

# Managerial Perception Of CSR: A Study Of MNCs

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## INTRODUCTION

What does one perceive from the term business? Most commonly, business is defined as an economic activity undertaken for the purpose of making profits. No doubt, the main criterion to measure the performance of any business is the quantum of its profits. The more the profit, the more successful is perceived the business, so the corporate world is always engaged in the activities that lead to the maximization of their profits. It is obvious that the owners of the business, who provide their funds to be used in business have the right to have some return on their investment and they want the return to be maximum. But the situation becomes critical when the corporate world forgets that there are some other people also associated with the business and are affected by its activities. These people are consumers, employees, creditors, government and society in general which are collectively called stakeholders. The business has some responsibilities towards these stakeholders and this responsibility of business is called corporate social responsibility (CSR). The concept of CSR was visualized during the early part of the twentieth century. Clark (1916) was among the pioneers to observe that if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether or not law has recognized these. CSR involves a range of concepts, principles, methodologies and a large diversity of empirical analysis. In recent years, the concept of CSR has gained a prominent significance, both in popular media and among academics.

A famous definition of CSR given by 'The World Business Council for Sustainable Development is, "*Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*". The Prince of Wales Business Leaders Forum defines CSR as "*open and transparent business practices that are based upon ethical values and respect for employees, communities and the environment (and) designed to deliver sustainable value to society at large, as well as to shareholders*." Slaughter (1997) has described the socially responsible behaviour as "*Actions that go beyond the legal or regulatory minimum standards with the end of some perceived social good rather than the maximization of profit*." Leonard and McAdam (2003) observed that it is critical the vision supports not simply what is good for the company but also what is good for its employees, local communities and society as a whole. Leaders with this sort of vision are needed to drive CSR. Whether a person acts ethically or unethically is the result of a complex interaction between the individual characteristics like personal values, ego strength and locus of control; the organizations' structural design, e.g. formalization, authority, appraisal system, rewards and job pressures; and the organizational culture that is the content and strength of value system of an organization (Chauhan and Chauhan, 2002). Today, managers are increasingly being aware of the importance of being good corporate citizens, as many studies indicate that CSR has a positive effect on company performance (Gillis and Spring, 2001).

## AREAS OF CSR

**Andriof and McIntosh (2001)** argued that the foundation of CSR consists of four specific areas i.e. environment, work place, community and market place. Corporations can take responsibility by developing programs, monitor, and change the effects of their operations within each specific area. Thus, socially responsible corporations step upto their obligations regarding these areas and try to improve the conditions and behave appropriately.

**Deresky (2003)** stated the impact that corporate decisions have on issues such as poverty, lack of equal opportunities,

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the environment, consumer concerns, employee safety and well-fare are the most quoted in the literature regarding CSR in MNCs. **Johnson and Scholes (1999)** divided CSR into internal and external activities. Internal activities include 'employee welfare', such as medical care, assistance with mortgage, extended sick leave, and assistance for dependents; 'working conditions', such as enhancing working surroundings, social and sport clubs, and above minimum safety standards; as well as 'job design', such as enhancing job satisfaction rather than economic efficiency. External activities include 'green issues', such as pollution control and energy conservation; 'products', such as safe products; 'markets and marketing', such as withdrawal from certain markets and advertising standards; as well as 'suppliers', such as 'faire' term of trade and blacklisting suppliers. Moreover, external activities include 'employment', such as positive discrimination in favour of minorities and maintaining jobs; as well as 'community activities', such as sponsoring local events, and supporting local charity works.

**Sen and Bhattacharya (2001)** summarized CSR activities into six different categories: Community support, diversity, employee support, the environment, non domestic operations, and product. Each aspect can involve many different ways for companies to engage in CSR. Community support can include support of arts and health programmes, education and housing initiatives for the economically disadvantaged and generous/innovative giving. Diversity may involve gender, race, family, sexual orientation and disability based diversity record and initiatives, within and outside the firm. Employee support companies may show concern for safety, job security, profit sharing, union relations, and employee's involvement. Environmental responsibilities include environmentally friendly products, hazardous waste management, use of ozone-depleting chemicals, animals testing, pollution control, and recycling. Non-domestic operations may involve overseas labour practices (including sweatshops), and operations in countries with human rights violations and under Product area issues like product safety, research and development/innovation, marketing/contracting controversies, and anti-trust disputes can be addressed.

**L'Etang (1995)** classifies the social responsibility of business into three categories namely Direct Responsibility, Indirect Responsibilities and Corporate Philanthropies. Direct responsibilities are those which arise directly from a company's existence and operation. They can be both internal as well as external. The internal responsibilities relate to corporate mission, objectives, corporate culture and employee well being. External responsibilities may be towards the consumers and the local community. Indirect Responsibilities arise from the position of power which companies have in society either individually or collectively and which enables them to exert influence and lobbying power over government and to ensure that their views are well represented in the media. Corporate Philanthropy is not based on any kind of obligation or responsibility but simply upon the desire to do well. Corporate philanthropy usually consists of ad hoc gifts and donations and it suggests that the goodness or moral worth of the intention can only be maintained if companies do not seek any benefit for themselves out of the donations.

## MANAGER'S POSITION

Since the area of CSR is vast and multidimensional, managers may encounter difficulties in developing corporate social responsibility programmes. According to **L'Etang (1995)**, these difficulties arise from conflicting interests and priorities. Pressure may be both internal and external and CSR programmes usually evolve from a combination of proactive and reactive policies.

**Nigam and Rao (1984)** reviewed the literature on social responsibility and stated that social responsibility should be a part of ongoing goals and strategy of the corporations and the management must be consistent in its support of social responsibility. But there is no magic formula for socially responsible decisions in any case. Priorities must be sketched out after a careful and realistic appraisal of its own (industry) strengths and weakness and the socio- economic characteristics of the community it serves.

**Sethi and Sethi (1976)** conducted a study to analyze some of the contemporary social aspects of business and presented what business has done, what it is doing, and what it plans to do to the environment in which it exists. The study was limited to the major industries in the limited states. It dealt with the problems and opinions of the business leaders and a few specific examples and cases of companies which have offered programmes as possible solutions to the problems cited. It was concluded that business is aware of the seriousness of the problem within the society and environment. Most businesses have begun to assume their obligations in these problem areas without greed on their part. Business realizes that the society cannot just run away from its problems. The study revealed that many business leaders are ready, willing and able to assume the challenges.

**Crowther et al. (2005)** found that the corporations have not changed their behaviour and the managers of these corporations are still driven by the desire to create value for shareholders above all else. In such an environment, CSR was introduced in corporate reports and practices, because of law enforcement and, especially, for the public image of the corporation. This is based in the distancing of corporations from the communities, which they serve and in which they are physically located. This can be contrasted with the behaviour of firms which are truly located in their communities and which consequently have no need for the concept of CSR because they fully understand the obligations imposed by citizenship; for them a public image does not exist.

Some researchers observed that managers have some duties to fulfill as Moral Leaders also. **Jose and Thibodeaux (1999)** stated that the aim of social responsibility leadership is chiefly to clarify and make explicit the dimensions of social responsibility and how these can affect everyday business and decision making, as well as to formulate and justify principles and functions in relation to this. It was also highlighted that the management, as role models, are important for setting the right organizational climate, since people to a large extent learn from, and are influenced by others.

**Desai and Rittenburg (1997)** wrote that the chief executive officer (CEO) and top management have important roles to play when incorporating social responsibility in organizations, since they are role models that have an ability to establish core values, which can be installed throughout the organization.

**Hemingway and MacLagan (2004)** observed the role of individual personal values as factors explaining the formulation, adoption and implementation of CSR policies in organization. While CSR is most commonly explained in terms to strategic commercial interest of the organization, this is not always the case. It was suggested that where individual managers can exercise influence, they may initiate or change specific projects in order to address their personal moral concerns. Individual discretion is the route through which personal values impact on CSR policies, permitting individuals to use their judgment.

Some prior studies have been conducted to determine the consumers', societal or managerial perception of corporate social responsibility. **Maignan (2001)** investigated the consumers' readiness to support socially responsible organizations and examined their evaluations of the economic, legal, ethical and philanthropic responsibilities of the firm. The study was based upon a consumer survey conducted in France, Germany and the US. The finding of the study highlighted that French and German consumers are more willing to actively support responsible business than their US counterparts. It was further shown that US consumers highly value corporate economic responsibilities, whereas, French and German consumers are most concerned about business conforming to legal and ethical standards. It was contrasted that the individualistic nature of the US ideology comes out clearly in the study, so in the US, claiming to be a socially responsible organization when economic achievements are not the greatest can be dangerous.

Sharma and Narwal (2008) conducted an empirical study to frame out a societal perception of corporate social responsibility to enable the business to design and position its social responsibility activities accordingly. Three view points of society about CSR were found namely *objective*, *skeptical* and *ethical*. Out of these three, the *Objective* view point emerged as the most important one, concluding that the corporate should have an undeterred commitment towards social responsibility imbining it as a part of their system. The second view point (*Skeptical*) perceived the expenditures on socially responsible activities as wasteful and the very intention of undertaking these activities as doubtful, and the third (*Ethical*) view point said that even in the turbulent times, when the survival of the firm is at stake, the firm must not ignore/forget social responsibility. It was concluded that the societal perception on CSR activities in business is changing from skeptical to objective. Society has a positive view of the actions of business and expects reasonable and ethical behavior and business has to reinforce the positive momentum to strengthen the confidence in the society.

**Kumar & Khan (2004)** suggested some factors to be considered by MNCs to improve the positive attitude of people towards them such as MNCs should show priority in establishing their units in backward areas rather than already developed areas, they should invest more of their profits in India, they should use the labour force which is available in India to reduce the problem of unemployment, they should not follow unfair means for avoiding the taxes and they should not enter into the political affairs of the country to force the government to formulate the policies in their favour. It was concluded that being an economically and technologically developing country, it may not be adequate enough for India to depend on her own industries for economic as well as technological developments. As the MNCs are financially and technologically sound, they can also play a crucial role in the industrial and economic

development of India. Though the entry of MNCs in Indian industrial sector has certain problems, by formulating suitable policies and procedures, the problems can be eliminated.

**Quazi & O'Brien (2000)** developed a two dimensional model of corporate social responsibility and empirically tested its validity in the context of two dissimilar cultures- Australia and Bangladesh. The two dimensions were the Span of corporate responsibility (narrow to wider perspective) and, the range of outcomes of social commitments of business (cost to benefit driven perspective). Cluster analysis pointed to two distinctive clusters of managers in both Australia and Bangladesh; one consisting of managers with a broad contemporary concept of social responsibility and the other with a limited narrow view. It was concluded that corporate social responsibility is two dimensional and universal in nature and that differing cultural and market settings in which managers operate may have little impact on the ethical perception of corporate managers. **Singhapakdi et al. (1996)** observed that little research has been conducted concerning marketers' perception regarding the importance of ethics and social responsibility as components of business decisions. The purpose of the study was to develop a reliable and valid scale for measuring marketers' perception regarding the importance of ethics and social responsibility. An instrument for measurement of the perceived role of ethics and social responsibility (PRESOR) was developed. Evidence that the scale is valid was presented through the assessment of scale reliability, as well as content and predictive validity.

## RESEARCH PROBLEM

Review of existing literature points at the role to be played by the managers while incorporating CSR and the difficulties they face while doing this, given the vast and multi facet area of CSR. In the era of globalization, the situation becomes more difficult for the managers, especially those working for the MNCs, since the working and decision making environment may be different therein as compared to that of their domestic counterparts. **Zyglidopoulos (2002)** stated that a corporate operating within the boundaries of a particular country has to comply with the legal and social norms of that country (only). It has social and environmental responsibilities, which are determined by the laws, customs, and business practices of the country within which it operates. But this is not the case for multinationals. The social and environmental responsibilities of a multinational operating in a specific country also depend on the laws, customs and business practices it has to face in all the other countries it operates in. Multinational corporations face levels of environmental and social responsibility higher than their national counterparts. So, need was felt to know the CSR perception of managers employed with MNCs. Most of the prior studies in this area focus on the societal or consumers' point of view. Very less has been done to know the perception of managers in India. By way of the present study, an attempt has been made to understand the managerial perception of CSR with a special reference to the managers of the Indian subsidiaries of MNCs. The research problem has been stated as: *How the managers in Indian subsidiaries of MNCs perceive corporate social responsibility.*

## RESEARCH METHODOLOGY

### RESEARCH OBJECTIVE

The main objective is to study the managerial perception of CSR in MNCs.

### SAMPLING

A list of MNCs operating in India was obtained from the internet ([www.fundoodata.com](http://www.fundoodata.com)). Out of that 150 MNCs were selected as a sample by using convenience sampling method. The sample comprised of Indian subsidiaries of MNCs across various industries and countries of origin.

### DATA COLLECTION

Theoretical framework was developed from the secondary data, comprising of the published literature, magazines, newspapers and websites. In line with the research problem, primary data was generated by means of questionnaire. Persons at managerial level were the respondents for the present study. Since the information was regarding CSR and very few MNCs were having separate CSR department or CSR manager in India, so responses were taken from Public Relation Officers/Managers, Human Resource Managers, etc. who were looking CSR affairs.

### QUESTIONNAIRE DESIGN

The questionnaire included some statements on CSR. It was based on a questionnaire used in the study conducted by Quazi and O'Brien (2000), and scale developed by Singhapakdi et al. (1996) for the measurement of the perceived role of ethics and social responsibility (PRESOR). The respondents were asked to record their opinion on a 5 point Likert-



type scale i.e. strongly agree, agree, natural, disagree, and strongly disagree. A pilot survey was conducted on five companies. The Questions regarding personal information of respondents were dropped after the pilot survey as most of the respondents refused to disclose their identity. Some other modifications were also made which were felt necessary after the pilot survey. The final questionnaire contained 18 statements on CSR (Table1). These statements were given numbers V1, V2, V3..... to V18. The questionnaires were mailed to the companies having offices in Mumbai, Bangalore and some other distant places. Companies having offices in Delhi NCR were visited personally to handover the questionnaires. Around 150 companies were contacted in aggregate and best efforts were made to get the responses. After follow up, given the time and cost constraints and poor response rate, data could be collected only from 52 MNCs. However, 2 questionnaires were dropped on account of incomplete information.

**Table 1: Eighteen Statements Relating To Corporate Social Responsibility**

|     | Statements                                                                                                                                 |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | Business has a definite responsibility to society apart from making a profit (V1).                                                         |
| 2.  | Social responsibility is an effective base for competing in market (V2).                                                                   |
| 3.  | Business is a part of large society, therefore, it should respond to social issues (V3).                                                   |
| 4.  | Contributing to the solution of social problems can be profitable for business (V4).                                                       |
| 5.  | Regulation is not sufficient to ensure business behave in a socially responsible way (V5).                                                 |
| 6.  | Other social institutions have failed to solve social problems, so, business should try now (V6).                                          |
| 7.  | Business should tackle only those social problems that are created by its own actions (V7).                                                |
| 8.  | Business already has a lot to do and should not take on other responsibilities (V8).                                                       |
| 9.  | Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests (V9). |
| 10. | Corporate social action programme can help to build a favourable image for a business (V10).                                               |
| 11. | It is unfair to ask business to be involved in social responsibility as it is already doing so by complying with social regulations (V11). |
| 12. | Social investment may be suicidal for a marginal firm, for the high cost involved may throw it out of business (V12).                      |
| 13. | Output quality is essential for success; social responsibility is not (V13).                                                               |
| 14. | Planning and goal setting should include discussion on social responsibility (V14).                                                        |
| 15. | Profit earning is a must, even if it means bending or breaking the rules (V15).                                                            |
| 16. | To remain competitive, companies will have to disregard to social responsibility (V16).                                                    |
| 17. | Social responsibility is critical to the survival of company (V17).                                                                        |
| 18. | If survival of a company is at stake, you must forget about social responsibility (V18).                                                   |

## DATA ANALYSIS AND FINDINGS

### MEAN COMPARISON

To know the relative importance of the various statements for the respondents, the mean scores of all the variables were calculated. These variables have been divided into three groups i.e. variables having higher mean (above 3.5), variables having moderate mean ( above 2.5 but less than 3.5) and variables having lower mean (Less than 2.5) and considered to be most important, less important and least important group of variables respectively.

**Table 2 : Most Important Variables (Mean > 3.5)**

| Variables | Statement                                                                              | Mean |
|-----------|----------------------------------------------------------------------------------------|------|
| V1        | Business has a definite responsibility to society apart from making a profit.          | 4.48 |
| V10       | Corporate social action programme can help to build a favourable image for a business. | 4.34 |
| V3        | Business is a part of large society, therefore, it should respond to social issues.    | 4.16 |
| V2        | Social responsibility is an effective base for competing in the market.                | 4.08 |
| V14       | Planning and goal setting should include discussion on social responsibility.          | 3.82 |
| V4        | Contributing to the solution of social problems can be profitable for business.        | 3.74 |

Table 2 shows the group of most important variables, having high mean scores. It is found that all the statements emphasize on socially responsible behaviour and its importance for the business. High mean values on these variables indicate at the ethical (modern) view of the respondents. All these variables highlight that a company should be socially responsible. CSR should be the part of the business which helps the business to expand the market and to earn profit. Therefore, these managers perceive CSR to be very important for their organizations.

**Table 3 :Less Important Variables (Mean 3.5-2.5)**

| Variables | Statement                                                                                                                             | Mean |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------|------|
| V5        | Regulation is not sufficient to ensure businesses behave in a socially responsible way.                                               | 3.28 |
| V17       | Social responsibility is critical to the survival of a company.                                                                       | 2.92 |
| V6        | Other social institutions have failed to solve social problems, so, businesses should try now.                                        | 2.62 |
| V9        | Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests. | 2.60 |
| V12       | Social investment may be suicidal for a marginal firm, for the high cost involved may throw it out of business.                       | 2.60 |

Relatively, less importance was given to these variables which make trade-off among the social responsibilities and the other obligations of the business. The moderate mean score on these variables also indicate that organizations are also giving importance to the economic responsibilities apart from CSR. Therefore, managers perceive a trade off between CSR and other activities for the survival of the organization.

**Table 4 : Least Important Variables (Mean < 2.5)**

| Variables | Statement                                                                                                                            | Mean |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------|------|
| V7        | Businesses should tackle only those social problems that are created by its own actions.                                             | 2.44 |
| V11       | It is unfair to ask business to be involved in social responsibility as it is already doing so by complying with social regulations. | 2.34 |
| V13       | Output quality is essential for success, social responsibility is not.                                                               | 2.24 |
| V18       | If survival of a company is at stake, you must forget about social responsibility.                                                   | 2.18 |
| V8        | Business already has a lot to do and should not take on other responsibilities .                                                     | 1.94 |
| V16       | To remain competitive, companies will have to disregard social responsibility.                                                       | 1.90 |
| V15       | Profit earning is a must, even if it means bending or breaking the rules                                                             | 1.42 |

Table 4 reveals that all the above variables are hardly concerned about CSR. The organizations believe more in other activities than CSR to run the business successfully. It can be inferred that organizations are neglecting CSR and focusing on profit, to meet the competition, quality output, survival, etc. Such managers do not bother about CSR. They perceive that the survival of a business is more important than any other activity like CSR. Hence, the main mantra seems to be survival even without CSR.

## FACTOR ANALYSIS

Eighteen variables (statements in questionnaire) were subjected to factor analysis by using Principal Component Method with unities in diagonal (Hotelling, 1935). Following the recommendations of Kaiser (1960), the extractions of factors was stopped when Eigen Value (latent roots) came to be less than 1.00. Six factors were obtained, whose Eigen value exceeded 1.00. A total variance of 66.863 is accounted for by these six factors (Table 5). The extracted factors were rotated in accordance with the criterion of Kaiser's (1958) Varimax procedure. The communalities, which give the proportion of variance for each of the original variables (denoted by  $h^2$ ), are ranging from 0.504 to 0.831 (Table 6).

Table 6 shows the varimax rotated matrix for all six factors. The cut off point interpreting the factor loading was set at the universally accepted value of 0.5 . Each of the factors so extracted was given a name for ease of reference. Care was taken to ensure that the name of each factor reflected as clearly as possible the underlying dimension in the group of variables with which a particular factor was formed (Quazi and O'Brien, 2000).

**Table 5 : Eigen Value With Cumulative Percentage Of Variance**

| Components | Eigen Value | % Of Variance | Cumulative % Of Variance |
|------------|-------------|---------------|--------------------------|
| 1          | 2.465       | 13.693        | 13.693                   |
| 2          | 2.191       | 12.172        | 25.865                   |
| 3          | 2.139       | 11.884        | 37.749                   |
| 4          | 2.074       | 11.525        | 49.274                   |
| 5          | 1.731       | 9.619         | 58.893                   |
| 6          | 1.435       | 7.971         | 66.863                   |

**Table 6 : Rotated Component Matrix**

| Variables                                            | Component |       |       |        |       |       | h <sup>2</sup> |
|------------------------------------------------------|-----------|-------|-------|--------|-------|-------|----------------|
|                                                      | 1         | 2     | 3     | 4      | 5     | 6     |                |
| V1                                                   | .816*     | -.200 | -.049 | .076   | -.091 | .062  | .726           |
| V2                                                   | .741*     | -.156 | .198  | .158   | .009  | -.320 | .741           |
| V3                                                   | .639*     | .021  | -.021 | .457   | -.370 | .142  | .775           |
| V4                                                   | .359      | .188  | .271  | .620*  | .044  | -.302 | .715           |
| V5                                                   | .179      | .078  | -.477 | .644*  | -.221 | -.038 | .730           |
| V6                                                   | -.026     | -.010 | -.015 | .748*  | .088  | .154  | .591           |
| V7                                                   | -.620*    | .092  | .390  | .222   | .020  | .001  | .595           |
| V8                                                   | -.289     | .435  | .358  | .039   | .539* | .095  | .702           |
| V9                                                   | -.062     | .031  | -.173 | -.147  | .804* | -.090 | .711           |
| V10                                                  | .269      | .295  | .561* | -.152  | -.303 | -.312 | .686           |
| V11                                                  | -.030     | .421  | .227  | .144   | .582* | .235  | .645           |
| V12                                                  | -.181     | .038  | .658* | -.123  | -.162 | .233  | .562           |
| V13                                                  | -.291     | .692* | .026  | -.016  | -.124 | -.228 | .631           |
| V14                                                  | .040      | .061  | .773* | .090   | .153  | .024  | .635           |
| V15                                                  | -.118     | .707* | -.109 | .146   | .250  | .239  | .666           |
| V16                                                  | -.030     | .701* | .233  | -.139  | .128  | -.074 | .588           |
| V17                                                  | -.025     | -.008 | .147  | -.031  | .008  | .899* | .831           |
| V18                                                  | .036      | .383  | .002  | -.544* | .127  | .210  | .504           |
| *Items with factor loading 0.5 or above are retained |           |       |       |        |       |       |                |

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

### **FACTOR 1: CSR HAS IMPORTANCE FOR BUSINESS (MODERN VIEW)**

| Variables  | Statement                                                                              | Factor Loading |
|------------|----------------------------------------------------------------------------------------|----------------|
| <b>V 1</b> | Business has a definite responsibility to society apart from making a profit.          | <b>.816</b>    |
| <b>V 2</b> | Social responsibility is an effective base for competing in the market.                | <b>.741</b>    |
| <b>V 3</b> | Business is a part of large society, therefore, it should respond to social issues.    | <b>.639</b>    |
| <b>V 7</b> | Business should tackle only those social problems that are created by its own actions. | <b>-.620</b>   |

Positive high loadings have been observed for three variables- business has a definite responsibility to society apart from making profit, social responsibility is an effective base for competing in market and, being a part of large society, business should respond to social issues. The positive loadings on these variables highlight that all these variables share most of their variances, hence, co-vary to each other. The basic structure of this factor suggests that business

should discharge social responsibilities. It will help the business to earn more profit and a competitive edge over others. Therefore, business should respond to social issues. The negative loading on one variable i.e. business should tackle only those social problems that are created by its own actions, is also observed. Negative loading indicates that this variable does not co-vary to other variables. Therefore, to tackle those social problems created by business itself will not be sufficient. The business has to take optimistic and unbiased view towards CSR. Business should work for the stakeholders at large. Thus, the nature of variables loaded on this factor represents the modern view of business towards CSR.

## **FACTOR 2: ECONOMIC RESPONSIBILITIES ARE MORE IMPORTANT THAN SOCIAL RESPONSIBILITIES (CLASSICAL VIEW)**

| Variables | Statement                                                                      | Factor Loading |
|-----------|--------------------------------------------------------------------------------|----------------|
| V 15      | Profit earning is a must, even if it means bending or breaking the rules.      | .707           |
| V 16      | To remain competitive, companies will have to disregard social responsibility. | .701           |
| V 13      | Output quality is essential for success, social responsibility is not.         | .692           |

This factor represents the classical viewpoint towards CSR. The variables loaded on this factor clearly highlight the traditional approach of CSR that profit earning is more important for business. Even to remain competitive CSR can be ignored. Moreover, output quality is essential than CSR. This viewpoint of business clearly pinpoints the responsibility of business towards shareholders, by ignoring the other stakeholders. Thus, with the help of the variables loaded on this factor, it can be concluded that business should work to maximize the wealth of shareholders.

## **FACTOR 3: CALCULATIVE BEHAVIOUR (COST AND BENEFIT ANALYSIS)**

| Variables | Statement                                                                                                       | Factor Loading |
|-----------|-----------------------------------------------------------------------------------------------------------------|----------------|
| V14       | Planning and goal setting should include discussion on social responsibility.                                   | .773           |
| V12       | Social investment may be suicidal for a marginal firm, for the high cost involved may throw it out of business. | .658           |
| V 10      | Corporate social action programme can help to build a favourable image for a business.                          | .561           |

The above factor represents the calculative behaviour of the managers. Variables having high positive loading on this factor highlight that CSR should be included in planning and goal setting. Though, social investment may be suicidal for marginal firms since they may not be able to afford the high cost involved in social actions. But at the same time corporate social action programmes can help the business to build a favourable image in the society. The basic structure of this factor suggests the cost-benefit analysis on CSR, which certainly helps the managers to take more CSR initiatives. Such managers are always very calculative while deciding CSR.

## **FACTOR 4: VOLUNTARY CSR, BEYOND REGULATIONS**

| Variables | Statement                                                                                  | Factor Loading |
|-----------|--------------------------------------------------------------------------------------------|----------------|
| V 6       | Other social institutions have failed to solve social problems, so business should try now | .748           |
| V 5       | Regulation is not sufficient to ensure business behave in a socially responsible way       | .644           |
| V 4       | Contributing to the solution of social problems can be profitable for business             | .620           |
| V 18      | If survival of a company is at stake, you must forget about social responsibility.         | -.544          |

High positive loading of the variables indicates that the failure of the other institutions to solve social problems can motivate the managers to initiate the CSR to root out these social problems. Managers also perceive that prevailing rules and regulations are not sufficient to ensure the business to behave in a socially responsible way. However, managers are of the opinion that contributing to the solution of social problems can be profitable for business. Therefore, business should initiate the CSR voluntarily, beyond regulations to overcome the social evils. The negative loading of one variable also suggests the importance of voluntary CSR. It is observed that business should not forget



the social responsibility, even at the time when survival of the company is at stake, because, CSR initiatives taken by the organization at that time will help a favourable and positive image in the market.

### **FACTOR 5: TRADE-OFF BETWEEN CSR AND OTHER RESPONSIBILITIES**

| Variables | Statement                                                                                                                            | Factor Loading |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------|----------------|
| V 9       | Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests | .804           |
| V 11      | It is unfair to ask business to be involved in social responsibility as it is already doing so by complying with social regulations  | .582           |
| V 8       | Business already has a lot to do and should not take on other responsibilities                                                       | .539           |

Factor 5 comprised of three variables having positive loading suggesting thereby that business is discharging so many other responsibilities. Business is perceived to be more socially responsible when it takes care of the economic interests. Therefore, it is unfair to ask the business to be involved in social responsibility. Moreover, business is complying all the possible social regulations and other social requirements, therefore, a trade off have been observed between CSR and other responsibilities. Keeping in mind the nature of variables loaded on this factor, it is concluded that business is doing a lot for its economic interests and perceiving itself as socially responsible corporate citizen.

### **FACTOR 6: CSR IS CRITICAL**

| Variable | Statement                                                    | Factor Loading |
|----------|--------------------------------------------------------------|----------------|
| V 17     | Social responsibility is critical to the survival of company | .899           |

Only one variable with very high positive loading has been extracted on Factor 6. It suggests that CSR is critical for the survival of a business organization, therefore, a key success factor. If CSR is not discharged properly, certainly, the survival of the organization will be at stake in today's fast changing environment.

## **DISCUSSION**

The six factors extracted by factor analysis represent six viewpoints of the managers regarding CSR. The two dominant factors, factor 1 and factor 2, supports the two basic approaches of CSR, modern (wider) and classical (narrower), respectively. The advocates of the modern concept uphold that the business must think beyond the shareholders value and must not ignore its ethical and moral responsibilities. This approach captures the ideology that businesses should earn while being socially responsible in the long run as well as in short run. Factor 1 substantially supports the modern approach of CSR. The classical approach gives more importance to economic responsibilities, reflected by factor 2. The advocates of the classical view believe that the business has only a single responsibility towards its shareholders. All the efforts and activities of the business should be aimed at the maximization of the shareholders' wealth. So the holders of the classical view recognize the importance of CSR towards the stakeholders other than the shareholders only if this responsibility leads to the enhancement of shareholder wealth. Factor 2 can also be associated to the Agency Theory. The premise underlying agency theory is that the firms exist to maximize the wealth of owners; therefore, other stakeholders are important only to the extent they are instrumental in maximizing shareholder wealth (Seifert et al., 2003). Factor 3 represents the calculative behaviour of managers towards CSR. It reflects that before discharging social responsibilities, cost benefit analysis is done. It recognizes the importance of CSR for the business in profit making and image building as well, but at the same time, does not forget the high cost involved in social programmes or actions. So, the calculative behaviour upholds the idea that the business should undertake social actions only if it is affordable in terms of cost and also beneficial for the business. These results of the factor analysis were found to be consistent with the results of some prior studies conducted in this area. Singh et al. (1980) compared expected and perceived behaviour of the corporate community in India and divided corporate

actions into three categories namely -pure profit maximizing, calculative and socially responsible. In the present study, Factor 1 reflects socially responsible behaviour, Factor 2 reflects the profit maximizing behaviour and Factor 3 represents the calculative behaviour. One point that may be noted is the relative change in importance among these three view points. Wider approach (factor 1) has replaced the profit maximizing behaviour (as reported by Singh et al., 1980) to become the most dominant factor. Classical approach (factor 2) has become the second most dominant factor and has taken place of calculative behaviour which has been shifted to the third place. This shift in the relative dominance of these view points may be attributed to the passage of time and the changes in economic environment which took place in the last few decades.

The present Indian economic environment is more favourable for the MNCs as compared to the pre liberalization causing shift in the perception. In comparison of the cluster analysis of the two groups of the managers, with regard to their attitude towards CSR, Quazi and O'Brien (2000) found the emergence of two distinct groups of managers in both the countries (Australia and Bangladesh). One of the groups in each of the countries was very much of classical or narrow view on CSR and another group in each of the countries was much of the modern or wider view on CSR. The findings of the present study also supported these wider or narrower perceptions of CSR through Factor 1 and Factor 2 respectively. Factor 4 highlights another view point of managers who believe that CSR should be adopted voluntarily. It may be because of failure of other institutions to solve the social problems that encourage the companies to initiate some actions in this direction. Regulations are not required to enforce the business to discharge CSR. Managers are of the opinion that contributing to the solutions of social problems can be profitable for the business. Another view point illustrated by factor 5 is trade off between CSR and other responsibilities. The holders of this view believe that if the company is earning profits, it can afford to ignore CSR. Here, the importance is given to the economic responsibilities along with the legal responsibilities, and if these two are fulfilled, social responsibilities become unimportant for the business. Therefore, it seems a trade off between CSR and other responsibilities. Factor 6 comprises of only one variable and upholds the view that CSR is critical for the survival of the business. If a company wants to survive in the long run, it has to discharge the social responsibilities to fulfill their social obligations and to win the favour of society in general.

## CONCLUSION

There is a change in the perception of managers working in MNCs. Now they are not only taking into consideration the interest of shareholders but also other stakeholders as well, who are having stake in the business. The nature of decision making process (specially regarding CSR) and the working environment in MNCs seems to have a greater impact on the managerial perception towards CSR. Social responsibility programmes in host countries are formulated at, or at least influenced by, the headquarters in the home countries. The local managers are, more or less, the implementers only of the CSR policies rather than the formulators. This kind of practice might have turned the local managers very calculative, that is why many times, they talked about a trade off between CSR and other responsibilities. The economic scenario in India has changed a lot after the adoption of economic reforms. Now, the working environment in India is very favourable to MNCs and very conducive for business in general. So many things have been left to the corporate to be decided as per their discretion. Knowing this fact, managers support voluntary participation of MNCs in CSR activities, and their self regulative behaviour, even in the absence of enforcement to do so. In a nutshell, managers perceive the CSR as an important tool for survival. In the times to come, MNCs working in India will have a more liberalized economy. Social factors will be dominating the Indian economy. In such an economy, CSR can play a significant role for the business to have strategic advantage over others. Therefore, CSR may be the deciding factor in the future, which may also enforce the managers to have a sea change in their perception towards CSR.

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