibility initiatives and spending influence not only consumer perception, but overall financial performance in this business sector.

Consumer Perceptions of the Insurance Industry

In many cases, a company's reputation will influence a consumer's choices. This reputation includes a company's behaviors, actions, consumer attitudes, investments, and services (Jeng, 2011). Trust and commitment from customers are influenced by the company's reputation in both a positive and negative manner, and when the company has a positive reputation customers can be influenced to cross-purchase, be committed to a long-term relationship with the company, and trust the company through the course of that relationship (Jeng, 2011). Trust is related in part to performance, communication, and consumer interaction, and when trust is not breached the organization can achieve

maximum profit and benefit from a long-term consumer relationship (Kasheer, 2015). Long-term consumer relationships positively influence business results when the relationship remains positive with no breach of trust, but a breach of trust can negatively impact the relationship. Relationships between consumers and businesses are fluid and can easily be influenced, specifically for service-based industries where there is not a tangible product for the consumer to purchase, making trust and reputation crucial.

The service industry and insurance companies, specifically, must pay particular attention to consumer reputation and the challenges it brings. Reputation is a substantial challenge faced by the insurance industry, and it is acknowledged by researchers and the industry that a negative perception of insurance companies influences consumers (Karl & Wells, 2016). After a disaster occurs (e.g., hurricane, flood, fire, etc.) insurance company service performance is tested by consumers, and customers react based on the service that has been provided. If the service provided does not meet the consumer's standard, the consumer may seek another insurer for the future (Sakurai et al., 2011). When emotions are heightened during an emergency, consumers can be more likely to hold their service provider to a higher standard and expect the company to respond in a certain manner.

When evaluating a customer's claim after an emergency, the insurance company's employees must balance policy, procedure, government regulations, and customer service – all competing yet equally important priorities and there is a delicate balance between maintaining a positive reputation and serving consumers in a manner that is fair, accurate, and in accordance with policy guidelines. This balance notwithstanding, a positive reputation is necessary for an organization to survive and/or thrive in the marketplace

(Urban & Polona, 2014). There is no separation of the consumer and business relationship and the services provided as consumers build perceptions and make further purchasing decisions based on their interpretations of the interaction with the business (Eriksson & Hermansson, 2017). Therefore, the service industry must pay particular attention to the balance of service and relationship/perception during transactions.

Consumers consider many factors when forming opinions on the businesses with which they choose to interact. Consumer perception and subsequent company reputation are influenced by corporate social responsibility activities and initiatives (Yeonsoon & Ferguson, 2019). While the benefits of corporate social responsibility initiatives have proven to be sometimes both tangible and intangible, research does support that consumers are more likely to purchase, have a positive attitude toward, and are more inclined to support organizations that participate in corporate social responsibility initiatives (Yeonsoon & Ferguson, 2019). A positive and significant correlation has been proven between corporate social responsibility initiatives, corporate governance, and corporate financial performance when these initiatives are communicated and published (Fiandrino et al., 2019). Despite the positive correlation found between corporate social responsibility and organizational performance factors in some studies, insurance companies have not specifically been studied in detail. This gap in research makes it difficult for decision makers at insurance companies to quantify performance results relative to corporate social responsibility initiatives.

Gaps in Literature

Specific industries have been previously studied, as have specific actions, but there is minimal research specifically regarding the automobile insurance industry's involvement in corporate social responsibility initiatives and the subsequent impact on overall corporate financial performance. Previous studies into a consumer's attitude and perception toward an organization's corporate social responsibility practices and whether that attitude and perception impacts that consumer's behavior have been inconclusive, thus a multidimensional approach should be taken to determine if there are more conclusive findings (Pérez & del Bosque, 2016). Corporate social responsibility initiatives take many forms in addition to the most commonly perceived form of cash donations, and additional research is needed to evaluate financial performance specific to other types of corporate social responsibility initiatives (Jin & He, 2018). This study is specific to automobile insurance companies and evaluated multiple forms of corporate social responsibility initiatives. Research was targeted for the publicly traded automobile insurance industry and can be used to influence change and future practices.

Theoretical Framework or Program Theory

This quantitative study was based upon Freeman's stakeholder management theory. According to Freeman (2004) stakeholder theory first encompasses stakeholders which include anyone who is interested in or affected by an organization's purpose. Freeman stated further that the basic premise of stakeholder theory is to focus on the importance of investing in those who have an interest in the business. Social responsibility is a facet of sustainability, and sustainability reporting helps protect

business organizations against stakeholder pressure (Ekwueme et al., 2013). Stakeholder management theory ties in to corporate social responsibility spending as the theory focuses on the relationships between the organization and stakeholders, which is one of the principles of corporate social responsibility as opposed to other theories which may only focus on one aspect of the business rather than relationships and ethical principles. Stakeholder management allows organizations to build intrinsic value through relationships and ethical decision making (McVea & Freeman, 2005).

In addition to Freeman's stakeholder management theory, this study also considered signaling theory. To demonstrate benefits and higher quality, organizations will send signals to potential customers or investors (Darmadi & Gunawan, 2013). Organizations decide what signals to send that the organization feels will be beneficial and help persuade these potential customers or investors (Darmadi & Gunawan, 2013). Many organizations choose to communicate their social responsibility initiatives and involvement through various signals as the organizations want shareholders and customers to evaluate the organization's performance around social responsibility (Utgård, 2018).

Problem

Social responsibility is a facet of sustainability, and sustainability reporting helps protect business organizations against stakeholder pressure (Ekwueme et al., 2013). Despite the completion of multiple studies on the relationship between corporate social responsibility initiatives (arguably a part of sustainability) and corporate financial performance, results have been inconclusive and remain debatable (Hasan et al., 2018).

While the benefits of corporate social responsibility initiatives have proven to be sometimes both tangible and intangible, research does support that consumers are more likely to purchase, have a positive attitude toward, and are more inclined to support organizations that participate in corporate social responsibility initiatives (Yeonsoon & Ferguson, 2019). Other research shows that there is a positive and significant correlation between corporate social responsibility initiatives, corporate governance, and corporate financial performance when these initiatives are communicated and published (Fiandrino et al., 2019).

Social responsibility initiatives in insurance companies exist, but there is minimal research surrounding the financial impact that social responsibility initiatives have in this specific industry, and the research that has been completed in this area is largely qualitative and reveals in some cases that insurance companies emphasize human impact related initiatives as opposed to environmental and community concerns (Ullah et al., 2019). Research that has been completed, whether qualitative or quantitative, has produced mixed results thus making it inconclusive and debatable (Hasan et al., 2018). Quantitative research was completed to help determine if there is a relationship between charitable donations, community development spending, environmental spending, and financial performance (EPS) for publicly traded insurance companies in order to help fill the research gap in this sector. The Auto Insurance Database provided by the National Association of Insurance Commissioners data set has not previously been used to examine the relationship between charitable donations, community development spending, environmental spending, and financial performance in publicly traded

automobile insurance companies. As such, insurance industry professionals, boards of directors, consumers, and other stakeholders are not aware if charitable donations, community development spending, and environmental spending affect EPS.

Transition

Previous studies into corporate social responsibility perceptions and if a consumer's attitude toward an organization's corporate social responsibility practices impacts that consumer's behavior have been inconclusive (Pérez & del Bosque, 2016). Specific industries have been previously studied, as have specific actions, but there is minimal research specifically regarding the automobile insurance industry's involvement in corporate social responsibility initiatives and the subsequent impact on overall corporate financial performance. EPS reflects how profitable an organization is based upon individual shares and shareholders which allows for various organization sizes to be compared (Ng et al., 2019) and for this reason, EPS was used as a variable to determine the financial impact of corporate social responsibility initiatives and spending in insurance companies. Stakeholder management and signaling theory were used when interpreting the results of this study as these theories best evaluate the consumer and stakeholder relationships, communication, and financial outcomes relative to the variables being studied.

Section 2: Project Design and Process

In Section 2, I provide a detailed description of the research method and design, identify the research question and hypotheses, and address ethics concerns. An explanation of the ex-post-facto study, variable identification, hypotheses identification, and design explanation are included in the method and design section. Ethical concerns, assumptions, and data quality concerns are presented in this section as well.

Method and Design

In the following subsections, I outline the method and design of the study. In this study, I used a quantitative, ex-post-facto approach and completed secondary data analysis.

Method

The purpose of this quantitative, ex-post-facto study was to examine the relationship between charitable donations, community development spending, environmental spending, and EPS in publicly traded automobile insurance companies. The targeted population consisted of secondary data sets obtained from publicly traded automobile insurance companies operating and based in the United States. The independent variables from the data set were charitable donations, community development spending, and environmental spending. The dependent variable from the data set was EPS. Use of the quantitative method was appropriate because many previous studies have used the qualitative method, which is less tangibly relative to financial results, and there is minimal quantitative research available to date specific to publicly traded automobile insurance companies. The advantage of using a quantitative method is

that the data presented are quantifiable and concrete with little margin for interpretation. I conducted ex-post-facto research because the data were already published and readily available and there was no unintentional influence on the data set because it is all numerical. The data were assumed to be reliable because they were found in published financial reports, which are assumed to be accurate.

Some customers can be attracted, retained, and will spend more if a portion of their spending is contributing toward a charity (Oak & Schoeffler, 2018). If insurance companies participate in social responsibility initiatives, they could influence other industries and consumers to contribute and participate in them as well (Scholtens, 2011). The implications of this study for social change include the potential to determine the relationship between social initiative spending and financial performance, which could influence property and casualty insurers to make higher charitable donations, give more toward community development, and/or spend more on other social initiatives.

The research question was: What is the relationship between charitable donations, community development spending, environmental spending, and EPS?

H_0: There is no statistically significant relationship between charitable donations, community development spending, environmental spending, and EPS in publicly traded insurance companies.

H_a: There is a statistically significant relationship between charitable donations, community development spending, environmental spending, and EPS in publicly traded insurance companies.

Design

A gap in research exists for specific industries relating corporate social responsibility to financial performance. Currently, minimal research exists related to automobile insurers and their corporate social responsibility initiatives. The broad research that exists for various industries is inconsistent and names other factors (i.e., corporate governance, turnover, and leadership) as contributors toward financial performance. The intent of this study was to examine the automobile insurance industry, specifically automobile insurer corporate social responsibility initiatives and the impact these initiatives have on financial performance. Reviewing insurers with similar product offerings and insurers of similar size reduced the variable of budget and ability to participate in corporate social responsibility initiatives because these initiatives can be costly (see Strugatch, 2011).

To research the relationship between corporate social responsibility actions, spending, and financial performance, I evaluated the financial reporting for each individual company and compared them to the corporate social responsibility rankings. The intent of the study was to evaluate five publicly traded insurance companies, excluding health insurers. The public financial reporting evaluated included EPS, charitable donations, social initiative spending, and environmental spending for the fiscal years of 2015 through 2019. I compiled and graphed this data to show relationships and trends.

This study consisted of a secondary data analysis because the intent of the study was to evaluate the financial performance of publicly traded insurance companies in

relationship to corporate social responsibility initiatives and spending, and publicly traded companies are required to release annual financial reports. The independent variable cannot be manipulated or estimated when reviewing past financial data; hence, the quantitative, ex post facto design for this study. An alternate study could have been completed using a program evaluation for one specific insurance company and its social responsibility practices, but this would not have been beneficial because the goal of the study was to determine if there is a significant relationship between the dependent and independent variables, which would not have been possible with another method. In addition, reviewing five companies allowed for a broader data set to more accurately evaluate if a significant relationship exists between the variables.

In order to evaluate if a significant relationship exists between the variables, I analyzed the data using multiple regression. The dependent variable (i.e., EPS) was measured in United States Dollars (USD) and remained consistent among each data set and subsequent analysis. Each sample was drawn independently from the selected company's published financial reporting, and it was assumed that variance would be minimal between publicly published data sets.

If there was unreported data that were necessary for the study, including EPS, charitable donations, social initiative spending, and environmental spending for the fiscal years of 2015 through 2019, I selected an alternate organization when possible to verify that all data reviewed and analyzed were consistent. When an alternate organization was selected and data were still unavailable, unreported spending was reported and used for the study as a value of $0 USD. Organizations included in the study were verified prior to

collecting data to ensure that they published data for analysis for all fiscal years of 2015 through 2019. Should data be unavailable for all companies, I would have made an adjustment to evaluate a different contribution toward social responsibility, which would be outlined in the results of the study.

I assumed that the insurance companies included in the study have published accurate financial reporting in accordance with federal guidelines, such as the Sarbanes-Oxley Act. The Sarbanes-Oxley Act requires high levels of financial transparency and regulation that contributes toward accurate financial reporting (Haw et al., 2014). Insurance companies are also required to prepare and disclose financial statements as outlined by statutory accounting principles (National Association of Insurance Commissioners, 2019). While the regulations may vary from state to state, all companies in this study conducted business in the United States; therefore, it was assumed that the financial reporting submitted by each company was accurate and in accordance with all regulations and statutory accounting principles. Data coding was not required because the study included financial reporting information from publicly traded insurance companies that are a matter of public record and accessible to any interested consumers.

I evaluated seven automobile insurance companies that were selected based on the availability of data, including mandated financial reporting that includes EPS and optional corporate social responsibility reporting that includes charitable donations, social initiative spending, and environmental spending, for the fiscal years of 2015 through 2019. The companies selected were publicly traded in order to obtain EPS and verify consistency across mandated financial reporting because most publicly traded companies

use generally accepted accounting principles and each company is required to report out according to U.S. government standards. One potential disadvantage of this sample was that only large companies were evaluated, which may not accurately reflect all automobile insurers.

Ethics

This study consisted of the analysis of secondary data gathered from annual public financial reporting, social responsibility databases, and finance databases. There were no individual participants and, therefore, no process for withdrawal. Due to the nature of the study, there were no incentives provided for participation. To protect company confidentiality and promote ethical data collection, the insurance companies that I collected data from are reflected in the study generally as a U.S.-based insurance carrier or a publicly traded automobile insurance carrier based in a certain, but broad, geographic location. Company confidentiality was protected by not including specific company names and identifying each company by pseudonyms (e.g., Company A, Company B, etc). All company data used are publicly available per federal guidelines. All data will be kept electronically on a password-protected storage device or in a locked file cabinet for 5 years after completion of the study. The Walden Institutional Review Board approval number was 07-15-20-0344021.

Transition and Summary

Studies concerning the relationship between corporate social responsibility initiatives and financial performance have been inconclusive, and there is minimal research available that is specific to publicly traded automobile insurance companies.

Modern consumers are interested in the corporate social responsibility efforts of organizations; however, research in this area is still developing. All publicly traded organizations publish annual financial reporting as is required by law; yet, only some organizations have begun publishing reporting specific to corporate social responsibility initiatives and spending.

The purpose of this study was to fill the literature gap related to corporate social responsibility initiatives and spending in insurance companies and determine if there is a relationship between charitable donations, community development spending, environmental spending, and EPS in publicly traded insurance companies.

In Section 3 of this study, I provide a summary of key findings, the purpose of and a description of the study, the goals of the study, and an overview of the findings. Section 3 concludes with a presentation of the findings, recommendations for action, and outline the implications for social change.

Section 3: The Deliverable

Executive Summary

The purpose of this quantitative, ex-post facto study was to examine the relationship between charitable donations, community development spending, environmental spending, and EPS in publicly traded automobile insurance companies. The null hypothesis that there is no significant relationship between charitable donations, community development spending, environmental spending, and EPS was accepted.

Purpose of the Program

The purpose of this quantitative, ex-post facto study was to examine the relationship between charitable donations, community development spending, environmental spending, and EPS in publicly traded automobile insurance companies. The targeted population consisted of secondary data obtained from the published reports of publicly traded automobile insurance companies operating and based in the United States. The independent variables from the data set were charitable donations, community development spending, and environmental spending. The dependent variable from the data set was EPS. The results from this study may influence businesses within the publicly traded automobile insurance industry to participate in and report more thoroughly on charitable donations, community development spending, and environmental spending. The results from this study may also influence businesses within the publicly traded automobile insurance industry to report their social responsibility activities and spending in more detail in the coming years. The implications for social change include the potential to determine the relationship between social initiative

spending and EPS in the future if detailed reporting becomes more readily available and accessible, which could influence property and casualty insurers to make higher charitable donations, give more toward community development, and/or spend more on other social initiatives.

Goals and Objectives

The primary objective of this study was to determine if there is a significant relationship between charitable donations, community development spending, environmental spending, and EPS in publicly traded automobile insurance companies. The secondary objective was to determine if publicly traded automobile insurance companies are spending in these areas specifically, and if they are reporting in detail on their corporate social responsibility spending, initiatives, and cause-related donations. These objectives are important to the managers and decisions-makers in publicly traded automobile insurance companies because the results can be used to provide them with financial data for their future planning. These objectives are also important to internal and external stakeholders. Internal stakeholders may be interested in the findings of this study because the overall financial performance of automobile insurance companies, including EPS, could impact their own personal finances and opportunities for growth. External stakeholders, including community members and those benefiting from charitable donations, community development spending, and environmental spending, may be interested in results of this study because they are receiving a direct benefit from the social responsibility initiatives being supported by the automobile insurance companies.

Overview of Findings

The null hypothesis that there is no statistically significant relationship between earnings per share, charitable donations, community development spending, and environmental spending in publicly traded insurance companies was accepted. The reported variance and probability values did not indicate a statistically significant relationship between the variables (F (3, 29) = .067, p = 0.977, R^2 = 0.007).

Presentation of the Findings

I analyzed the data using a multiple linear regression of the variables. The dependent variable (i.e., EPS) was measured in USD and remained consistent among each variable in the data set and subsequent analysis. The independent variables (i.e., charitable donations, community development spending, and environmental spending) were also measured in USD. Each sample was drawn independently from the selected company's published financial reporting. I assumed that the data were accurate as reported because the publicly traded insurance companies included in this study were required to comply with statutory accounting principles rather than generally accepted accounting principles because the former are more conservative in nature and ensure that insurance companies have the proper amount of funding available. Annual financial reports are reviewed by internal and external entities to ensure accuracy.

The published public financial data reported by each company were used to supply the data for this study. Some data elements did not have a spending amount indicated. If the reporting was detailed by spending category but the independent variable was not included in the reporting, I assumed that there was no spending in that specified

category. Education, arts, culture, and neighborhood reported spending was included in the community development spending category for the purposes of this study. Disaster relief was included in the environmental spending category for the purposes of this study. Unspecified and uncategorized donations and spending on social initiatives were included in the charitable donations category for the purposes of this study. I made these decisions for each report to maintain consistency throughout the data analysis. Employee time and salary spent on corporate social responsibility initiatives were included in the reporting for some of the companies included in this study but that data was not included in the data analysis of this study to maintain consistency. Carbon emission results were included in some of the companies' reporting; however, this information was not used for the purposes of this study.

In some cases, there were no numerical data reported in public reporting for environmental spending and community development spending, and when no numerical data were reported, I entered a value of zero to enable the multiple regression to be completed. It was neither assumed that there was no spending in the unreported area for any of the companies involved in the study nor that there was spending in the unreported area. It is possible that there was spending in the fiscal years of 2015 through 2019 in the unreported areas but that the reporting did not include the level of specificity needed to obtain accurate data in these areas; therefore, a value of zero was assumed if unreported. This presented a potential threat to data validity in addition to the data being self-reported, but this potential threat to validity was likely the same for each data set and likely would not have created any bias. Because only companies with publicly reported

corporate social responsibility spending were used in the data sets, there was no additional assumed bias or potential threats to validity based on overall company involvement in corporate social responsibilities or their reporting methods.

The research question was: What is the relationship between charitable donations, community development spending, environmental spending, and EPS?

H_0: There is no statistically significant relationship between charitable donations, community development spending, environmental spending, and EPS in publicly traded insurance companies.

H_a: There is a statistically significant relationship between charitable donations, community development spending, environmental spending, and EPS in publicly traded insurance companies.

Descriptive Statistics

The data sets included information from five publicly traded insurance companies with publicly published and available corporate social responsibility spending broken down into the variable categories, with classifications made for consistency purposes as previously mentioned. The dependent variable of EPS ranged from a low of -$8.61 USD to a high of $24.28 USD across the data set. The independent variable charitable donations ranged from a low of $0 USD to a high of $40 million USD, community development spending ranged from a low of $0 USD to a high of $16 million USD, and environmental spending ranged from a low of $0 USD to a high of $1.637 million USD. EPS data were available for every data set. Of the independent variables, environmental spending had the lowest frequency of reported spending at 30% of the total data points

available, while charitable donations had the highest frequency of reported spending at 97% availability. Community development spending had 53% of reported spending published. Despite the unreported spending data, which were reflected as $0 USD, the data sets and subsequent analysis are interesting and impactful to the automobile insurance industry because the research led to important key findings for managers and stakeholders to consider when making decisions.

The data from similarly sized publicly traded automobile insurance companies, which would reflect similar abilities to allocate funding to CSR initiatives, showed variation in both the means and standard deviations among each variable (see Table 1). This was an expected result given the wide range in each variable and each company's financial performance over the 5-year time period.

Table 1

Descriptive Statistics

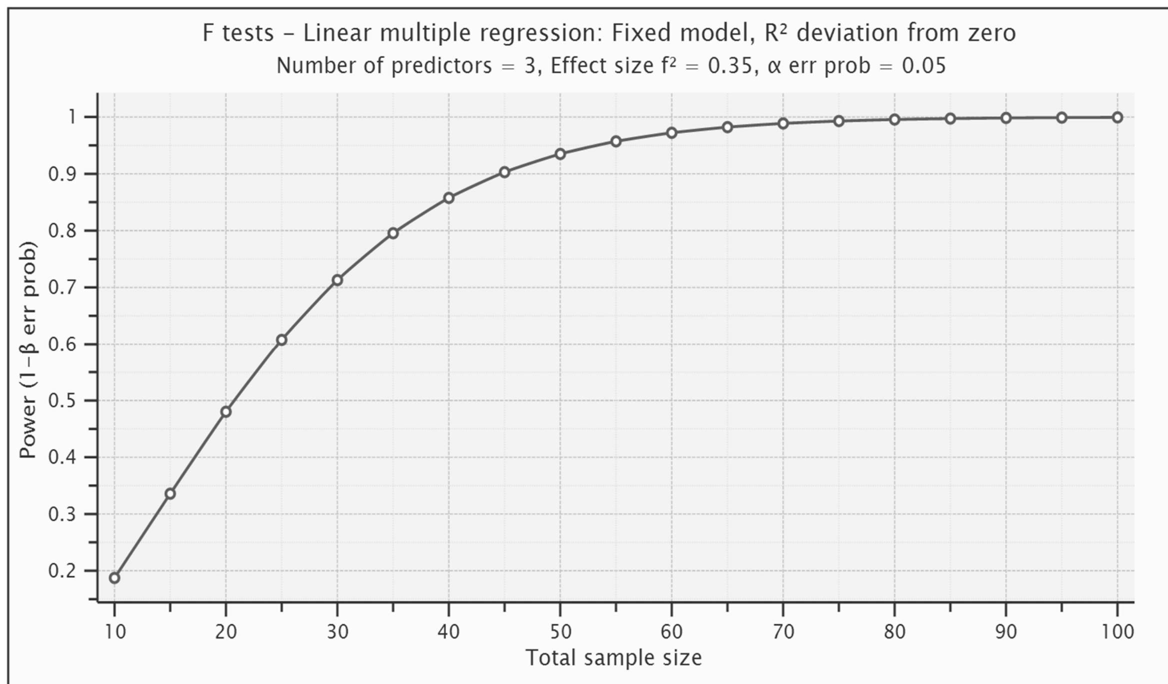
	Mean	Standard Deviation
Earnings per Share	7.6430	9.01135
Charitable donations	11488600	11847187.61
Community development spending	6414000	5926633.296
Environmental spending	251200	488563.609

Assumptions

Sample size was a consideration for this study. There are limited published data available at this time, so the data included in this study were reported financial information from seven companies over a 5-year time period for a sample size of 34. With three predictors, and the probability level of 0.05, the observed statistical power is 0.78, which indicates an accurate and significant result (see Figure 1).

Figure 1

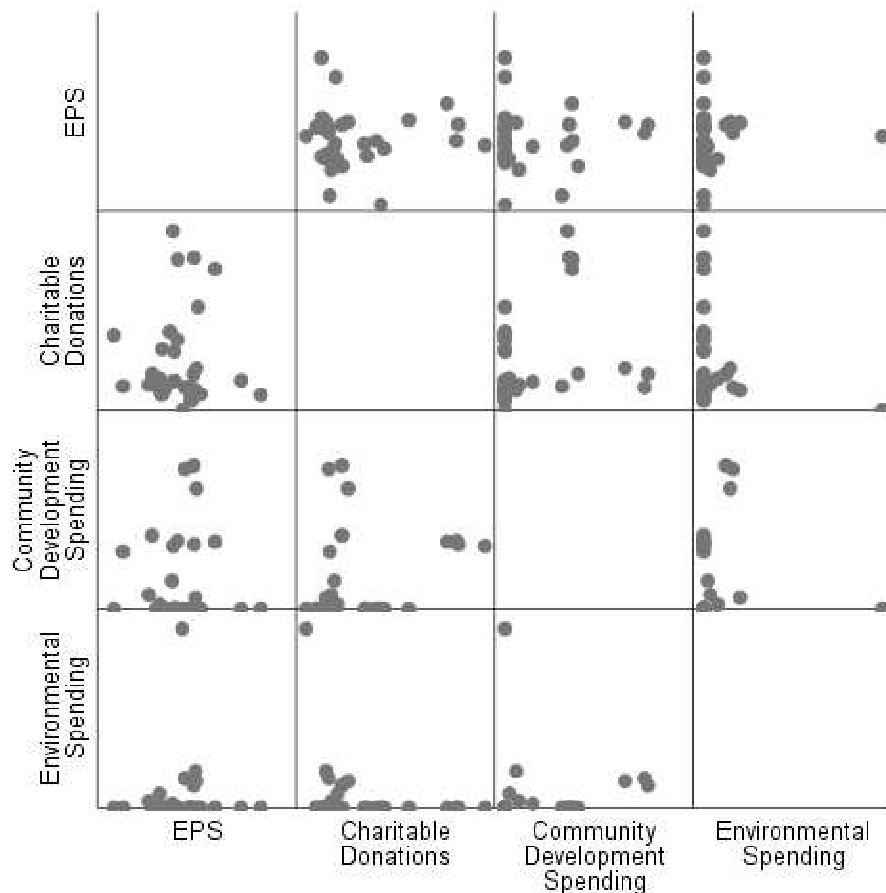
Power Analysis



The first assumption of the data analysis was data continuity. The dependent and independent variables were all measured in USD, which is a continuous scale. The next assumption was the linear relationship. There are no curvilinear relationships present (see Figure 2), and thus, the linearity assumption was met.

Figure 2

Linearity



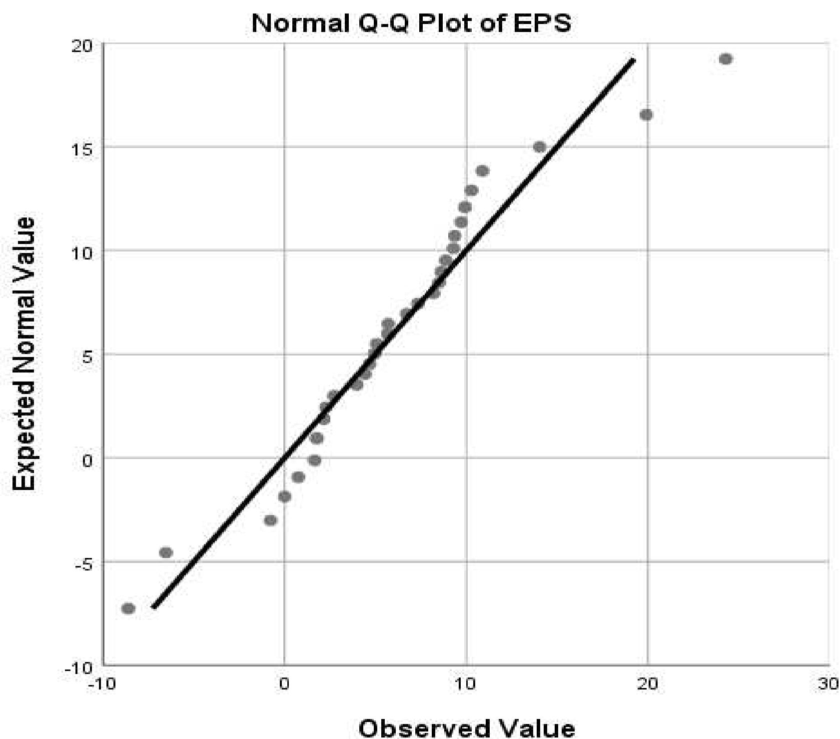
The next assumption was the independence of observations. The Durbin-Watson test resulted in 2.518. The Durbin-Watson reported statistic should be between 1.5 and 2.5 to indicate that there is no self-correlation in the data (Pourhosein, Kol, Vishkaii, & Jourshari, 2017). As the result was 2.518, the assumption that the observations are independent was validated.

The next assumption of the data analysis was multivariate normality. The normal Q-Q plot showed no clustered data points and there is no evidence of the data being

skewed. The normal Q-Q Plot formed a roughly straight line, which indicated that the data came from a normal distribution (see Figure 3).

Figure 3

Normal Q-Q Plot



The next assumption of the data analysis was multicollinearity. The variance inflation factor for charitable donations, community development spending, and environmental spending were all less than 10 (see Table 2), so the assumption that there was no multicollinearity was confirmed. Table 2 shows the variance inflation factor, tolerance, and significance level for all variables.

Table 2

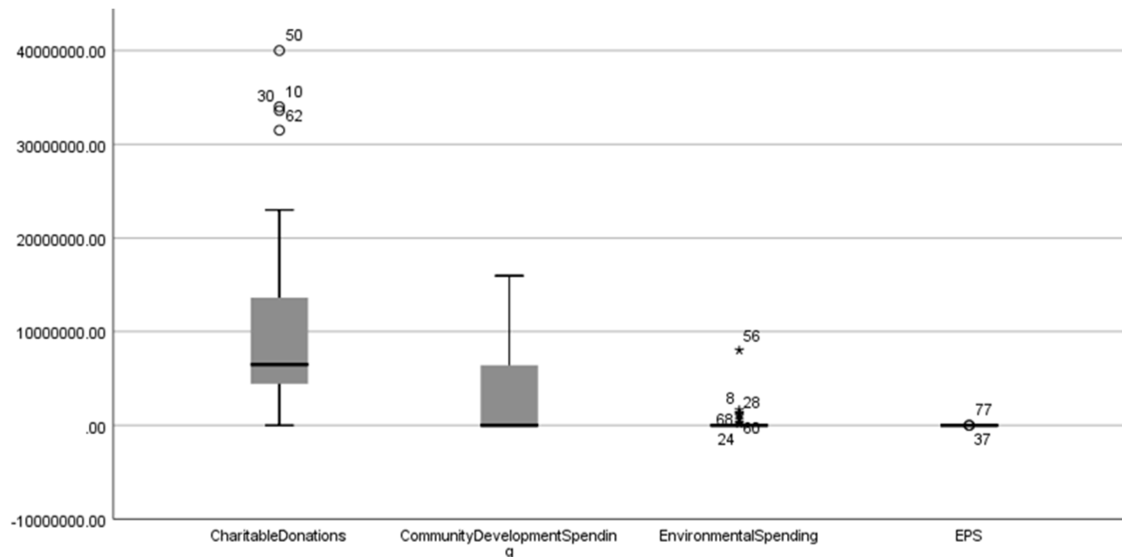
Collinearity Statistics

Model		*t*	Sig.	Tolerance	VIF
1	Constant	3.008	.005		
	Charitable donations	.128	.899	0.851	1.175
	Community development spending	.243	.810	0.898	1.113
	Environmental spending	.314	.756	0.923	1.083

There are no significant outliers, high leverage points, or highly influential points in the data set. While there are several data points that reflect reported negative EPS, this was not considered unusual because EPS reported in a negative through the years of 2015 through 2019 occurred across many publicly traded insurance companies, and it would be incorrect to assume that all reported EPS are positive. As the data ranges from $0 USD spending to $40 million USD due to the nature of the data, it was expected that there would be variation, but this variation among the data was consistent and not considered as an outlier (see Figure 4).

Figure 4

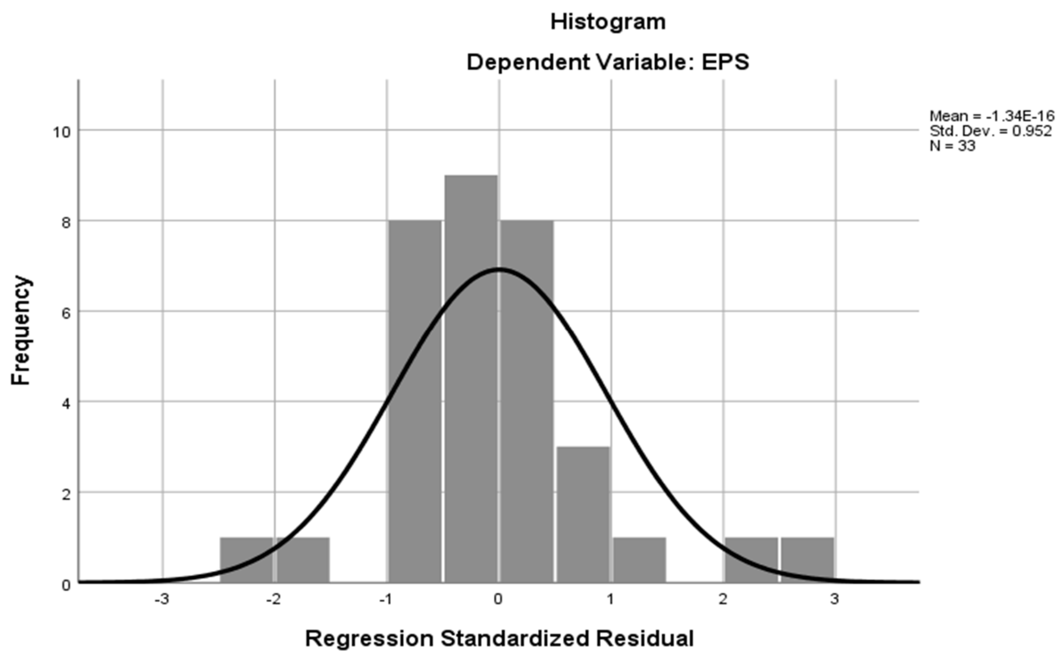
Box Plot



The next assumption of the data analysis was homoscedasticity. The data is not normally distributed, so the assumption of homoscedasticity was violated (see Figure 4). Heteroscedasticity can lead to lower *p* values and provide false evidence against the null hypothesis, but in this case, I assumed that heteroscedasticity did not inaccurately influence the study results because the null hypothesis was verified so a lower *p* value would not have led to false rejection of the null hypothesis. Figure 5 shows the symmetrical bell-shaped histogram of the regression standard residuals.

Figure 5

Residuals Histogram



Results

The null hypothesis was accepted. The model summary (see Table 3) shows the strength of the relationship between the independent variables and the dependent variable as well as the standard error of the estimate (6.66916) and Durbin-Watson test result.

Table 3

Model Summary

Model	*R*	*R* Square	Adjusted *R* Square	*SE* of the Estimate	Durbin-Watson
1	.083[a]	0.007	-.096	6.66916	2.518

[a.] Predictors (constant): Environmental spending, charitable donations, community development.
[b.] Dependent variable: EPS.

The multiple linear regression was completed to determine if there was a significant relationship between the variables for the years 2015 through 2019 combined. The multiple regression analysis was not significant, $R^2 = 0.007$, $F(3, 29) = .067$, $p = .977$. The model accounts for 0.7% of variance in EPS measured by environmental spending, charitable donations, and community development spending in 2015 through 2019 for the data sets. Table 4 shows the regression model completed for the data set.

Table 4

Regression Model

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	8.975	3	2.992	.067	.977[b]
Residual	1289.855	29	44.478		
Total	1298.860	32			

[a.] Dependent Variable: EPS
[b.] Predictors: (Constant), Environmental spending, charitable donations, community development spending

Literature Relationship to Analysis

Literature proves that stakeholders are becoming increasingly interested in detailed corporate social responsibility reporting as well as additional responsibility initiatives from companies. While this study proved the null hypothesis that there was no significant relationship between EPS, charitable donations, community development spending, and environmental spending, it is still important for publicly traded automobile insurance companies to continue to participate in these initiatives in order to serve communities, satisfy stakeholders, and send positive signals. Organizations are likely to communicate their social responsibility involvement and initiatives through signals as some investors and consumers want to evaluate the organization’s performance with social responsibility (Utgård, 2018), therefore despite the lack of significant relationship between the variables, the signaling process remains crucial.

While the data analysis does not show a significant relationship between the variables, there are other benefits to corporate social responsibility spending. Similarly to Jones et al. (2018) who found that the value of corporate social responsibility is not necessarily attributed to higher shareholder returns or organizational profit, but that it could include lower cost, higher moral motivation, higher quality stakeholder attraction, and other reciprocal factors, the proof of the null hypothesis of this study does not preclude other benefits aside from earnings per share. Value creation for stakeholders could be measured in the form of economic value added which determines how an organization has created and enhanced wealth for stakeholders while also measuring the efficiency of management practices in utilizing capital (Tarigan et al., 2019). As the goal is for an organization to maximize benefits to all stakeholders, this value and benefit creation and improvement will inherently maximize the organization's performance (Částek & Cenek, 2017). As the literature shows, maximizing value is not only tied to financial performance.

Recommendations for Action

The statistical analysis did not show a significant relationship between EPS, charitable donations, community development spending, and environmental spending. I recommend future research on the relationship between the variables among a larger data set, with possible inclusion of carbon emissions, employee salaries, and volunteer time as these data sets are becoming more widely published and available.

Future research should be completed when more publicly traded automobile insurance companies publish detailed corporate social responsibility reports, and when

additional data sets become readily available. Publicly traded insurance companies should also study their own individual financial results to determine if there is a significant relationship between the variables in their independent financial reporting and performance as reporting from additional companies could skew their own findings.

Implications for Social Change

The service industry, and specifically the insurance industry, has historically struggled with consumer perception. While this study did not disprove the null hypothesis, the literature supports that stakeholders desire for companies to participate in corporate social responsibility initiatives and that stakeholder perceptions are influenced by the signals sent about the initiatives in which service providers are participating. Corporate philanthropy spending in the United States exceeded $20 billion in 2014 (Raub, 2017) and has continued to rise. This $20 billion spend includes the spending by publicly traded insurance companies that has positively influenced charitable organizations, the community, and the environment. The literature reviewed as a part of this study proved that these efforts are important and add value to the organizations in addition to the causes being supported. From the business perspective, continuing to support charitable causes, the community, and the environment will help send positive signals, maintain, foster, and improve stakeholder relationships, and grow business value and potential. Regardless of the financial impact of corporate social responsibility spending, the impact to the world is important and necessary.

While there was no statistically significant relationship between EPS, charitable donations, community development spending, and environmental spending based upon

the sampled data sets used in this study, it remains crucial for companies, specifically publicly traded automobile insurance companies, to maintain participation and spending with corporate social responsibility initiatives. As noted in the literature review, there are many benefits to participation in corporate social responsibility initiatives outside of financial performance. Business value is created when companies participate in these initiatives, consumer trust is built, and stakeholders are satisfied. Managers and decisionmakers in the publicly traded automobile insurance industry should pay close attention to the results of this study as financial performance and company value is measured in many ways aside from EPS.

Signaling theory and stakeholder management theory both support that positive signals, positive community involvement, and positive stakeholder communication and involvement lead to stronger and more positive business results. The literature reviewed through the course of this study and the financial reports reviewed as a part of the data collection for this study support that stakeholders desire companies to participate in corporate social responsibility initiatives. EPS is influenced annually by several outside factors (e.g. economic conditions, natural disasters) and it cannot be assumed that the results of this study are all-inclusive of the relationship between the studied variables.

Skills and Competencies

I spent the past 7 years researching publicly traded insurance companies, corporate social responsibility initiatives, and financial reporting. I completed a literature review that was exhaustive of the research available on this topic to date. I completed my BS in Legal Studies at the University of Maryland University College and my MS in

Management with a focus in Human Resource Management at the University of Maryland University College. I completed my resume and portfolio in the Optimal Resume portfolio system through Walden University. I have spent the past 13 years working for a publicly traded insurance company and the past 10 years working in leadership. My business knowledge and practical work experience familiarized me with the practices of publicly traded insurance companies and my academic journey prepared me for the task of completing this doctoral study.

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