CORPORATE SOCIAL RESPONSIBILITY: A COMPARATIVE ANALYSIS OF PERCEPTIONS OF CORPORATE DIRECTORS IN MANUFACTURING AND SERVICE ORGANIZATIONS

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Differences and similarities between corporate directors of manufacturing and service organizations with regard to their attitudes toward corporate social responsibility are examined. The results of a survey of 600 directors indicate that board members in the manufacturing industry exhibit greater concern about the economic component of corporate responsibility and a weaker orientation toward philanthropic endeavors than their counterparts in service industries. No significant differences between the two groups were observed with respect to the legal and ethical dimensions of corporate social responsibility. Some explanations as well as limited generalizations and implications are developed.

Corporate social responsibility has been the subject of considerable investigation and debate for many years among both researchers and practitioners. In response to numerous demands that corporations play a

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more proactive role in the overall welfare of society, many businesses have in recent years given considerable attention to the social impact of their economic activities. This has prompted some organizations to introduce codes of ethical conduct and to actively accommodate the interests of various groups in society by engaging in certain purely social endeavors (Lewin, 1983; White & Montgomery, 1980). Also, the academic community has attempted to address this problem by discussing social and ethical issues in business ethics or business-and-society courses or by infusing these subjects throughout the business school curriculum (Murray, 1987).

The notion that business firms should be attentive to the needs of a diverse group of constituents having a claim on the organization has been the subject of vigorous debate for over two decades (Andrews, 1980; Kesner & Dalton, 1986; Anderson, 1988). This has evoked an especially rich and diverse literature investigating the role of business in society.

Research in this area has followed several streams. A major part of this literature has attempted to develop various conceptual models for analyzing the relationship between business and its larger environment (Angelidis & Ibrahim, 1991; Carroll, 1979; McMahon, 1986). Other studies are dedicated to empirical investigations of linkages between business and society. This area has been characterized as being in an "underdeveloped state" (Abbott & Monsen, 1979). The most popular of these studies have focused on the relationship between a firm's social responsibility and its financial performance (McGuire, Sundgren, & Schneeweis, 1988; Aupperle, Carroll, & Hatfield, 1985; Ullman, 1985). Another more recent stream of studies has examined the effect of board members' demographic and non-demographic characteristics on their individual corporate social responsiveness orientation (Ibrahim & Angelidis, 1990; Kelley & Whatley, 1987).

Despite these research efforts and the continued preoccupation on the part of both researchers and practitioners with the role of business in society, there is a dearth of empirical research on the relationship between industry type and corporate social responsibility. Much has been written in recent years on the relationship between industry type and various issues such as competitive intensity and profitability (Porter, 1979, 1980), ecological concerns (Kotler, 1989), industry attractiveness (Abell & Hammond, 1984), and industry evolution (Hofer, 1977; Wasson, 1978). Yet, to date, the scholarly literature has not examined whether certain industries tend to be more socially responsible than others. Furthermore, in spite of the abundance of research on boards of directors and corporate social responsibility, very little is known on whether differences do exist among industries concerning the corporate social responsiveness orientation (CSRO) of their corporate directors.

The present study is designed to investigate this issue. It extends the research on corporate social responsibility and boards of directors. Since this study is the first of its kind, it is basically exploratory. It is intended to fill the void in this literature by seeking to determine whether differences exist between two industries - manufacturing and service - with respect to the CSRO of their board members.

METHODOLOGY

Sample

Data were collected as part of a larger cross-national study of corporate social responsibility. The Standard and Poor's Register of Corporations, Directors and Executives formed the pool from which boards members were identified. All questionnaires were mailed with a cover letter and a self-addressed return envelope. All replies were anonymous. To ensure equal representation of both industries, 300 questionnaires were sent to randomly selected directors of manufacturing companies and an equal number to their counterparts in service organizations. A first mailing and two follow-up mailings of the 600 questionnaires generated 161 (26.83%)

usable responses. Because the response rate compares favorably with similar studies of upper echelons (Aupperle, Carroll, & Hatfield, 1985; Ungson & Spicer, 1984), we did not consider tests of nonresponse bias necessary.

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Measures

A questionnaire was developed to measure the variables of interest. Each participant's corporate social responsibility orientation (CSRO) was measured with an instrument developed by Aupperle, Carroll, and Hatfield (1985). It is based on the four-part construct proposed by Carroll (1979). The instrument adopts a forced-choice format to minimize the social desirability of responses. Respondents are asked to allocate up to 10 points among four statements in each of several sets of statements. Each of the four statements in a set represents a different underlying dimension of Carroll's four components - economic, legal, ethical, and discretionary responsibilities. The first component, economic responsibility, requires the firm to maximize profits for the company's owners and shareholders by efficiently providing a supply of goods and services to meet market demands. Legal responsibility requires the firm to operate within the legal framework. To be ethical, decision makers should act with fairness, equity, and impartiality. Finally, discretionary activities are guided by a firm's desire to make social or philanthropic contributions not required by economics, law, or ethics. Carroll contends that these four components "address the entire spectrum of obligations business has to society" (1991, p. 40).

The instrument used in this study contained 40 such statements. The mean of each respondent's scores on each of the four dimensions was calculated to arrive at an individual's orientation toward each of the four components.

RESULTS

Interestingly, the response rates for both industries were almost identical. Usable responses were received from 77 directors of manufacturing organizations (25.67%) and from 84 directors of service companies (28.0%). On average, the companies which were represented had 904 employees, annual sales of $151.4 million, and total assets of $102.6 million. Table 1, which profiles the two groups, shows that they did not differ statistically (at the 0.05 level) in terms of their number of employees, sales, and assets.

TABLE 1

Profiles of the Firms Studied[a]

	Manufacturing (n = 77)		Service (n = 84)	
Variables	Means	s.d.	Means	s.d.
Number of employees[b]	1007	269	876	198
Sales[c]	143.8	42.1	180.5	63.3
Total assets[c]	110.4	39.7	133.8	51.0
Income[c]	5.1	2.6	7.3	3.1

[a]N = 161
[b]No significant differences at the 0.05 level emerged
[c]$ million

The analysis of the data was conducted in three stages. First, Table 2 contains the matrix of the dependent variables' zero-order intercorrelations and reliability coefficients.

TABLE 2

Intercorrelations and Reliabilities of All

Dependent Variables[a]

	1	2	3	4
1. Economic	.86[b]			
2. Legal	-.39**	.83		
3. Ethical	-.78**	.24*	.93	
4. Discretionary	-.52**	.21*	.23*	.92

[a] N = 161
[b] Values on the diagonal are Cronbach alphas.
*$P < .05$
**$P < .001$

Consistent with the study results of Aupperle, Carroll, and Hatfield (1985) and Smith and Blackburn (1988), the strongest correlation ($r = -.78$, $p < .001$) was between the economic and ethical dimensions. Also, similar to this study, both previous studies found a significant negative correlation between the economic component and all three of its counterparts, as well as a significant positive relationship between the legal dimension and both the ethical and discretionary components. The negative correlation between the ethical and discretionary dimensions supports the Smith and Blackburn (1988) results but contradicts Aupperle, Carroll, and Hatfield's (1985) findings.

Next, we considered a MANOVA procedure to be the most appropriate analytic technique for exploring differences in CSRO scores among the two samples. This procedure compensates for variable intercorrelation and provides an omnibus test of any multivariate effect. The MANOVA revealed significant differences between the two groups ($F_{4,156} = 26.88$, $p < .000$). That is, the two groups exhibited different corporate social responsiveness orientations.

TABLE 3

MANOVA and ANOVAs for Differences

Between Directors of Manufacturing and Service Firms

	Group Means[a]			
	Manufacturing		Service	
Dependent Variables	(n=77)		(n=84)	*F*
Economic	3.51		2.89	18.85*
	(0.92)		(0.80)	
Legal	2.58		2.63	1.02
	(0.94)		(1.17)	
Ethical	2.47		2.37	1.19
	(1.01)		(0.92)	
Discretionary	1.31			
	(0.88)		1.99	21.30*
Multivariate Tests			(0.75)	
	Wilk's Lambda Trace	0.5106		
	Pillai's Trace	0.2872		
	Hotteling-Lawley Trace	0.3670		

[a] Figures in parentheses are standard deviations.
$* \; p < .01$

Finally, to understand the underlying contributions of the variables to the significant multivariate effect, we proceeded to test each dependent variable using a one-way ANOVA with the two groups constituting two levels of our independent variable. These results, depicted in Table 2, show that differences between the two groups were significant on two of the four variables.

Specifically, the mean scores on the economic component were 3.51 for the manufacturing firms' directors and 2.89 for the service firms' sample. Mean scores on the legal dimensions were 2.58 for the manufacturing group and 2.63 for the service industry. On the ethical dimension, the scores were 2.47 and 2.37, respectively. Finally, the mean score on the discretionary component for the directors in the manufacturing industry was 1.31 while the score for the service industry's sample was 1.99.

From the univariate ANOVAs, we see that important differences exist between the groups with respect to the economic ($F_{1,164} = 18.85$, $p < .01$) and discretionary ($F_{1,164} = 21.30$, $p < .01$) components. Compared to the service firms' directors, board members in the manufacturing industry exhibit greater concern about the economic component of corporate responsibility and a weaker orientation toward philanthropic endeavors. No significant differences between the two groups were observed with respect to both the legal and ethical dimensions.

DISCUSSION AND CONCLUSION

An interesting aspect of the present study is that it analyzed separately the four components of CSRO. The results reported here reveal that corporate directors of manufacturing firms are more economically driven than their counterparts in the service industry. On the other hand, the service industry's board members are more ethically and philanthropically oriented than those in manufacturing firms. Finally, the data indicate that both groups had similar orientations toward the legal and ethical dimensions of corporate responsibility.

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Various explanations could be advanced for these results. With respect to the legal component, this finding is not surprising given the current trends in American society. In the corporate world, numerous laws and extensive government regulation affect virtually every aspect of business activities. They touch "almost every business decision ranging from the production of goods and services to their packaging, distribution, marketing, and service" (Carroll, 1989, p. 174). In such an increasingly legalized business environment, corporate executives are fully aware of society's criminal and civil sanctions. The impact of this knowledge on managerial attitudes and behavior has been widely discussed and documented in both the popular and academic literature (see Whitehill, 1989; Samuelson, 1990; Galen, 1992).

The results regarding the ethical orientations of both groups are in line with previous research findings suggesting that a large number of organizations are keenly aware of the importance of ethical behavior, have developed codes of ethics, and are conducting training programs in this area (Berenbeim, 1988; Loucks, 1987). It is not surprising, then, that there is general agreement among directors - regardless of their firms' industry - that corporations should be ethical in their behavior and operate within the legal framework.

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Concerning the differences between the two groups, one interpretation is that those who serve on boards within the service industry are simply more inclined to be philanthropically oriented and less sensitive to the firm's economic needs than their counterparts in the manufacturing industry. This possibility can never be ruled out but seems implausible. Another possibility is that the service firms represented in the study are more economically successful and therefore can afford the luxury of being sensitive to philanthropic needs. Future research efforts need to consider more clearly these possible relationships.

Perhaps the most plausible explanation - and the one receiving the widest support from the literature - is that those who serve on the boards of service firms tend to be outside directors and therefore exhibit greater responsiveness to societal needs merely because they are outsiders. This view would be consistent with Zahra and Stanton's (1988) finding that boards dominated by outsiders show greater social responsiveness. This is further supported by reforms to make corporations more responsive to society's needs by increasing the number of outside directors. For example, the New York Stock Exchange is requiring that listed firms have board audit committees composed solely of outsiders (see, e.g., Kesner, 1988). According to Worthy and Neuschel, "more and more, society will expect the board to provide the fine line between achieving the economic objectives of the corporation and meeting the broader needs of society" (1983, p. 100). Another trend which supports this conclusion is the increasing tendency of outside directors to be appointed to chair the board. By 1997, according to the National Association of Corporate Directors, 40 to 50 percent of large companies will name an outside director to serve as chair of the board, up from less than half of that number in 1990 (Fuchsberg, 1993). An additional trend is the growth in the number of public-policy committees. The purpose is to give board-level attention to company policies and performance on a number of areas including business ethics and consumer affairs (Weidenbaum, 1994).

Certainly, caveats must be offered regarding the conclusions generated by this research. Prudent interpretation should be exercised given the exploratory nature of this study. Additional research with larger samples from each group would be necessary to confirm these findings. Also, board members' CSRO was reported by the directors themselves. Although the study instrument utilized a forced-choice format, the possibility of bias cannot be completely ruled out. However, as a number of authors have pointed out, self-report measures are indispensable in organizational research (Gupta & Beehr, 1982; Podsakoff & Organ, 1986). Furthermore, in certain research contexts, self-reports may provide more accurate estimates of population parameters than behavioral measures (Howard, Maxwell, Wiener, Boynton & Rooney, 1980). Finally, the CSRO instrument used in this study has been found to be highly reliable in numerous studies in a wide variety of settings, with Cronbach alphas typically ranging from .81 to .95 (e.g., Aupperle, Carroll, & Hatfield, 1985; Ibrahim & Angelidis, 1993). Indeed, a psychometric examination of the instrument by Smith and Blackburn (1988) further supported the instrument's rigor.

In conclusion, the findings of this study provided insights into an area of concern for both businesses and society. The involvement of directors in the strategic management process is likely to expand due to the increased risks of legal liability. Moreover, the issue of board members' corporate social responsiveness is likely to gain increased attention because of growing societal demands on corporations and increased emphasis on the ethical dimension of corporate decision making.

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