

## **MOTIVES OF MANAGERS' FOR CORPORATE SOCIAL RESPONSIBILITY: EVIDENCE FROM SRI LANKA**

**R. M. D. A. P. RAJAPAKSE<sup>1</sup> & A. A. J. FERNANDO<sup>2</sup>**

<sup>1</sup>Department of Accountancy, Faculty of Commerce & Management Studies, University of Kelaniya, Sri Lanka

<sup>2</sup>Department of Accounting, Faculty of Management Studies & Commerce, University of Sri Jayawardanapura, Sri Lanka

### **ABSTRACT**

This research is attempted to identify relative importance of underlying motives of managers' in Sri Lankan business organizations regarding the Corporate Social Responsibility (CSR). Research is considered the managers of companies listed in Colombo Stock Exchange (CSE). Hence the present study is selected only four sectors in CSE namely manufacturing, banking finance and insurance, plantation and beverage food and tobacco. Study was based on the primary data. Primary data was collected through questionnaire and it was constructed to reflect key motives of CSR suggested in the literature and to examine whether it has been changed according to the business and personal profile of the manager. Descriptive analysis, independent sample t-test and One-way ANOVA occupied for the analysis. According to the results in descriptive analysis CSR is a more intrinsically driven concept in Sri Lanka. But managers are not rejecting the extrinsic motive as well. Further managers are more focus on the sustainability perspective of the society when engage in the CSR activities. That is the major concern about the CSR in the global arena in today's context. Analysis of the data reveals that managers perceived that long term sustainability must be the focus of CSR activities of the company and it should be should link with the national development policies of the country. This implies that readiness of corporate world for the engaged in national development activities. Therefore this study pave the path for government and all the other responsible authorizes to stimulate the CSR in Sri Lanka. Policy makers should initiate social and environmental projects that could easily be implemented by the private sector to assist in sustainable development of the country.

**KEYWORDS:** Corporate Social Responsibility, Motives

### **INTRODUCTION**

Corporate Social Responsibility (CSR) is a notable topic within the present day global business arena. Today's competitive and dynamic market environment has created a new set of challenges for any business which are not related to economics. To survive and prosper in that environment, firms must bridge the gaps in economic as well as social systems. Maximizing shareholder's wealth is an every time essential for a profit oriented business, but filling that condition alone is no more valid in measuring the financial prosperity. The necessity has arisen to not only focus on maximizing shareholder wealth but, also to look at other aspects as well and because of this, number of theories, principles and concepts have been developed presenting various other areas that demand attention. Some of the well known concepts are Stakeholder theory (Freeman 1984), Social Responsibility, Social Responsiveness (Wood 1991), Corporate Social Performance (Carroll 1979), Social Issue Management (Clarkson 1995) and Social Accounting (Gray & Maunders 1987) etc. These theories now act as the back bone of an organization's prosperity and moreover ensure organization's sustainability. Out of these concepts and theories which have emerged recently the present study focuses on CSR.

In developing economies like Sri Lanka, the CSR concept plays an important role in the sustainable development discourse (Nanayakkara 2010). It is identified as one of the potential solutions to sustainable development and provides a social return on investment, beyond mere financial profit.

There is an increasing trend in CSR engagement and reporting throughout the world which is also observed to be true for certain Sri Lankan companies despite the fact that the motives of CSR are yet to be researched or are little examined. Corporations are represented by the people and therefore, corporate social commitments are maintained, nurtured and advanced by the people who manage them. Managers are the change agents and their awareness of and commitment to CSR is widely recognized as key success factors for implementation of social and environmental initiatives (Jenkins 2006). Evidence also indicates that management of an organization has an important impact on the process and outcomes of CSR activities (Mamic 2005).

In the Sri Lankan context, according to Gunewardana(2009), even CEOs of many companies have yet to perceive its value and necessity and its essential relationship to a company's operating philosophy and as a driver of its future performance.

Therefore, it is worthwhile to examine the motives of managers by forming the question, "What are the underlying motives of managers in Sri Lankan business organizations in relation to Corporate Social Responsibility?" Based on the above question the following objectives are expected to be achieved at the end of this study by focusing on the motives of managers on CSR.

- To identify the relative importance of CSR motives of the managers.
- To examine whether there are any significant differences in motives of CSR based on the following selected criteria.

The personal profile characteristics (gender, tenure of current job) of the managers

The different industry sectors

- To examine the perceived barriers for the effective implementation of CSR activities in the companies.

Across the last two decades there has been a great deal of research into the social and environmental reporting practices and managerial perceptions of such reporting operating in developed countries (Thilakasiri, Armstrong & Heenatigala 2011). However, whilst there is a wealth of research that explores social and environmental reporting motives in developed countries; there is relatively limited research within the developing countries like Sri Lanka. Thereby, there is a prevailing dearth of research on CSR motives in Sri Lanka. Thus, the present study will contribute to reduce that void in existing literatures.

Additionally, researchers have emphasized that the developing world needs special attention to develop CSR concepts because these economies have many differences compared with developed ones (Blofield & Frynas 2005). Furthermore, they have stated that CSR can be identified as a bridge connecting the arena of business and development, and increasingly discusses CSR programmes in terms of their contribution to development (Blofield & Frynas 2005). Thus, it is important for policy makers and societal groups to stimulate the CSR to assist the sustainable development of the country. Policy makers should implement institutional reforms in order to increase the CSR engagement. As well as partnering with the public and private sectors will facilitate to boost social responsibility in Sri Lanka.

## REVIEW OF LITERATURE

Researchers found that management has an important impact on the process and outcomes of CSR activities (Waddock, Bodwell & Graves 2002). The role of management in shaping the organization and its activities has been a popular research topic for years, and a central feature in these efforts has been the analysis of managerial perceptions and how these are linked to a set of background characteristics and psychological determinants (Pedersen & Neergaard 2009).

Executives may contribute to CSR for various reasons. Extrinsic motives revolve fundamentally around managerial beliefs that engaging in social initiatives can have a direct impact on profitability – improving revenue or protecting existing profit levels. The first reason is the financial motive that CSR contributes to the (long term) financial performance of the company. Many empirical studies find a positive relationship between CSR and profitability (Orlitzky, Schmidt & Rynes 2003; Waddock & Graves 1997).

Intrinsic motives are anchored in the idea that business has an ethical duty to “give back” to society. While empirical evidence supports the view that CEOs tend to establish the ethical norms for corporations, middle managers can also play an important role in acting as socially responsible change agents and are able to exhibit their personal values through the exercise of managerial discretion (Hemingway & MacLagan 2004). Brønn and Vidaver-Cohen (2008) distinguish two types of intrinsic motives: CSR as legitimacy and CSR as sustainability.

According to Anthonisz (2011), STING consultants also mention that there is an increased interest in the area of corporate accountability amongst Sri Lankan companies and an increased awareness on the importance of incorporating this into everyday business. Researchers (Fernando 2010; Rathnasiri 2003) have highlighted that the Sri Lankan companies are implementing CSR for philanthropic purposes. The most common understanding of CSR is related to sponsorship of community activities and donations to good causes, and hence most people are ignorant of the broader objectives of CSR.

## RESEARCH METHOD

The current research scenario is used the quantitative research method in order to achieve the objectives. This quantitative method is being used by the dominant methodology used in extant literature. The unit of analysis of the current study would be managers of the companies. The population of this study consists of managers of all the companies listed in Colombo Stock Exchange of Sri Lanka. Researcher considers only the senior management and the middle management of the companies since those two categories have the higher decision making authority in an organization. The sample of the study consists of 100 respondents representing Manufacturing, Banking Finance and Insurance (BFI), Plantation and Beverage Food and Tobacco (BFT) sectors for the study.

The stratified convenience sampling technique is used in this study. In order to collect the data the researcher developed a questionnaire. It reflected key motives of CSR suggested in the literature and examined whether it has changed according to the profile of the manager. The questionnaire is mainly based on the items that are closely connected to the well-known typology of CSR developed by Carroll (1999) and scale developed by Aupperle, Carroll & Hatfield (1985). Respondents were asked to rate each motive statement on a five point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

Analysis of the collected data was facilitated through Microsoft Excel and Statistical Package for Social Sciences (SPSS) 20.0 windows evaluation version. The researcher developed the hypotheses in order to test whether the CSR

motives vary according to the selected personal profile characteristics of the respondents and the different industry sectors.

**H<sub>1</sub>:** Males and females are different in terms of the CSR motives on a statistically significant basis.

**H<sub>2</sub>:** In terms of the tenure of the current job, the CSR motives differ on a statistically significant basis.

**H<sub>3</sub>:** In terms of the industry sector, the CSR motives differ on a statistically significant basis.

The data analyses are based on the descriptive statistics and One-way ANOVA and independent sample t-test is used to test the hypotheses.

## ANALYSIS AND DISCUSSIONS

A total of 100 usable questionnaires were received. Table 01 shows the summary of the sample. Results indicate that the majority of the respondents are male managers (77%). In the selected sample 39% of the respondents have worked for 11 - 20 years in their current job.

**Table 1: Summary of the Sample**

Description		Number of Managers
<b>Gender</b>		
	Male	77
	Female	33
<b>Tenure of current job</b>		
	1-5 years	15
	6-10 years	37
	11-20 years	39
	More than 21 years	9
<b>Designation</b>		
	Senior Management	36
	Functional Heads	64
<b>Industry Sectors</b>		
	Manufacturing	35
	BFI	31
	Plantation	19
	BFT	15

The majority of the respondents were from functional heads category level respondents (64%) and percentage of the respondents of the senior management level is 36%. Out of the selected sectors, the manufacturing sector represents majority of the sample which is 35% and it is closely followed by BFI sector.

### Reliability Analysis

To fulfill the requirement of the reliability in this study, Cronbach's Alpha is adopted to secure a reasonable items coefficients. Thus, the internal consistency of different CSR motives was tested through Cronbach's alpha coefficient.

**Table 2: Reliability Analysis of Variables**

Variable	Number of Items	Cronbach's Alpha
Extrinsic Motive	4	0.862
Moral/Ethical Motive	4	0.718
Altruism Motive	4	0.823
Sustainability Motive	4	0.706

Table 02 results show that the extrinsic motive variable records the highest Cronbach's alpha value of 0.862 and for all the motives are acquired the accepted Cronbach's alpha value criterion of 0.7 to achieve the needs of internal consistency.

**Motives of Corporate Social Responsibility**

In order to identify relative importance of the CSR motives, mean score of the each variable was calculated. Table 03 shows that respondents ranked sustainability motive as the most important CSR motive followed closely by ethical/moral motive. Altruism motive recorded in the moderate mean value.

**Table 3: Mean Scores of CSR Motives**

Variable	Mean Score	Standard Deviation	Rank
Extrinsic Motive	3.491	0.797	4
Moral/Ethical Motive	3.917	0.447	3
Altruism Motive	4.215	0.631	2
Sustainability Motive	4.221	0.333	1

Graafland and Van de Ven(2006) identified two management views on CSR called strategic view and moral view. Strategic view deals with the extrinsic aspect and the moral view deals with the intrinsic aspect of the CSR motives. They also found that moral duty towards the society is more important than the strategic view. The current study recorded a higher order consideration for altruism motive. This finding of the study comply with the pervious researchers (Fernando 2010; Rathnasiri2003). They have highlighted that the Sri Lankan companies are implementing CSR mainly for philanthropic purposes.

**Testing of Hypotheses**

Before testing of hypotheses, the data collected was tested for normality by using Kolmogorov test and the Shapiro-Wilk test. Accordingly the data was normally distributed and the parametric tests were conducted. Table 4 reports the result of independent sample t-test which was conducted to test H<sub>1</sub> hypothesis. Based on the gender, it can be concluded that intrinsic motives are more important than the extrinsic motives. It can be seen that recorded mean scores of female respondents are relatively high when compared the male respondents except for the extrinsic motive. This result is compatible with the findings of the previous authors (Burton & Hegarty 1999). They found that the CSR orientation is much higher amongst female managers than male managers.

**Table 4: Results of Hypothesis – H<sub>1</sub>**

CSR Motive	Factor	Mean	Standard Deviation	T	P-Value
Extrinsic	Male	3.504	0.7652	0.270	0.788
	Female	3.447	0.9226		
Moral	Male	4.235	0.4316	-0.017	0.986
	Female	4.237	0.5101		
Altruism	Male	3.905	0.6089	-0.334	0.739
	Female	3.961	0.7181		
Sustainability	Male	4.466	0.3478	-2.270	0.026
	Female	4.658	0.2238		
Intrinsic	Male	4.202	0.3713	-0.843	0.402
	Female	4.285	0.4038		

The p value is larger than 0.05 for all the motives except for sustainability motive. Therefore, for those motives null hypothesis that is, there is no statistically significant difference in mean scores of CSR motives between male and

female respondents cannot be rejected. The significant level of t value is less than 0.05 for the sustainability motive and this hypothesis concludes an inconclusive decision for the current study. Akbas, ArzuandSalih(2011) found that, for ethical and philanthropic CSR orientation gender would not be an important factor. But for the extrinsic orientation gender would be a significant factor. But current study found gender would not be a significant factor for both extrinsic motive and intrinsic motive.

Table 5 reports the result of One-way ANOVA which was conducted to test H<sub>2</sub> hypothesis. By comparing mean values it can be seen that when the tenure of current job become higher the scored mean values also reported higher values. Intrinsic CSR motive scored higher mean values compared with the extrinsic CSR motives.

**Table 5: Results of Hypothesis – H<sub>2</sub>**

CSR Motive	Factor	Mean	Standard Deviation	F	P-Value
Extrinsic	1- 5 years	3.365	0.7543	1.109	0.350
	6 - 10 years	3.484	0.9046		
	11 – 20 years	3.349	0.6989		
	More than 21 years	4.000	0.7638		
Moral	1- 5 years	4.135	0.3625	0.396	0.756
	6 - 10 years	4.234	0.4013		
	11 – 20 years	4.250	0.5116		
	More than 21 years	4.357	0.5175		
Altruism	1- 5 years	3.750	0.4544	0.639	0.552
	6 - 10 years	3.883	0.7099		
	11 – 20 years	3.977	0.6199		
	More than 21 years	4.107	0.6099		
Sustainability	1- 5 years	4.481	0.2788	0.039	0.989
	6 - 10 years	4.516	0.3859		
	11 – 20 years	4.515	0.2928		
	More than 21 years	4.500	0.4083		
Intrinsic	1- 5 years	4.122	0.2559	0.516	0.673
	6 - 10 years	4.211	0.4180		
	11 – 20 years	4.248	0.3623		
	More than 21 years	4.321	0.4773		

According to the results, for all the motives of CSR differences the significant level is greater than 0.05 (the acceptance level of significance). Therefore, the null hypothesis cannot be rejected and which implies that there are no statistically significant difference in CSR motives based on the tenure of the current job. Akbas et al. (2011) found that tenure of current job was not a significant factor for the ethical motives. However, they further revealed that there were a statistically significant difference between the importance placed on economic/financial motive and the altruism motive.

Table 6 shows the mean scores and the One-way ANOVA results of H<sub>3</sub> hypothesis. According to the descriptive analysis, mean score of the intrinsic CSR motives is higher than the extrinsic motive. In the case of extrinsic motive manufacturing sector gives the highest priority value. Meanwhile and plantation sector gives least priority for the extrinsic motive.

**Table 6: Results of Hypothesis – H<sub>3</sub>**

CSR Motive	Factor	Mean	Standard Deviation	F	P-Value
Extrinsic	Manufacturing	3.583	0.7350	0.458	0.713
	BFI	3.481	0.8716		
	Plantation	3.297	0.7484		
	BFT	3.539	0.8889		

Moral	Manufacturing	4.300	0.4121	0.520	0.670
	BFI	4.154	0.5660		
	Plantation	4.219	0.3010		
	BFT	4.269	0.4265		
Altruism	Manufacturing	3.850	0.6585	0.746	0.528
	BFI	4.067	0.6839		
	Plantation	3.813	0.5951		
	BFT	3.904	0.4952		
Sustainability	Manufacturing	4.367	0.3979	3.487	0.190
	BFI	4.539	0.2617		
	Plantation	4.609	0.3158		
	BFT	4.654	0.1920		
Intrinsic	Manufacturing	4.172	0.4135	0.314	0.815
	BFI	4.235	0.3996		
	Plantation	4.214	0.3429		
	BFT	4.276	0.3088		

Manufacturing sector gives highest importance for the moral perception by scoring mean value of 4.30, may be because of the importance of meeting with the societal and ethical norms when manufacturing the product and services in this sector. BFI sector gives higher scores for altruism motive followed by the BFT. Nevertheless, this finding may be due to the fact that importance of good social relations in the BFI sector since these is service oriented industry sectors.

According to the One-way ANOVA results, significant level for all the CSR motives are greater than 0.05 (the acceptance level of significance). Therefore, there is no statistically significant difference in CSR motives in terms of the business industry backgrounds of the respondents. The myths of CSR include that manufacturing sector highly influences on the environment when doing the manufacturing activities. In the manufacturing sector, the negatives externalities are often high. This hypothesis confirmed that business sectors will not be a significant factor for engaging in the CSR activities. Managers of both manufacturing and service providing companies equally perceived that CSR is important.

### Perceived Barriers for Implementation of CSR Activities

Final objective of the study is to find out the barriers for effective implementation of CSR activities in companies according to the management view. Figure 1, which deals with the identifying the main barriers for implementing the CSR in the companies.

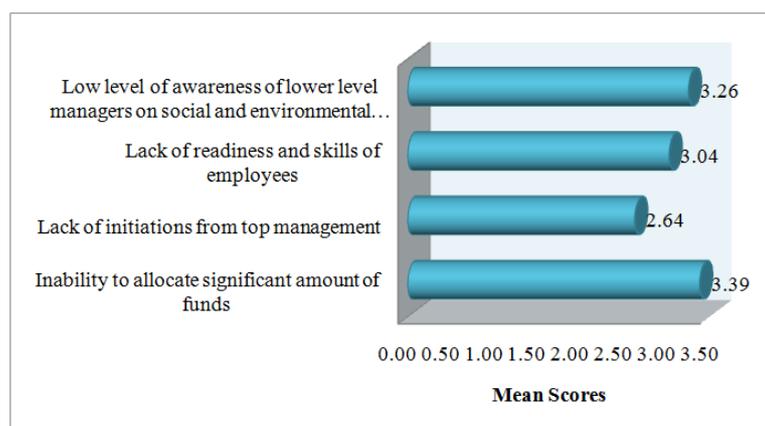


Figure 1: Perceived Barriers for Implementing the CSR Activities

Respondent managers perceived that inability to allocate significant amount of funds would be one of the reasons

for the implementation issue. Thus, companies may lose great opportunities. According to the Figure 1 it can be clearly exhibited initiation from top management would not be a main barrier for the effective implementation of the CSR activities.

In addition to that generally managers perceived long term sustainability must be the focus of CSR activities of the company (see Figure 2). This finding is further confirmed one of the findings in the current study that is among perceived motives managers generally give higher priority for the sustainability perspective. Further managers of the sample perceived that when developing the CSR policy of the company it should be linked with the national development policies of the country. It implies the readiness of the corporate world for engaging in national development activities. This would be a great finding for the policy makers to stimulate the CSR activities through national development projects.

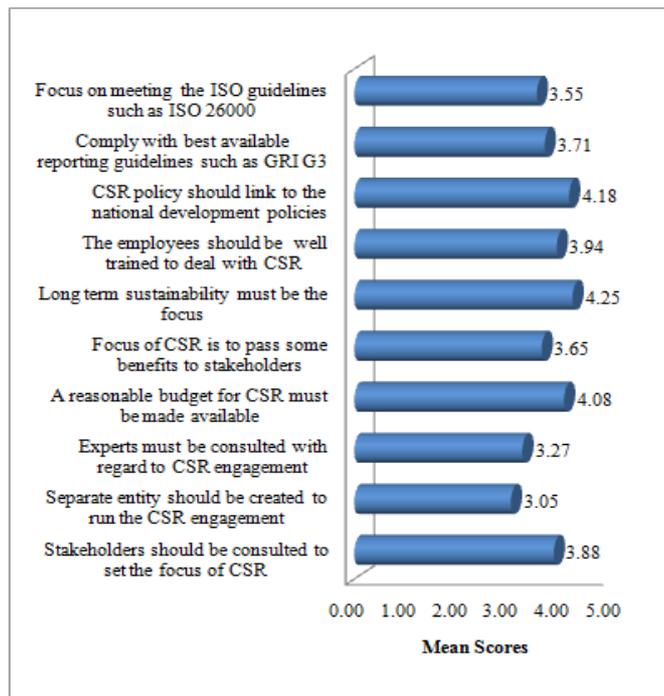


Figure 2: Perceived Corporate CSR Policy

**CONCLUDING REMARKS**

Consensus emerges that the CSR can best contribute to sustainable development by addressing the social, economic and environmental issues. Due to this CSR is a notable topic within the present day global business arena. Many researchers in the recent past have done a growing number of studies relating to CSR as indicated by the literature. However, little attention has been paid to understanding why or why not corporations act in socially responsible ways. Therefore, the main objective of this study is to identify the relative importance of motives of managers in Sri Lankan business organizations regarding Corporate Social Responsibility. Accordingly both extrinsic and intrinsic motives are perceived as important motives by the managers in Sri Lankan companies. None of the motives were rejecting by the Sri Lankan managers. Based on the mean values sustainability, altruism and ethical motives were ranked as 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> respectively.

The second objective is to examine the significant differences in CSR motives based on some selected criteria. It was found that there is no statistically significant difference between mean scores of CSR motives between male and

female respondents for all the CSR motives except for sustainability motive. Further it was found that there is no statistically significant difference in CSR motives based on the tenure of the current job. In addition to that it was found that when tenure of current job is high perceived value for CSR motives also high. Further result shows that there is no statistically significant difference between mean scores of CSR motives and the industry backgrounds in Sri Lanka. Managers of both manufacturing and service providing companies equally perceived that CSR is important.

Managers believe that inability to allocate a significant amount of funds would be a one of the major barriers for the implementation CSR in companies. Further another barrier would be the low level of awareness among the lower level managers on real meaning of the social and environmental responsibility. Initiation from top management would not be a main barrier for the effective implementation of the CSR activities.

According to the findings CSR is an intrinsically driven and the voluntary concept in Sri Lanka. Managers perceived that long term sustainability must be the focus of CSR activities of the company and when developing the CSR policy of the company it should be linked with the national development policies of the country. This implies that readiness of the corporate world for the engaging in national development activities. Therefore this study paves the path for the government and all the other responsible authorities to stimulate CSR in Sri Lanka.

Policy makers should initiate social and environmental projects that could easily be implemented by the private sector to assist in sustainable development of the country. The government should encourage and interfere with the CSR activities in the business community through necessary mechanisms.

## REFERENCES

1. Akbas, H.E., Arzu O.C., & Salih D.(2011) *Certified Public Accountants' perceptions of corporate social responsibility: empirical evidences from Turkey*. Retrieved 30 December 2013, from [http://icongfesr2011.tolgaerdogan.net/documents/international\\_presentations/KIN23.pdf](http://icongfesr2011.tolgaerdogan.net/documents/international_presentations/KIN23.pdf)
2. Anthonisz, T. (2011). 'Defining Corporate Social Responsibility', retrieved 9 October 2013 from,
3. <http://www.stingconsultants.com/pdf/valuable/Article%201.%20Defining%20CSR.pdf>
4. Aupperle, K.E., Carroll, A.B.& Hatfield, J.D. (1985). An empirical investigation of the relationship between corporate social responsibility and profitability.*Academy of Management Journal*, 28(2), 446-463.
5. Blowfield, M. & Frynas, J.G.(2005). Setting new agendas: critical perspectives on corporate social responsibility in the developing world. *International Affairs*, 81(3), 499–513.
6. Brønn, P.S. & Vidaver-Cohen, D.(2008). Corporate motives for social initiative: legitimacy, sustainability, or the bottom line. *Journal of Business Ethics*, 1(14), 1525-1539.
7. Burton, B.K., & Hegarty, W.H.(1999). Some determinants of student corporate social responsibility orientation. *Business and Society*, 38(2), 188-205.
8. Carroll, A.(1979). A three-dimensional conceptual model of corporate performance.*Academy of management review*, 4(4), 497-505.
9. Carroll, A.(1999). Corporate social responsibility: evolution of a definitional construct. *Business & Society*, 38(3), 268.

10. Clarkson, M.(1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of management review*, 20(1), 92-117.
11. Fernando, M. (2010). Corporate social responsibility in the wake of the Asian tsunami: Effect of time on the genuineness of CSR initiatives. *European Management Journal*, 28(1), 68-79.
12. Freeman, R.(1984). *Strategic management: a stakeholder approach*, Boston: Steve Waddell.
13. Graafland, J. & Van de Ven, B. (2006). Strategic and moral motivation for corporate social responsibility. *Journal of Corporate Citizenship*, 22(Summer), 111-123.
14. Gray, R.O.& Maunders, K.(1987). *Corporate social reporting*, London: Prentice Hall.
15. Gunewardana, N. ( 2009). *Corporate social responsibility: do our companies have the correct idea?*.Retrieved 18 November 2013, from <http://www.nimalgunewardana.com/2004/10/corporate-socialresponsibility>.
16. Hemingway, C.A.& MacLagan, P.W. (2004). Managers' personal values as drivers of corporate social responsibility. *Journal of Business Ethics*, 20(1), 33-44.
17. Jenkins, H. (2006). Small business champions for corporate social responsibility. *Journal of Business Ethics*, 67(3), 241-256.
18. Mamic, I.(2005). Managing global supply chain: the sports footwear, apparel and retail sectors. *Journal of Business Ethics*, 59(1/2), 81-100.
19. Nanayakkara, M.S. (2010). Socio-economic of corporate social responsibility practices in Sri Lankan domestic manufacturing companies. Master Thesis, The University of Agder.
20. Orlitzky, M., Schmidt, F.L.,& Rynes, S.L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24(3), 403-441.
21. Pedersen, E.R.& Neergaard, P.(2009). What matters to managers?: the whats, whys and hows of corporate social responsibility in a multinational corporation.*Management Decision*, 47(8),1261-1280.
22. Rathnasiri, H.(2003). Corporate social responsibility practices of Sri Lankan private sector: an exploratory study. *Sri Lanka Journal of Management*, 8(3-4), 195-228.
23. Tilakasiri, K. K, Armstrong, A.,& Heenatigala, K.(2011). A comparative study of corporate social responsibility in the developed and developing countries. paper presented at the *2nd International Conference on Business and Information* , University of Kelaniya, Sri Lanka.
24. Waddock, S.A., Bodwell, C. &Graves, S.B. (2002). Responsibility: the new business imperative. *Academy of Management Executive*, 16(2), 132-47.
25. Waddock, S.A.& Graves, S.B.(1997). The corporate social performance-financial performance link. *Strategic Management Journal*, 18(4), 303-319.
26. Wood, D.(1991). Corporate social performance revisited. *Academy of management Review*, 16(4), 691-718.