

Managerial perceptions on corporate social responsibility in select companies in Hyderabad

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I. INTRODUCTION

The past twenty years have seen a radical change in the relationship between business and society. Key drivers of this change have been the globalization of trade, the increased size and influence of companies, the repositioning of government and the rise in strategic importance of stakeholder relationships, knowledge and brand reputation. The relationship between companies and civil society organizations has moved on from paternalistic philanthropy to a re-examination of the roles, rights and responsibilities of business in society.

Corporate social responsibility (CSR), defined in terms of the responsiveness of business to stakeholders legal, ethical, social and environmental expectations, is one outcome of these developments (Timmins 2004). In this new role to the society, CSR has also proved to foster growth and prosperity in developing and least developed countries (Lamy 2002). Like many other countries, the business enterprises in India, for their growth, stability and prosperity and along with for the development of the country, recognized the need for CSR and have been practicing to some extent.

Literature shows that in India, only a few empirical studies, Singh et al. (1980); Krishna (1992); and Reddy (2006) have been made to assess the state of CSR based on the data generated from the business managers. Manager's vision on CSR performance has been considered important in this situation. In this attempt, the study has identified the following objective to be achieved: to examine the perception of managers on CSR performance.

II. LITERATURE REVIEW

In management literature, there has been growing interest in investigating the perceptions of top management toward CSR and the actions they may take regarding socially responsible issues. Academics and researchers in different parts of the world conducted opinion surveys to understand views of managers/executives and other people involved in company management. Those survey results showed mixed opinion of the people surveyed on the issue, varying from profitable business growth to community & social development. In the early stages, Harvard Business Review (1971), surveyed its subscribers where majority of managers felt that a corporation's duty is to serve as fairly and equitably as it can the interests of groups-owners, employees, and the public. Later, Keith Davis has laid the foundation and benchmark for the researchers to assess attitudes of managers toward CSR (Davis 1973). Following the same argument aiming at measuring managerial attitudes, Holmes (1976) conducted a survey among the fortune 500 and concluded that the trend toward greater acceptance of social responsibilities was continuing. Abdul Farooq Khan made an investigation into the perceptions of corporate social responsibility among 41 Senior Executives of companies in Delhi and Ghaziabad district in U.P. in India. He found that 98% of respondents agreed that social responsibility was relevant to business. They considered profit as equally important goal. He conducted another survey of executive perceptions in England adopting mail questionnaires and interview method. From a sample of 46 respondents, he found that almost all managers were in favor of corporate social responsibility.

Wood (1991) underscores managerial intentions as the motivators of socially responsible behaviour, and stresses the management of stakeholder expectations as an integral part of the process. An assessment of a manager's attitudes toward CSR, then, may provide an indication of the manager's inclination to respond in a particular way to CSR. Greening & Turban (2000) found that job applicant and employee perceptions of a firm's CSR determines their attractiveness towards the organizations. Moving on the same track, Cropanzano et al. (2001) demonstrated that employee attitudes and behaviors are heavily influenced by fairness of organizational actions towards them.

Abdul and Ibrahim (2002) examined the attitudes of Malaysian managers and executives towards social responsibility and also the extent of socially responsible activities involved, corporate disclosure, and the factors determining the attitudes towards social responsibility. The results showed that involvement by a business in improving its community's quality of life will also improve long run profitability and that there were significant differences in the attitudes of managers working in banking, telecommunication, manufacturing and construction towards social responsibility. The results also showed that the most influential factor determining the attitude towards social responsibility was family upbringing. The other important factors were traditional beliefs and customs, and common practices in the industry.

Quazi (2003) demonstrated that there is a significant relationship between the level of education, training, status and religiosity of managers and their perception on CSR. Hemingway (2004) explored corporate motives for CSR along with the notion of an altruistic ethical impulse among business leaders or managers, perhaps motivated by religious beliefs. It was suggested that the formal adoption of CSR by corporations could be associated with the changing personal values of managers and that there may be an association between different industries, the personal values of the managers who work in them and their commitment to CSR. This study was preparatory to an empirical investigation that will address how corporate social responsibility is interpreted and institutionalized by organizations, including an analysis of firms' perceptions of the boundaries regarding where and to whom their corporate social responsibilities lie.

Brammer et al. (2005) explored the relationship between religious denomination and individual attitudes to corporate social responsibility. The evidences suggested that, broadly, religious individuals do tend to hold broader conceptions of the social responsibilities of businesses than non-religious individuals. However, the authors showed that this neither true for all religious groups, nor for all areas of corporate social responsibility. Reddy (2006) studied the perception of 60 corporate managers on CSR in India by means of questionnaire and personal interviews. It was found that the major drive of CSR in Indian industry is the drive to become good corporate citizen, maintaining social commitment, and improvement in employee relations, etc. The main components of CSR were found to be healthy and safe working environment, value for stakeholders, good environmental concerns, support for community projects and charity. The key stakeholders influencing CSR initiatives were the board members, customers and shareholders. Most of the managers were of the opinion that CSR is important means for the profitability.

Jonung and Malhotra (2007) investigated the attitudes towards Corporate Social Responsibility among India's future business leaders. Furthermore, the implications of the results were discussed from a Multinational Corporation's perspective. The results showed that the sample group has a positive attitude towards CSR. Furthermore, the results suggest that top students evaluate the attractiveness of a future employer partly through its CSR work. Also, the results suggested that a MNC should incorporate employer branding in their CSR-strategy or link CSR-strategy and employer branding efforts in order to reap larger benefits from CSR.

Brammer et al. (2007) investigated the relationship between organizational commitment and employee perceptions of corporate social responsibility within a model that draws on social identity theory. Specifically, they examined the impact of three aspects of socially responsible behaviour on organizational commitment: employee perceptions of corporate social responsibility in the community, procedural justice in the organization and the provision of employee training. The relationship between organizational commitment and each aspect of CSR is investigated within a model that distinguishes between genders and includes a set of control variables. The results emphasized the importance of gender variation and suggest both that external CSR is positively related to organizational commitment and that the contribution of CSR to organizational commitment is at least as great as job satisfaction. Maon et al. (2008) proposed a conceptual framework to clarify the processes that underlie the emergence, prioritization and integration of CSR issues into organizational goals. Specifically, this study used systems thinking, CSR, and organizational interpretation theories to highlight the central influence of top managers' perceptions on the development of CSR strategic agendas.

Zu and Song (2009) empirically investigated how Chinese executives and managers perceive and interpret corporate social responsibility, to what extent firms' productive characteristics influence managers' attitudes towards their CSR rating, and whether their values in favour of CSR are positively correlated to firms' economic performance. Managers' personal characteristics per se are not significant in determining their CSR choice. Findings also revealed that managers' CSR orientation is positively correlated with their firms' performance.

III. RESEARCH PROBLEM

Considering the importance of CSR, its general perception in the minds of the managers needs to be understood. As it happened in other parts of the world, in India, managers are the main linking pins between business and society; therefore, their perception as to what is social responsibility is very important. The idea of social responsibility requires a decision maker to consider his/her acts in terms of the whole social system and holds him/her responsible for the effects of his acts. If the values of managers are limited primarily to certain acts, groups or organizations, they tend to become partisan acting for that group. Socially responsive managers give substantial weight to social issues and provide social outputs for a wide variety of claimants.

IV. RESEARCH METHODOLOGY

A theoretical framework was developed from the secondary data, comprised of the published literature. A structured questionnaire was used to generate primary data. In line with the research problem, primary data was generated by a survey, conducted in different public and private sector enterprises in Hyderabad, Andhra Pradesh. The questionnaire was self-administered and was distributed personally to the respondents.

V. QUESTIONNAIRE DESIGN

A questionnaire was developed, on the basis of the variables related to corporate social responsibility as identified from the literature. Table-1 shows the variables identified for the questionnaire and their literature sources.

Table 1. Statements related to CSR

S.No.	Statements	Keyword	Source
1	Today's customers prefer to consume product or service of socially responsible firms.	Consumer preference	Mamun and Ahmed (2009)
2	A favourable public image can be achieved by showing involvement in socially responsible activities.	Public image	Zu and Song (2008)
3	Social responsibility and financial performance are positively correlated.	Financial performance	Mamun and Ahmed (2009)
4	Firms perceived as being socially responsible can improve industry-labour relations.	Industrial relations	Zu and Song (2008)
5	There is no difference between involvement in socially responsible activities and positioning for public relations.	Public relations	Zu and Song (2008)
6	Conducting routine business properly is an act of social responsibility.	Routine business	Narwal and Sharma(2008)
7	Being a part of the society, business must be responsible to it.	Part of society	Koontz and Wehrich (1998)
8	Social obligations of business are important than profits.	Social obligations	Singhapakdi et al. (1996)

The variables were put in the form of 8 statements and the respondents were asked to record their opinion on a 5-point Likert-type interval scale i.e. strongly agree, agree, neutral, disagree, and strongly disagree.

Sampling

Simple random sampling method was used to generate primary data. A total of 100 industries were selected and a web questionnaire was administered. Out of these, 60 responses were obtained and used for the data analysis.

Data Analysis

The eight variables (statements) were subjected to factor analysis by using Principal Component Method with unities in diagonal, Hotelling (1935). Following the recommendation of Kaiser (1960), the extraction of factors was stopped when Eigen value (latent roots) came to be less than 1.00. Three factors were obtained, whose Eigen value exceeded 1.00. A total variance of 60.146 (Table 2) is accounted for by these three factors. The extracted factors were rotated in accordance with the criterion of Kaiser's (1958) Varimax Procedure. Factor loadings greater than 0.30 are found significant at .05 level (Herman, 1960).

Table 2. Eigen value with cumulative percentage of variance

Components	Eigen value	% of variance	Cumulative % of variance
1	2.198	20.896	20.896
2	1.522	20.111	41.007
3	1.092	19.139	60.146

Each of the factors derived by analysis of data represents a particular outlook of the respondents towards various issues of social responsibility and is explained in the following interpretation of the factors.

Factor 1

High positive loadings have been observed on three variables - favourable public image can be achieved by showing involved in socially responsible activities; firms perceived as being socially responsible can improve industry-labour relations; and there is no difference between involvement in socially responsible activities and positioning for public relations.

Table 3. Public Image and relations

S.No.	Statements	Factor Loadings
1	Public image	0.511
2	Industrial relations	0.705
3	Public relations	0.737

Each of the variables represents the advantage of getting a good public image and maintenance of public relations by being socially responsible. Hence, this factor is labeled as public image and relations. On the basis of this factor, it can be concluded that the society takes a positive view of the CSR activities, which may help the companies in their long-term survival and competitiveness.

Factor 2

High positive loadings have been observed on three variables — conducting routine business properly is an act of social responsibility; being a part of the society, business must be responsible to it; and social obligations of business are important than profits.

Table 4. Morality and ethics

S.No.	Statements	Factor Loadings
1	Routine business	0.786
2	Part of society	0.691
3	Social obligations	0.661

These statements uphold a sense of morality and ethical behaviour leading to CSR performance. Keeping in view the nature of these variables, this factor is labeled as morality and ethics.

Factor 3

This factor comprises of two loaded variables - today’s customers prefer to consume product or service of socially responsible firms, and social responsibility and financial performance are positively correlated.

Table 5. Monetary benefits

S.No.	Statements	Factor Loadings
1	Consumer preference	0.906
2	Financial performance	0.571

These variables speak about increase of sales of socially responsible firms and positive correlation between financial performance of a firm and its CSR activities. Henceforth, this factor is labeled as monetary benefits. The statistical analysis indicates that CSR can improve public image and public relations. The mean value of Factor 1 (3.69) indicates that a firm with high CSR can capture a favourable public image, which is closely associated with firm’s long-term self-interest, and may gain more customers, better employees and other benefits; and face relatively few employment conflicts. The result of analysis shows that respondents contend that favourable public image can be achieved by showing involved in socially responsible activities (3.68), socially responsible firms can improve industry-labour relations (3.92), and no difference between involvement in socially responsible activities and positioning for public relations (3.47).

Factor 2 reveals managers' perceptions of ethical behaviour leading to their CSR performance. The mean value of Factor 1 (3.57) does support the argument. The managers have expressed that conducting routine business properly is an act of social responsibility (3.83), business must be responsible to society (3.30) and social obligations of business are important than profits (3.58). The questions in the survey examining managers' perception toward the relationship between CSR and profitability were: whether customers prefer to consume product or service of socially responsible firms and whether social responsibility and financial performance are positively correlated. In response to the first statement, the mean value (3.18) shows that managers agreed that implementation of CSR leads to increase of consumption of the products of the firm. This proves the theory of social capital - spending resources for social programmes might actually result in more profit for the business. Responding to the second statement, the mean value (3.88) reveals that managers contended that CSR and financial performance are positively correlated.

VI. DISCUSSION

Three distinct dimensions emerge out of the data analysis – Public Image and relations, Morality and ethics, and Monetary benefits. Out of these three, the first two dimensions, namely Public Image and relations and Morality and ethics have emerged as the most important perceptions. The results reveal that managers strongly believe that CSR activities improve a company's image. This is in congruity with the findings of by Pohle and Hittner (2008). Morality and ethics occupy an important place in the society and draws the boundaries for the businesses to function. The ethical behavior the managers exhibited in this survey may provide an indication of their inclination to respond in a positive way to CSR. This finding is consistent with that of Podnar and Golob (2007). The results also implicit that manager perceived CSR to cause economic gains to the firms in form of increased sales, investment etc. This finding is in congruence with several previous studies (Prahalad, 2004; McWilliams and Siegel, 2000; and Pelozo and Papania, 2008).

VII. CONCLUSION

The concept of "corporate social responsibility" has been around the business world for quite a while. It has been conceptualised as running against traditional business values of maximising economic gains. Like a fashion, many firms world-wide seem to welcome this concept. It is learnt from this survey that managers' interpretations of CSR activities could be seen in terms of ethics and corporate image. Also, the managers perceive that acceptance of CSR appears not doing any harm to economic performance and indeed is associated with a large increase in sales. Besides the managers, other stakeholders began to show their concern for CSR issues in their own ways. In particular, the Indian government has already taken some initiatives to encourage the firms involved in socially responsible initiatives. As a part of the policy, the government is also taking steps towards making disclosure of CSR a mandatory. The business community needs not only voice support for corporate responsibility initiatives, but to respond favourably to efforts by the Indian government to impose CSR measures. The process of further integration of the society and business is required and the businesses have to reinforce the positive momentum to strengthen the confidence in the society.

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