



# **Sustainability and Managerial Implications**

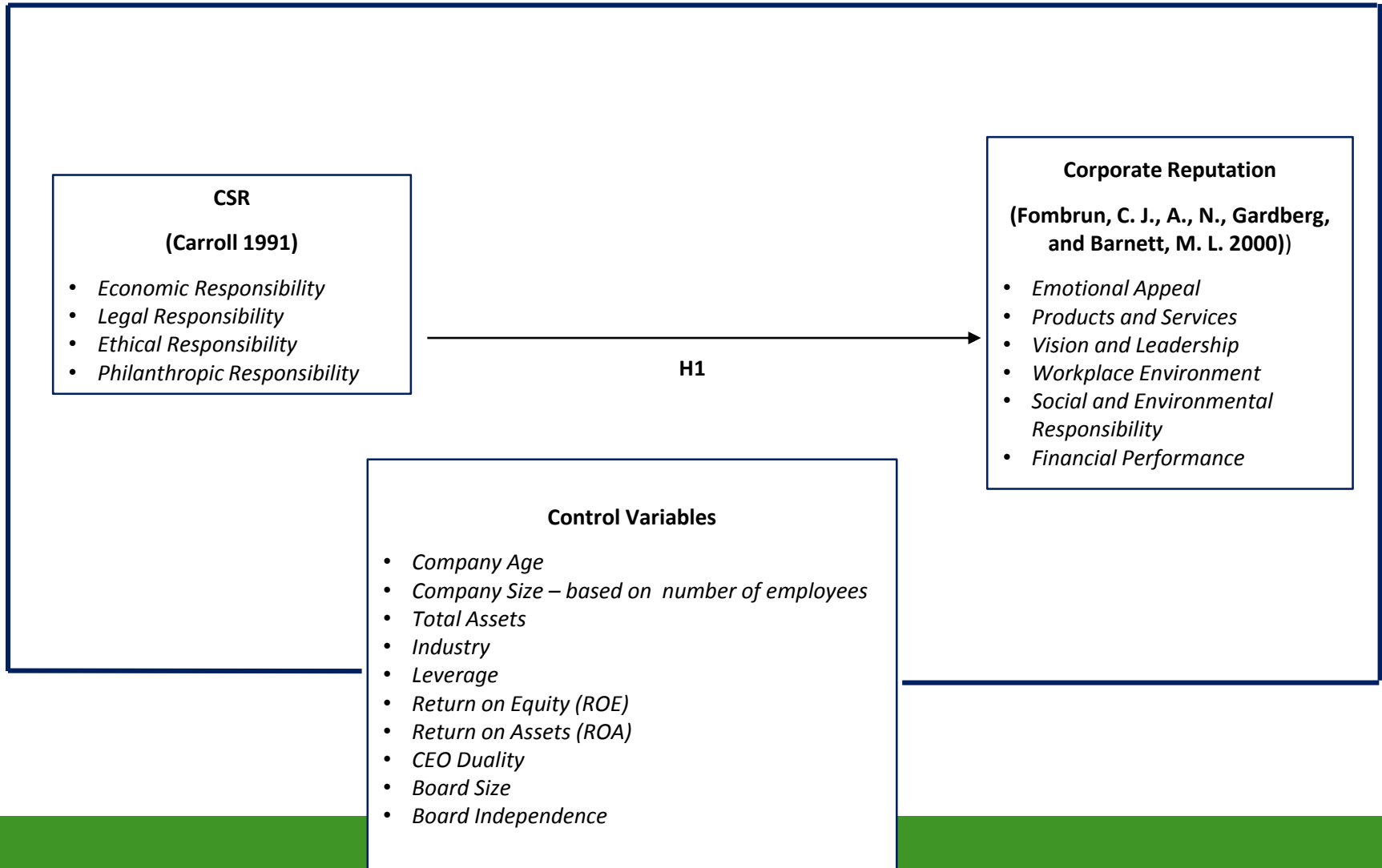
**Eshari Withanage**  
**University of Siegen, Germany**



*“Understand how BODs and managers perceive Corporate Social Responsibility (CSR) in Sri Lanka and analyse the link between CSR and Corporate Reputation (CR)”*



Study Topic	Research Question	Hypotheses
CSR and Corporate Reputation	<ul style="list-style-type: none"><li>• Does CSR has an impact on Corporate Reputation?</li></ul>	<p><i>H<sub>0</sub>1: There is no relationship between CSR and Corporate Reputation</i></p> <p><i>H<sub>a</sub>1: There is a relationship between CSR and Corporate Reputation</i></p>





## Target Group Description

Target Group Description		
Target Group 01	Board of Directors	First 50 companies listed in the Colombo Stock Exchange (CSE) with the highest market capitalization
Target Group 02	Middle and Lower Management	



Methods of Data Collection	TG 01 = 70	TG 02 = 312
Telephone	32	45
Face-to-face interview	21	189
Emails	4	17
Post	5	-
Online	-	-
Others (self-filling)	8	61



- Reliability Test
- Respondents Profile
- Correlation Analysis
- Regression Analysis
- Control Variable Analysis
- Correlation Matrix
- CSR Risk



- **Reliability Test**
- Respondents Profile
- Correlation Analysis
- Regression Analysis
- Control Variable Analysis
- Correlation Matrix
- CSR Risk



TG 01	
Variable	Cronbach's Alpha
Economic Responsibility	0.751
Legal Responsibility	0.844
Ethical Responsibility	0.804
Philanthropic Responsibility	0.860
Corporate Reputation	0.921
Firm Performance	0.866

TG 02	
Variable	Cronbach's Alpha
Economic Responsibility	0.707
Legal Responsibility	0.722
Ethical Responsibility	0.718
Philanthropic Responsibility	0.782
Corporate Reputation	0.809
Firm Performance	0.808



- Reliability Test
- **Respondents Profile**
- Correlation Analysis
- Regression Analysis
- Control Variable Analysis
- Correlation Matrix
- CSR Risk



Respondents Information	Categories	Frequency	Percentage
<b>Age</b>	<= 25 years	1	1.4
	26-35 years	5	7.1
	36-45 years	13	18.6
	<b>46-55 years</b>	<b>31</b>	<b>44.3</b>
	56-65 years	18	25.7
	>= 65 years	2	2.9
<b>Education Qualification</b>	G.C.E. O/L or A/L	2	2.9
	Diploma	2	2.9
	Bachelor's Degree	9	12.9
	Master's Degree	13	18.6
	<b>Professional Qualifications</b>	<b>41</b>	<b>58.6</b>
	Other	3	4.3
<b>Work Experience</b>	1-2 years	2	2.9
	3-5 years	4	5.7
	6-10 years	17	24.3
	<b>11-15 years</b>	<b>26</b>	<b>37.1</b>
	16-20 years	11	15.7
	>= 21 years	10	14.3



# Respondents Profile – TG 02



Respondents Information	Categories	Frequency	Percentage
<b>Age</b>	<= 25 years	31	9.9
	<b>26-35 years</b>	<b>159</b>	<b>51.0</b>
	36-45 years	83	26.6
	46-55 years	32	10.3
	56-65 years	7	2.2
<b>Education Qualification</b>	G.C.E. O/L or A/L	74	23.7
	Diploma	77	24.7
	<b>Bachelor's Degree</b>	<b>83</b>	<b>26.6</b>
	Master's Degree	46	14.7
	Professional Qualifications	31	9.9
<b>Work Experience</b>	Other	1	0.3
	1-2 years	27	8.7
	3-5 years	90	28.8
	<b>6-10 years</b>	<b>102</b>	<b>32.7</b>
	11-15 years	45	14.4
	16-20 years	31	9.9
<b>Current Designation</b>	>= 21 years	11	3.5
	<b>Executive</b>	<b>79</b>	<b>25.3</b>
	Junior Executive	50	16.0
	Marketing Executive	41	13.1
	Manager	28	9.0
	Senior Executive	25	8.0
	Assistant Manager	21	6.7
	Branch Manager	8	2.6
	Senior Banking Associate	7	2.2
	Associate Manager	7	2.2
	Banking Assistant / Senior Banking Assistant	7	2.2
	Assistant Sales Manager	7	2.2
	Bank Executive	6	1.9
	General Manager	5	1.6
	Acting Manager	4	1.3
	Head of Business Development	4	1.3
	Head of Sales and Marketing	3	1.0
	Brand Manager / Assistant Brand Manager	3	1.0
	Account Relationship Officer	2	0.6
	Unit Manager	2	0.6
HR Manager	2	0.6	
Coordinator	1	0.3	
<b>Most appropriate Level of Designation</b>	<b>Operational Level</b>	<b>144</b>	<b>46.2</b>
	Lower Middle Management Level	101	32.4
	Upper Middle Management Level	53	17.0
	Top Management Level	13	4.2



- Reliability Test
- Respondents Profile
- **Correlation Analysis**
- Regression Analysis
- Control Variable Analysis
- Correlation Matrix
- CSR Risk

## TG 01

		CSR	Corporate Reputation
CSR	Pearson Correlation	1	0.648**
	Sig. (2-tailed)		0.000
	N		70
Corporate Reputation	Pearson Correlation		1
	Sig. (2-tailed)		
	N		

Notes: \*\* Correlation is significant at the .01 level (2-tailed)

\* Correlation is significant at the .05 level (2-tailed)

## TG 02

		CSR	Corporate Reputation
CSR	Pearson Correlation	1	0.625**
	Sig. (2-tailed)		0.000
	N		312
Corporate Reputation	Pearson Correlation		1
	Sig. (2-tailed)		
	N		

Notes: \*\* Correlation is significant at the .01 level (2-tailed)

\* Correlation is significant at the .05 level (2-tailed)



- Reliability Test
- Respondents Profile
- Correlation Analysis
- **Regression Analysis**
- Control Variable Analysis
- Correlation Matrix
- CSR Risk



	Target Group	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.	Comment
Impact of CSR on Corporate Reputation	TG 01	0.648	0.420	0.411	0.26571	49.222	0.000	<i>R<sup>2</sup> value is 0.411, which indicates that CSR is contributing to Corporate Reputation by 41%.</i>
	TG 02	0.625	0.391	0.389	0.23779	198.749	0.000	<i>R<sup>2</sup> value is 0.389, which indicates that CSR is contributing to Corporate Reputation by 38.9%.</i>



Study Topic	Research Question	Hypothesis	Results	Findings
CSR and Corporate Reputation	<ul style="list-style-type: none"> <li>Does CSR has an impact on Corporate Reputation?</li> </ul>	<p><i>H<sub>0</sub>1: There is no relationship between CSR and Corporate Reputation</i></p> <p><i>H<sub>a</sub>1: There is a relationship between CSR and Corporate Reputation</i></p>	<p><i>Null hypotheses is rejected and H<sub>a</sub>1 is accepted for both TG 01 and TG 02</i></p>	<p><i>There is a significant and positive relationship between CSR and Corporate Reputation (Brammer and Pavelin, 2004; Carroll, 1979, Quedevo-Puente, 2007; Fombrun and Shanley, 1990), in Sri Lankan context.</i></p>



- Reliability Test
- Respondents Profile
- Correlation Analysis
- Regression Analysis
- **Control Variable Analysis**
- Correlation Matrix
- CSR Risk



Control Variables	Measurement Criteria
Company Age	<i>Natural logarithm of number of years in business</i>
Company Size	<i>Natural logarithm of number of employees</i>
Total Assets	<i>Natural logarithm of total assets of the firm</i>
Industry	<i>Manufacturing = 1 or Service = 0</i>
Leverage	$\frac{\text{Total Debt}}{\text{Total Assets}}$
Return on Equity (ROE)	$\frac{\text{Net Income}}{\text{Common Equity}}$
Return on Assets (ROA)	$\frac{\text{Net Income}}{\text{Total Assets}}$
CEO Duality	<i>If the CEO and the Chairman are the same =1 if not =0</i>
Board Size	<i>Number of Board of Directors</i>
Board Independence	<i>Number of Independent and Non-Executive Directors on the board</i>



## Control Variables – Models

Control Variable Models	Measurement Criteria
Model 1	<i>only dependent variables and independent variable are used</i>
Model 2	<i>adding control variable <b>company age</b></i>
Model 3	<i>adding control variable <b>company age and company size based on number of employees</b></i>
Model 4	<i>adding control variable <b>company age, company size based on number of employees and company size based on total assets</b></i>
Model 5	<i>adding control variable <b>company age, company size based on number of employees, company size based on total assets and industry</b></i>
Model 6	<i>adding control variable <b>company age, company size based on number of employees, company size based on total assets, industry and leverage</b></i>
Model 7	<i>adding control variable <b>company age, company size based on number of employees, company size based on total assets, industry, leverage and return on equity (ROE)</b></i>
Model 8	<i>adding control variable <b>company age, company size based on number of employees, company size based on total assets, industry, leverage, return on equity (ROE) and return on assets (ROA)</b></i>
Model 9	<i>adding control variable <b>company age, company size based on number of employees, company size based on total assets, industry, leverage, return on equity (ROE), return on assets (ROA) and CEO duality</b></i>
Model 10	<i>adding control variable <b>company age, company size based on number of employees, company size based on total assets, industry, leverage, return on equity (ROE), return on assets (ROA), CEO duality and board size</b></i>
Model 11	<i>adding control variable <b>company age, company size based on number of employees, company size based on total assets, industry, leverage, return on equity (ROE), return on assets (ROA), CEO duality, board size and board independence</b></i>



# Regression Analysis – Impact of CSR on CR – TG 01



	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
Dependent Variable: CR	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
Independent Variable : CSR	<b>0.642**</b> (0.000)	<b>0.646**</b> (0.000)	<b>0.649**</b> (0.000)	<b>0.648**</b> (0.000)	<b>0.638**</b> (0.000)	<b>0.634**</b> (0.000)	<b>0.636**</b> (0.000)	<b>0.639**</b> (0.000)	<b>0.633**</b> (0.000)	<b>0.624**</b> (0.000)	<b>0.637**</b> (0.000)
Control Variables:											
LN_Company_Age		-0.107 (0.252)	-0.169 (0.159)	-0.161 (0.202)	-0.158 (0.212)	-0.238 (0.068)	-0.226 (0.096)	-0.247 (0.088)	-0.267 (0.066)	-0.277 (0.060)	-0.289* (0.053)
LN_Company_Size - Employees			0.099 (0.404)	0.097 (0.423)	0.08 (0.518)	0.135 (0.273)	0.132 (0.288)	0.163 (0.256)	0.273 (0.099)	0.25 (0.144)	0.251 (0.143)
Total Assets				0.022 (0.827)	0.074 (0.545)	-0.033 (0.800)	-0.046 (0.735)	-0.043 (0.751)	-0.025 (0.852)	-0.037 (0.787)	-0.081 (0.608)
Industry					-0.09 (0.461)	-0.088 (0.458)	-0.097 (0.427)	-0.082 (0.516)	-0.141 (0.291)	-0.105 (0.480)	-0.09 (0.552)
Leverage						0.218* (0.042)	0.233* (0.044)	0.261* (0.049)	0.216 (0.111)	0.188 (0.194)	0.23 (0.158)
ROE							-0.042 (0.719)	-0.083 (0.580)	-0.024 (0.875)	0.02 (0.908)	0.008 (0.965)
ROA								0.073 (0.656)	0.043 (0.795)	0.019 (0.910)	0.019 (0.911)
CEO_Duality									-0.191 (0.178)	-0.155 (0.321)	-0.149 (0.343)
LN_Board_Size										0.072 (0.574)	0.040 (0.774)
LN_Board_Independence											0.073 (0.562)
R <sup>2</sup>	0.412	0.424	0.430	0.430	0.435	0.472	0.473	0.474	0.490	0.493	0.496
F Value	47.726	24.650	16.596	12.279	9.866	9.368	7.938	6.881	6.409	5.734	5.186
Standard error	0.097	0.097	0.097	0.098	0.099	0.097	0.098	0.099	0.098	0.100	0.103

\*\* Correlation is significant at the .01 level (2-tailed) \* Correlation is significant at the .05 level (2-tailed) Significance are presented in parentheses. N=70



# Regression Analysis – Impact of CSR on CR – TG 02



	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
Dependent Variable: CR	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
Independent Variable : CSR	<b>0.623**</b> (0.000)	<b>0.617**</b> (0.000)	<b>0.618**</b> (0.000)	<b>0.621**</b> (0.000)	<b>0.621**</b> (0.000)	<b>0.621**</b> (0.000)	<b>0.621**</b> (0.000)	<b>0.629**</b> (0.000)	<b>0.629**</b> (0.000)	<b>0.625**</b> (0.000)	<b>0.621**</b> (0.000)
Control Variables:											
LN_Company_Age		0.07 (0.118)	0.062 (0.207)	0.049 (0.328)	0.075 (0.147)	0.075 (0.153)	0.069 (0.225)	0.071 (0.216)	0.072 (0.217)	0.072 (0.215)	0.07 (0.227)
LN_Company_Size - Employees			0.019 (0.693)	0.034 (0.498)	0.019 (0.709)	0.02 (0.699)	0.024 (0.665)	0.017 (0.75)	0.014 (0.824)	0.048 (0.464)	0.059 (0.374)
Total Assets				-0.062 (0.175)	-0.123* (0.031)	-0.129 (0.115)	-0.127 (0.127)	-0.138 (0.099)	-0.138 (0.1)	-0.108 (0.205)	-0.09 (0.295)
Industry					0.106 (0.072)	0.107 (0.073)	0.109 (0.071)	0.093 (0.133)	0.096 (0.159)	0.105 (0.122)	0.123 (0.076)
Leverage						0.007 (0.919)	0.004 (0.96)	-0.014 (0.845)	-0.014 (0.846)	-0.025 (0.728)	-0.023 (0.749)
ROE							0.012 (0.824)	0.098 (0.294)	0.096 (0.317)	0.064 (0.507)	0.045 (0.642)
ROA								-0.113 (0.261)	-0.111 (0.281)	-0.077 (0.459)	-0.038 (0.725)
CEO_Duality									0.006 (0.916)	-0.01 (0.865)	-0.006 (0.913)
LN_Board_Size										-0.09 (0.083)	-0.068 (0.212)
LN_Board_Independence											-0.076 (0.158)
R <sup>2</sup>	0.388	0.393	0.393	0.397	0.403	0.403	0.403	0.406	0.406	0.412	0.416
F Value	196.478	99.925	66.487	50.465	41.324	34.327	29.338	25.853	22.906	21.058	19.389
Standard error	0.055	0.055	0.055	0.055	0.055	0.056	0.056	0.056	0.056	0.056	0.056

\*\* Correlation is significant at the .01 level (2-tailed) \* Correlation is significant at the .05 level (2-tailed) Significance are presented in parentheses. N=312



**Leverage, company size and total assets tend to have significant positive as well as negative impact on CSR and CR**

- Leverage : high leverage firms concerns of borrowing and settling off their debts rather than investing in CSR driven activities.
- Company size in terms of number of employees and total assets : larger firms tend to invest more on CSR driven activities than small firms.



- Reliability Test
- Respondents Profile
- Correlation Analysis
- Regression Analysis
- Control Variable Analysis
- **Correlation Matrix**
- CSR Risk





# Correlation Matrix – TG 01

Variables	CSR	CR	Company Age	Company Size_Employees	Total Assets	Industry	Leverage	ROE	ROA	CEO_Duality	LN_Board_Size	Board Independence
CSR	1											
CR	<b>0.648**</b> (0.000)	1										
Company Age	0.018 (0.880)	-0.079 (0.517)	1									
Company Size_Employees	0.040 (0.740)	-0.007 (0.958)	0.663** (0.000)	1								
Total Assets	0.0633 (0.602)	0.1246 (0.304)	-0.2056 (0.088)	-0.2133 (0.076)	1							
Industry	-0.116 (0.339)	-0.099 (0.430)	-0.308* (0.001)	-0.423** (0.000)	0.469** (0.000)	1						
Leverage	0.038 (0.757)	0.188 (0.1120)	0.019 (0.875)	-0.070 (0.566)	0.422** (0.000)	0.242* (0.044)	1					
ROE	0.106 (0.381)	0.050 (0.679)	0.475** (0.000)	0.349* (0.003)	-0.196 (0.104)	-0.375* (0.001)	0.205 (0.088)	1				
ROA	0.044 (0.718)	-0.046 (0.708)	0.338* (0.004)	0.123 (0.311)	-0.373* (0.002)	-0.492** (0.000)	-0.277* (0.020)	0.610** (0.000)	1			
CEO Duality	0.008 (0.946)	-0.088 (0.469)	0.395* (0.001)	0.830** (0.000)	-0.218 (0.070)	-0.447** (0.000)	-0.219 (0.069)	0.287* (0.016)	0.119 (0.327)	1		
Board Size	0.167 (0.167)	0.279 (0.019)	0.105 (0.385)	-0.130 (0.282)	0.246 (0.040)	-0.153 (0.205)	0.266* (0.026)	-0.200 (0.098)	-0.030 (0.807)	-0.285* (0.017)	1	
Board Independence	-0.077 (0.527)	-0.008 (0.950)	0.007 (0.953)	-0.101 (0.407)	0.226 (0.06)	-0.058 (0.632)	-0.199 (0.098)	-0.184 (0.128)	0.014 (0.906)	-0.048 (0.695)	0.332* (0.005)	1



# Correlation Matrix – TG 02

Variables	CSR	CR	Company Age	Company Size_Employees	Total Assets	Industry	Leverage	ROE	ROA	CEO_Duality	LN_Board_Size	Board Independence
CSR	1											
CR	<b>0.625**</b> (0.000)	1										
Company Age	0.056 (0.325)	0.097 (0.088)	1									
Company Size-Employees	-0.068 (0.229)	0.016 (0.776)	0.307** (0.000)	1								
Total Assets	0.089 (0.117)	0.075 (0.187)	-0.085 (0.135)	-0.1 (0.077)	1							
Sector of Activity	0.009 (0.868)	0.021 (0.71)	-0.354* (0.000)	-0.321** (0.000)	0.453** (0.000)	1						
Leverage	-0.006 (0.915)	-0.054 (0.345)	-0.129* (0.023)	-0.143* (0.012)	0.567** (0.000)	0.362** (0.000)	1					
ROE	0.052 (0.358)	0.053 (0.352)	0.525** (0.000)	0.012 (0.837)	-0.115* (0.043)	-0.311** (0.000)	0.077 (0.173)	1				
ROA	0.106 (0.063)	0.068 (0.232)	0.471** (0.000)	0.003 (0.955)	-0.301** (0.000)	-0.507** (0.000)	-0.221** (0.000)	0.829** (0.000)	1			
CEO Duality	-0.072 (0.202)	-0.024 (0.673)	0.144* (0.011)	0.795** (0.000)	-0.168** (0.003)	-0.344** (0.000)	-0.139* (0.014)	0.056 (0.326)	0.033 (0.567)	1		
Board Size	-0.003 (0.963)	-0.07 (0.216)	-0.141* (0.012)	0.05 (0.381)	0.368** (0.000)	0.302** (0.000)	0.029 (0.604)	-0.210** (0.000)	-0.180* (0.001)	-0.108 (0.057)	1	
Board Independence	0.001 (0.991)	-0.08 (0.159)	-0.048 (0.396)	-0.031 (0.583)	0.277** (0.000)	0.299** (0.000)	0.187* (0.001)	-0.06 (0.294)	-0.038 (0.502)	-0.065 (0.252)	0.338** (0.000)	1

\*\* Correlation is significant at the .01 level (2-tailed) \* Correlation is significant at the .05 level (2-tailed) Significance are presented in parentheses. N=312



- Reliability Test
- Correlation Analysis
- Regression Analysis
- Multiple Regression Analysis
- Control Variable Analysis
- Correlation Matrix
- **CSR Risk**



- **Reputation Risk**

- Reputation is one of the most important corporate assets and it is also one of the most difficult to protect.
- A “good reputation” enhances the firm’s transactional capacity; a “bad reputation” has negative consequences and a downside impact on the value of the firm to stockholders.
- CSR related activities can create a better reputation and reputation is linked to reputational risk.
- Better the firm reputation (that creates value for a firm), the larger the potential loss if that reputation is damaged (i.e. reputational risk).
- Only the enlightened managers that take care of reputation risk will obtain a positive corporate image, transforming the threats in opportunities and the costs in probable gains.



- Listed firms in Sri Lanka are governed by one-tier board structure. Hence, board involvement has a greater influence on strategic decision making in comparison to listed firms in other countries.
- In Sri Lanka firms are still in the early stages of adopting and initiating the strategy of corporate sustainability practices. Hence, Directors will decide whether the firms will engage in CSR driven activities as a matter of staying competitive in local as well as global market by enhancing public image.
- While integrating into the world economy Sri Lanka has a growing demand and pressure to meet the international standards of business ethics and socially responsible practice. Hence, it is imperative for Sri Lankan firms to strengthen their level of awareness of CSR and actively meet social responsibilities.



**Thank You**