

BOARD CHARACTERISTICS AND CORPORATE SOCIAL RESPONSIBILITY PRACTICES: IN UPPER ECHELON THEORY PERSPECTIVE EVIDENCE FROM SRI LANKAN FIRMS

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ABSTRACT

Due to the heightened competition and advancements in the dynamic business environment, considerable attention is given to Corporate Social Responsibility (CSR). Most studies on CSR are quantitative and focused on linear relationships with profitability, firm characteristics, corporate governance and board diversity. However, little is known on how board characteristics influence CSR Practices. Therefore, this qualitative study focuses on how board characteristics affect CSR practices in Sri Lankan context from Upper Echelon theory (UET) perspective. The data was gathered via in-depth interviews conducted with directors in selected companies in Sri Lanka. The study revealed that both male and female directors have equal opportunity to raise voice on CSR in board discussions and female directors are more interested in CSR practices relating to women and children due to their psychological cognitive such as inherent compassion, empathy and understanding of women's needs. The directors with multiple educational and professional qualifications, especially in accountancy, showed a sound knowledge on CSR. Further, well-experienced directors in multiple industries are also more concerned with CSR and suggested genuine CSR practice as most companies use CSR as a promotional tool for building corporate image. It was further evident that the foreign directors have more exposure on CSR. According to the UET perspective, the different characteristics of upper echelon (board of directors) influence CSR practices.

Keywords: *Corporate social responsibility, board characteristics, upper echelon theory*

1. Introduction

Corporate Social Responsibility (CSR) is where companies voluntarily integrate social and environmental concerns into their business operations in the process of interacting with their stakeholders (Reverte, 2009). It is crucial to understand what CSR stands for to earn an in-depth understanding of the phenomenon. The word “corporate” indicates all forms of business organizations (large, medium, small). The term “social” stands for human society and it encompasses states, nations, the world and all forms of stakeholders affected by business decisions. The term has extended today to cover all form of living beings, including animals, plants and the environment at large. Finally, the word “responsibility” indicates the state of businesses being held accountable or obligatory for what is subject to their power (Carroll & Brown, 2018).

CSR, has become a focal concept in the dynamic business world as unethical business practices, social issues and environmental pollutions continue on a larger scale. The leading business entities worldwide have identified their vital role in addressing these issues by incorporating CSR practices into their business operations to sustain in the business environment. Because the advanced society does not any longer promote Friedman’s principle “business of business is to do business” (Friedman, 1970). Society keeps a close eye on the socially responsible investments made by corporations compelling them to involve all its stakeholders in the journey towards sustainability (Robbins & DeCenzo, 2012). Therefore, CSR can also be introduced as a survival mechanism for businesses that

ensures their long run in this highly competitive commercial world.

CSR's rich and varied academic history runs as far back as to late 1800s where the rapid growth of corporations transpired (Carroll & Brown, 2018). Since then, a slew of studies has been conducted on CSR alone and to determine its association with many other fields such as financial and firm performance, profits, revenue, firm reputation, and board diversity (Barnett, 2007; Kolk, 2003; Margolis & Walsh, 2003; Muttakin, Khan, & Subramaniam, 2016). As per empirical evidence put forward by researchers, the rate of voluntary CSR activities and disclosure has arisen in recent years despite the non-mandatories of such reporting. This is mainly due to the worldwide increasing awareness and interest to promote CSR implementation and reporting (Kolk, 2003; Adams & McNicholas, 2007). However, most of such evidence are from developed economies with strong corporate governance standards and corporate structures (Post, Rahman, & Rubow, 2011; Purushothaman, Tower, Hancock & Taplin, 2000).

Many scholars have contributed to literature in various contexts such as country-based CSR practices, industry-based CSR practices and factors impacting CSR. Out of them, a significant phenomenon that several types of research have emphasized is the influence of varied board characteristics such as board size, tenure, compensation, interests, and gender of directors on CSR (Deschênes, Rojas, Boubacar, Prud'homme, & Ouedraogo, 2015; Muttakin, et al., 2016). However,

most of these researches have been performed in developed western country settings, and fewer researches are evident in the developing country context (Jamali & Mirshak, 2007; Visser, 2008). Studies that have been steered in Asia have the country origins in Malaysia, India, Korea, China, and Bangladesh (Chang, Oh, Park, & Jang, 2015; Katmon, Mohamed, Norwani, & Farooque, 2017; Liao, Lin, & Zhang, 2018, Muttakin & Subramaniam, 2015, Muttakin et al. 2016). Amongst them, very little research evidence can be found on the nature of the CSR practices and reporting in Sri Lanka (Beddewela & Fairbrass, 2016; Fernando, Kelly, Lawrence, & Arunachalam, 2015; Fernando & Pandey, 2012; Mudiyansele, 2018; Thoradeniya, Lee, Tan, & Ferreira, 2012; Shamil, Shaikh, & Krishnan, 2014). However, most of these researches have used a quantitative method to establish the impact of board characteristics on CSR, and the qualitative perspective of such determination is thus scarce.

Researchers have also found that the social performance of companies can be greater if there is a high women participation in the Board (Fernandez-Feijoo, Romero, & Ruiz, 2012; Mudiyansele, 2018; Zhang, Zhu, & Ding, 2013). Further, a positive relationship between CSR and women directors has been proved in developed countries (Liao, et al., 2015) as well as in developing countries (Villegas, Calero, González, & Giraldez, 2018). Nonetheless, some scholars have claimed that this relationship is negative in developing countries (Muttakin et al., 2016). Therefore, it is apparent that the results found in previous researches (in different developing country settings) contradict one another as well as with the research

conducted in Sri Lanka (Mudiyansele, 2018; Shamil et al., 2014). Besides, the few studies that have been undertaken on CSR in developing countries focus primarily on the question “what is the nature of the relationship” rather than questioning “how/why do these relationships occur”. This exposes the lack of qualitative research examining “how or why” board characteristics affect CSR practices. Accordingly, a substantial vacuum has emerged for a novel study examining the relationship between board characteristics and CSR in a developing country context like Sri Lanka. To fill this gap, the current research aims to answer the following research questions using the qualitative research methodology:

- How do board characteristics (gender, education, nationality and experience) affect Sri Lankan context CSR practices?
- Why do board characteristics (gender, education, nationality and experience) affect Sri Lankan context CSR practices?

This research generates new insights on CSR practices in Sri Lankan context. The findings of the study contribute to the advancement of UET theory and the research community at large. Last but not least, the current research provides useful insights to business organizations on how to formulate their director boards that could advance the CSR related decision-making process.

The rest of the paper is structured as follows. Section two reviews prior

literature on CSR and section three presents the research design including the theoretical lens, Upper Echelon theory. Section four presents the findings of the study. Discussion of findings and conclusion are presented in section five.

2. Review of Prior Literature

2.1. *A glimpse of Corporate Social Responsibility*

CSR has become a contemporary focus of business, government and community on a global scale (Idowu, 2005; Parker, 2014) due to significant corporate failures (Amo-Mensah & Tench, 2018) and unethical business behaviours. Even though the concept SER existed even before the 1950s, wider attention was received as Brown (1953) first coined the term “Corporate Social Responsibility” (Carroll, 1999). Bowen (1953) defines CSR as the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society” (p. 44). According to this definition, the obligations of businessmen mean the social consciousness of managers (Carroll, 1999). Similarly, Davis (1960) defines CSR as the businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest (p.70). He further argues that social responsibility should be identified as a managerial task. In 1963, McGure expanded the scope of CSR from economic and legal obligations to the welfare of the community and employees.

The definition of CSR has evolved over the years to fall in line with prevailing social and

economic pressures in society. The CSR concept has been defined in varied ways to mean managing multiple interests of stakeholders (Johnson, 1971), Corporate Social Performance (Carroll, 1979) and Corporate Citizenship (Wood, 1991). These definitions focus more on the managerial responsibility towards the economy, environment, and society, implying that firms’ CSR practices strongly depend on management. But, the influence for the practices may vary according to place and time (Campbell, 2007; Frynas & Stephens, 2015). Further, the CSR practices have evolved with the influence of historical, social-economic, political and organizational features of the society and the referred period (Hoffman, 2007).

Amo-Mensah and Tench (2018) state that the firm, country and global level factors are central in CSR disclosures and the way company executives are assigned with responsibility influence CSR practices. Carroll (1999) also pinpoints that CSR theory and practice’s evolution took place in different countries at different time periods. CSR practices had even been implemented far back in history by industrial leaders in Britain. The personal, philosophical and religious beliefs and accountability of business owners and founders directly influenced the evolution of CSR in the Western historical context (Parker, 2014). The in-depth understanding of how context-specific factors affect CSR is highly supportive for the successful implementation of western concepts and models in developing country contexts and vice versa (Amo-Mensah & Tench, 2018). For the reason that most CSR related studies have been carried out in North

America and Western Europe and little has been studied in other country settings (Davidson et al., 2018).

Finding a clear-cut universal definition for CSR is difficult since socially responsible behaviour can vary according to place and time. (Campbell, 2007; Frynas & Stephens, 2015). However, considering various scholarly definitions, CSR can be defined as the strategies that firms operate their commercial activities in a societal friendly and ethical manner benefitting the community from a development perspective. A slew of studies has been conducted on CSR practices in the Western context. In contrast, the current research has been performed in an Eastern country context. This contextual influence is evident in the CSR decision making and implementation process of managers.

2.2 CSR and Board characteristics

The characteristics of board members shape the CSR practice of each company. Hence, many studies have observed this relationship by referring to board characteristics such as board size, CEO duality, board independence, education, religion, nationality, ethnicity, and women participation. For instance, various studies have confirmed positive involvement of directresses in CSR decision-making process and their demonstration of multi-tasking skills (Burke, 1997; Fehr-Duda et al., 2006; Post et al., 2011; Villegas et al., 2018). Further, Zhang et al. (2013) and Fernandez-Feijoo et al. (2012) state that the social performance of companies is closely linked with female presence on the board. Barka and Dardour (2014) pinpoint that nationality and

background of board members strongly influence CSR practices.

Consequently, Villegas, et al. (2018) reveal that board size and board independence significantly impact on CSR practice by referring to different international settings. Even in a Western setting, the board characteristics' influence on CSR practices is varied according to the nature of each country. Deschênes et al. (2015) identify that women directorship makes a supplementary connection with the social, employee, and community work, but less attention is given to environmental concern in the Canadian context. Godos-Díez, Fernandez-Gago and Martinez-Campillo (2011) find that, sub-committees for ecological and social matters positively affect CSR engagement in Spain.

In contrast to the West setting, Muttakin and Subramaniam (2015) study CSR in the Indian context. According to them, board independence, government ownership, and foreign ownership are positively connected to CSR, and CEO duality and board independence are negatively correlated to CSR in Indian Companies. Supportive to the above findings, Narwal and Singh (2013) mention that Indian firms have inclined towards adopting more CSR work to increase firm value by integrating environmental and social concerns. Khan (2010) argues that foreign diversity has positively influenced CSR disclosure in Bangladesh. Further, Muttakin et al. (2016) too based on their study conducted in Bangladesh, state that the companies that implement more CSR practices have fewer women participation in director boards. Besides, they pinpoint that foreign director

participation shows a progressive impact on CSR by elevating the disclosure level.

Additionally, Katmon, Mohamed, Norwani, and Farooque (2019) empirically examine the relationship between board diversity and the quality of CSR disclosure variables in Malaysia. They find that the quality of CSR disclosure is negatively associated with nationality, diversity, and board age. Further, they stress that the board of directors' role is vital for CSR disclosure since it results from decision-making, judgment, and discretionary power emanated from directors.

Further, Liao et al. (2018) investigate the affiliation between board traits and the determinants of voluntary CSR assurance decisions in Chinese firms. They have found that CSR engagement is more assured by female directors, the board size, and separation of chairman-CEO positions whilst foreign background of the CEO or board independence do not impact CSR assurance. Chang et al. (2015) explore the relationship between board characteristics and CSR in Korea. They reveal that the board's independence, social ties, and diversity are the most critical factors affecting CSR in Korean context. A progressive influence of gender diversity upon CSR disclosure in the banking industry has been found in Kenya and Turkey. (Barako & Brown, 2008; Kiliç, Kuzey, & Uyar, 2015). Moreover, the study of Osemeké, Adegbite, and Adegbite, (2016) sheds additional light on CSR by investigating the role of ethnic directors in CSR in Nigerian public liability companies, and the study reveals that ethnicity of directors' influence CSR related decisions and activities. It is well evident that the board

characteristics influence the CSR practice in different ways in different country settings.

2.3 CSR practices in Sri Lanka

However, as in the case of many other countries, CSR reporting is not mandatory in Sri Lanka (Douglas, Doris, & Johnson, 2004). Belal (2001) points out that Asian firms adopt CSR practices due to their significant social and environmental glitches such as environmental pollution and labour and human rights issues. Therefore, the voluntary CSR disclosure system currently prevailing in Sri Lanka may differ from one another at varying degrees and indicates structural differences in the light of Global Reporting Initiative (GRI) standards and sustainability reporting guidelines (Fernando & Pandey, 2012). Further, Fernando and Pandey (2012) hold the view that CSR practices adopted by listed Sri Lankan firms are unsatisfactory. A shadow of CSR can be seen in Sri Lanka's British colonial history, which upheld the duty of protecting female by compelling the garment factory management to preserve the female workers' rights (Loker, 2011; Perry, 2012). It is also evident that Sri Lankan cultural norms and moral teachings have influenced the prevailing ethical practices in the garment industry (Perry, Wood, & Fernie, 2014). The Buddhist teachings that are the majority's religion in Sri Lanka have also considerably influenced CSR practices in Sri Lanka. Beddewela and Fairbrass (2015) provide that Sri Lanka is bestowed with a ravishing history of 2500 years and Buddhist concepts that have always promoted the element of "responsibility" in good governance, which has extended to

business. Even during ancient Sri Lankan kings' time, community wellbeing and environmental concerns were part and parcel of commerce and state governance. However, it is indefinite whether Sri Lankan corporations embed Buddhist teachings and values in their CSR practices due to less evidence on such values in sustainability reporting (Abeydeera et al., 2017). But it is fair to mention that CSR is not an alien concept to Sri Lankan corporate sector. Sri Lanka's corporate philanthropic history is appreciated by individual values and actions beyond formal corporate CSR practices.

Shamilet al. (2014) provide that boards with female directors negatively associate sustainability reporting from the evidence of their quantitative study of 148 companies listed in Colombo Stock Exchange (CSE) in 2012. Nonetheless, Mudiyanse (2018) provides a positive relationship between the numbers of female directors and sustainability reporting. In her quantitative study, she explores the role played by the board of directors in sustainability reporting referring to 100 listed companies in Sri Lanka (2012 -2016). In Sri Lanka, organizations stimulate CSR practices through recognition mechanisms such as CSR awards. "Business Excellence Award" conducted by the National Chamber of Commerce of Sri Lanka (NCCSL, 2019), "Sustainability Reporting" award given by Association of Chartered Certified Accountants (ACCA) (ACCA, 2019), and the annual award of "Ten Best Corporate Citizens" conducted by Ceylon Chamber of Commerce (CCC, 2019) are some significant examples. Further, certain prominent Sri Lankan companies have become signatories

to the United Nations Global Compact (UNGC) (UNGC, 2019).

2.4 Theoretical underpinning: Upper Echelon theory

This research aims to determine how the board of directors' characteristics impact CSR practices in Sri Lankan context. As discussed above CSR decisions and activities are significantly influenced by directors' perspective and their background. Hence, the study has complied with the Upper Echelon Theory (UET) introduced by Hambrick and Mason (1984). The theory submits that managers at the top level interpret and process information differently due to their values influencing their cognitive base and various demographic characteristics. Characteristics of the cognitive base are the ability to assume future events, awareness of available options and consequences attached to those options and the decision maker's values in selecting the available best fitting option (Hambrick & Masons 1984). These characteristics influence the various strategic decisions taken by top managers.

Further, UET provides that prominent and influential persons of an organization, such as top managers, contribute to formulate and determine the strategic decisions through their values and intellectual foundations. In other words, strategic choices made by organizations expose the values and cognitive bases of their powerful actors. As a result, traits of the higher management (upper echelon) impact the practices and decisions of a firm (Bantel & Jackson, 1989; Nishii, Gotte, &

Raver, 2007). According to the theory, the managerial commands originate from the perceptions, values, and cognitive skills and are shaped by education and experience (Carpenter, Geletkanycz, & Sander, 2004). The personal characteristics such as specialization, age, and tenure of the decision-maker become more critical depending on the complexity of the decision, such as strategic measures. The principle confirms that different characteristics of top managers such as experiences, career, or age impact their choices on strategy and organizational performance (Nielsen, 2010).

Moreover, according to Hartmann (2005), the organizational alignment needs to be analyzed on the highest strategic stratum, which includes top managers since UET is about the strategic behavior of an organization. The reason being, the leaders' cognitive, social, and physiological characteristics place the foundation for their decisions (Ting, Azizan, & Kweh, 2015). The way upper echelon features impact corporate strategic choices as per UET is shown in the below diagram. Ting et al. (2015) have investigated the relationship between CEOs'

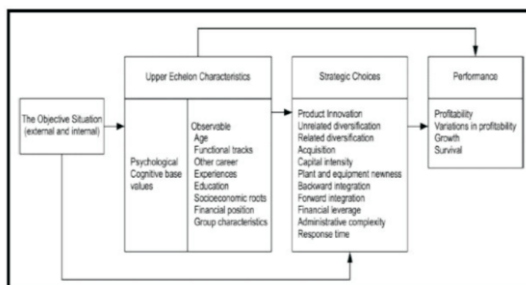


Fig.1. Upper echelons perspective of organizations Source: Hambrick and Mason (1984)

characteristics and financial leverage decision in public listed companies in Malaysia in the light of UET. According to them, many existing empirical studies do not deal with human factors when studying firms' financial leverage determinants. However, finance literature is progressing to investigate the decision makers' behaviours as characteristics of economic phenomena (Subrahmanyam, 2008). A number of researches have been conducted on UET, exploring the influence of board characteristics on related areas such as corporate disclosure (Bamber, Jiang, & Wang, 2010), research and development spending (Barker & Mueller, 2002), Cash holding (Orens & Reheul, 2013) and firm performance (Weinzimmer, 1997).

3. Research Design

3.1 Research Methodology

The methodology of this research is exploratory and qualitative. The research questions are framed to explore new knowledge relating to a specific phenomenon (CSR). Therefore, the appropriate research paradigm for this study is "interpretivism". As the term denotes, the interpretivism paradigm is used to understand, interpret and give meanings to people's actions or group experience (Fossey et al., 2002). Interpretivists construe people or organizations' experience through inductive reasoning. Ontology is our fundamental beliefs about the nature of reality and the nature of being. While realist ontology is based on one true, unchanging reality that can be applied to all contexts, relativist ontology is found on multiple realities that could constantly be changed

(Broadbent&Unerman, 2011). The fundamental beliefs of relativist ontology about reality are “reality is human experience and human experience is reality” (Levers, 2013, p.2). Epistemology, or the study of knowledge, is “a way of understanding and explaining how I know what I know” (Crotty, 1998, p. 3). The subjectivist approach to epistemology holds that knowledge and meaning is formed from a person’s beliefs and experience. The current research aims to identify multiple realities about CSR and Board characteristics and assumes such reality can vary country-wise, company-wise, and experience-wise. The researchers prefer being subjective in giving meaning to director’ specific kind of actions. Therefore, this research falls under “relativist ontology” and “subjectivist epistemology”.

The interpretivism paradigm, relativist ontology and subjectivist epistemology are more compatible with the qualitative research methodology. The main intention behind qualitative research is to understand and explain why specific actions occur in the way they do and how they happen in a particular context (Parker & Northcott, 2016). Further, the words “who” and “why” in research questions opens up for qualitative research discussion. Qualitative research aims to understand the creation of realities in context (Broadbent & Unerman, 2011), and they usually conclude with a theoretical generalization or naturalistic generalization (Parker & Northcott, 2016). Quantitative research, in contrast, analyses numerical figures and look for quantifiable knowledge or information to be used in statistical analysis. Quantitative researchers focus on hypotheses testing whilst qualitative

researchers mainly rely on theory (Lodhia, 2017). However, the qualitative methodology helps to build hypotheses required for quantitative research and provide a lens to examine quantitative data. Comparatively, qualitative research may be hard to undertake than quantitative research since it involves meeting with people and organizations, which can be often deep and time-consuming (Broadbent & Unerman, 2011). Accordingly, this research aims to examine why different board characteristics influence CSR practices in different contexts. Even though numerous studies have proved linear relationships (negative or positive) between board characteristics and CSR practices quantitatively, reasons for such relationships cannot be presented quantitatively since such knowledge is unquantifiable. Thus, this research has used the qualitative research methodology to examine the relationship between board characteristics and CSR practices.

3.2 Data collection method

A qualitative research study often uses in-depth interviews, focus group discussions and case studies on finding answers to “why something occurs in that way?”(Chigbu, 2019).Interviews enable researchers to earn comprehensive participant input and construct a holistic picture perusing empirical materials and interpreting words, language and contexts (Marshall, & Rossman, 2011). Rao and Tilt (2015) suggest that interviews, case studies, and longitudinal studies should be conducted to understand the gender influence on CSR and enrich the knowledge of the multifaceted collaborations that

occur in boards and organizations. Accordingly, this research used in-depth face-to-face interviews for the data collection. The research thus contains primary data.

Ten directors from reputed Sri Lankan public quoted companies listed in the Colombo Stock Exchange (CSE) were selected for this research. Qualitative sampling differs from quantitative sampling, and it does not depend on the number but why they were selected and what they represent (Flick, 2009). Purposive sampling entails careful selection of research context that leads to in-depth information (Lodhia, 2017) just as in the current study. The sample of interviewees were selected based on their gender to represent an equal number of female and male directors. The companies they represent were selected based on their recognition of CSR practices, voluntary sustainability reporting in annual reports, and the volume of publicly available CSR information. Accordingly, the sample of directors and the companies they represent were selected based on purposive sampling as it involves careful selection of research context, which provides thorough information concerning the research questions (Lodhia, 2018). Even though the study followed purposive sampling for selecting equal representation of directors/ directresses, they were chosen also depending on their availability and most importantly, based on their willingness and agreement to provide information. Pseudonyms are used for the eight selected public listed companies and interviewed directors' names are withheld to ensure ethical standards.

The researchers conducted the interviews following an interview guide. But, random questions were raised to gather in-depth understanding. The questions included "how" and "why" tags purposely to obtain more qualitative answers. All the interviews were recorded and transcribed. Apart from that, the interviewees' expressions and gestures too were observed and taken into account. A summary of interviews was used for the analysis. Moreover, the secondary data were collected from annual reports and/or sustainability reports and other related documents published by the selected companies. The secondary data were useful to identify the breadth of CSR practices deployed by particular companies, in which the interviewees served directorships.

3.3 Data Analysis

The study used thematic analysis to identify, analyze, interpret, and report the primary and secondary data (Braun & Clarke, 2006). Thematic analysis means "the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes" (Hsieh & Shannon, 2005). Further, the primary and secondary data were summarized and organized separately to build a concise structure (Ibrahim, 2012). The researchers identified the words, phrases and sentences which provide vital and similar thoughts to draw them through repeated readings of the transcripts of the interviews. These themes were compared and contrasted during the analysis. Further, visual maps were created where necessary by reviewing annual

reports, sustainability reports and journal articles.

3.4 Ensuring Quality of Data

According to Johnson (1995), the purpose of any qualitative researcher is to "involve in a study that searches for deeper understanding than merely inspecting surface features". Nevertheless, the qualitative data should not be affected from the researchers' perspectives or biasness and they should enhance transparency relating to a social phenomenon (Denzin, 1978). Trustworthiness is a vital component in qualitative research to ensure its reliability. According to Seale (1999), "trustworthiness of a research report lies at the heart of issues conventionally discussed as validity and reliability". In a qualitative study, credible outcomes can arrive if the trustworthiness or the validity can be increased. Most importantly, in qualitative research, qualitative sensibility is needed to enhance the validity of data. Qualitative sensibility is rigorous questioning without resorting to face value; how or why they are in that way? where their true interest lies? (Clarke & Braun, 2013).

4. Data Analysis

4.1 CSR practices of selected companies

Sri Lanka, an emerging economy in South Asian region, owns 282 well-established public quoted companies listed in CSE (as at 31st March 2021) out of which many implement excellent CSR practices. Yet, CSR practice or disclosure is not mandatory in Sri Lanka (Douglas et al., 2004) and companies follow voluntary disclosure practices. Sri Lankan companies follow GRI and sustainability guidelines of

CSE. The CSE guideline covers environmental, social, and governance (ESG) factors according to the United Nations Sustainable Stock Exchanges (SSE) initiatives that can be addressed by listed companies (Communicating Sustainability: Six Recommendations for listed Companies, 2019). The public limited companies, from where the directors are selected for the interviews, follow sustainability guidelines of CSE and GRI and report the sustainability practices in their annual reports. Eight companies were selected for this research covering different industries such as telecommunication, insurance, FMCG conglomerate, hotel, health care, finance, bank and manufacturing. All the selected companies perform several CSR activities covering triple bottom lines; plant, people and profit. Another renowned factor about the selected companies is most of them have been appraised for their best practice of CSR.

4.2 How board characteristics affect CSR practice

4.2.1 Gender and CSR Practice

Regardless of their gender, all the interviewed directors were of the unanimous opinion that absolute freedom is available in their boards to raise concerns regarding CSR. This finding was supported by the following statement made by a female independent non-executive director.

"I have never been discriminated on the gender basis, when I raised my voice. No! You can't say that! (disapproves the question) It doesn't make a difference. Males don't do that

(discrimination), they listen to your opinion too, they won't brush you aside, that must never be said"

Another female independent non-executive director confirmed the above opinion;

"Yes, I would say I have 100% freedom to raise my voice. I am one of the most vocal members I think (laughs). This is my impression, whether you are male or female, once you are on the board there is nothing that holds you back"

Most of interviewees tried to convey that, equal opportunities are indisputably given irrespective of the gender provided one has the competencies, skills, or the awareness of the business and CSR practices. A male executive director reassured the above finding in this way;

"Basically, all based on the skills, the whole board can be filled with female directors if the ladies have more skills. There is no gender biasness. So, it depends on the ability."

However, the most interesting finding of the study is women directors may take more women bias CSR initiatives aiming well-being of women and children such as female protection, mothers' needs rather than projects on environment and economy. The male directors in contrast would focus more on general or gender-neutral CSR projects. This finding was supported by the following statement of a male, independent non-executive director;

"Generally, female directors will be more aware of CSR, plus I think their CSR projects will be more for females, I have to say that! For men, I won't say

that their CSR projects are more for men and I think theirs would be general"

Further, a female executive director explained the reasons for the above finding;

"I guess female directors have bit more empathy, compassion and feeling of what they are doing and they have the feeling that what they do, needs to have an impact"

Accordingly, it can be drawn from the study that female directors' inherent characteristics such as love, compassion, empathy explicit more favour towards women and children-based CSR activities.

4.2.2 Education and CSR Practices

Most directors with multiple educational and professional qualifications, especially an accountancy qualification, showed a sound knowledge of certain CSR matters. This conclusion was articulated based on the similarity of the answers given by the directors to the questions; Should there be laws to regulate CSR practices? Should CSR practices be mandatory? or Should it continue as a voluntary requirement? The answers given by directors were linked with the respective educational backgrounds of directors to evaluate whether there is any significant pattern. A male executive director, who is an attorney-at-law, associated member of Chartered Institute of Management Accountant of UK (ACMA) and a certified professional manager stated that:

"CSR is a voluntary program which companies are already carrying out. If CSR is regulated, companies will be

manipulated within the wordings to satisfy the regulators and drop the genuine idea behind CSR”

Furthermore, a female managing director - a Harvard business school alumni, ACMA, chartered accountant, a member of the economic policy committee of the Ceylon chamber of commerce and one of the most powerful influential businesswomen in SL answered that:

“I think it should not be mandatory. Reporting is a different part of it, some people report to get awards. But I think doing CSR, I would call it “sustainability practices” should be voluntary. Nothing is called charity. We are just supporting a community to have some up-liftmen.”

Another female independent non-executive director with BSc, MSc, ACMA and CGMA qualification raised a distinctive but similar opinion on CSR disclosure and its voluntary aspects.

“CSR shouldn’t be merely a buzzword in SL, although there is a hype around the world. You can’t say Sri Lanka opened its eyes to CSR only recently. I disagree!. I’ve been in the corporate world in the past 25 years; giving back to the community is a part of our culture. Did we coin it as CSR? No we didn’t. Because of all these sustainability reporting requirements, it’s being coined as CSR or triple bottom line”

A former chairman and a non-executive male director of a board stated that CSR is not for profit-making and it should resolve some environmental and community issues with sustainable solutions since they should last for some time. He has BA, PGD in

Development Studies, and Master of Philosophy in Policy Analysis and a Post Degree Certificate in Natural Resource Management;

“CSR is not for profit-making; definitely, we have to address environmental and community issues, motive wise, whatever we will do should not end in overnight.”

A female managing director, who holds BA honors degree and MBA from UK on politics, international politics and international law, was of the view that CSR disclosure is not necessary if the company does not seek profits out of that. While implementing many valuable CSR activities initiated by her company, still she does not feel content about its volume and urges the necessity to do more.

“I don’t think even disclosure of CSR is necessary, it may be good for the brand but it’s not really relevant. Doing CSR is not a show, what you do is what matters not publishing to seek profits.”

An independent male non-executive director, who is a professionally qualified attorney-at-Law with vast experience, stated that,

“Through these CSR projects only we see the pathetic side of our lives. I have to tell my honest opinion, CSR is good, but you have to do it with an honest belief that you are doing some service to people”

He went on revealing some heartbreaking incidents faced while serving poor people through CSR activities.

It was further exposed that directors who possess educational qualifications in a different field and not specialized in business or accountancy promote CSR practice as a non-profit-oriented theme. But, the directors, who are equipped with more management-related experience and accounting professional qualification such as CIMA, showed a broader understanding of CSR practices' fundamental purpose.

4.2.3 Nationality and CSR Practices

The researcher did not find opportunities to interview any foreign directors. Therefore, the research findings had to be drawn out of the interviews conducted with local directors. The comments made by the interviewed directors relating to their experience with foreign directors, were inadequate to draw any overarching concrete findings. However, the researcher grasped some valuable insights diving into their comments. A question was posed to an executive director regarding the importance of discussing CSR-related topics at the board level. In response, she mentioned that the foreign nationality directors might pay more attention to CSR practices at board discussions. The local board members seem to be concerned more about the CSR image in such instances. The following statement made by a non-executive director implied that foreign directors' qualifications and experience might impact on board decisions. "Foreign directors may have a possible impact, because of their professional qualification and experience"

Further, a female non-executive director stated that a female director of foreign nationality in the board that she represents

plays a dominant role in CSR and other matters. A female executive director was of the below-mentioned opinion implying a foreign director would have made a difference on the board's CSR opinion some years ago but not now.

"But now everybody is aware that CSR is important so generally everybody kind of supports them now. But a couple of years ago, yes, it would have made a difference having foreign directors on board and if they are passionate about it"

Further, a director of several companies and deputy chairperson submitted that having a foreign national on board could make a positive contribution since they have experience from another country.

"A foreign national could bring different and/or broader perspective to the board which could affect the decisions made by the board. A foreign national who has experience in working on CSR projects in other parts of the world or with experience working with other organizations could impact the decisions made by the board"

An independent non-executive director contributed with a different and valuable insight. She made a point that although having a foreign director may bring experience and information from a foreign country, he or she cannot influence a board's decision on CSR.

"I have worked with foreign directors. When you are a board member it's not that one person's concerns run the

operations, it is a collective decision. They really have to sell their propositions to go ahead with it. Other than bringing that experience and information from foreign countries, I don't think they will influence decisions, we respect their views, definitely, but we look whether they culturally fit us. And if it's something good we will all vote for it"

Another managing directress too was of the opinion that foreign nationals would not make a significant impact on board decisions on CSR. She was of the opinion that they might focus more on funds, resources and brand projection through CSR and will not think in line with the company's CSR perspective.

"They may not think as much as we think of CSR, I don't think they will feel the same way we feel. It won't make a huge impact at the end of the day"

Another perspective is that foreign directors' appointment can be due to the shares they hold in company and not merely because of their expertise. Thus, it is apparent that the foreign directors are treated neutrally by Sri Lankan board members. The study reveals that the foreign nationality directors can enrich the board decisions through their foreign exposure and diverse knowledge. The positive or negative influence on decision-making process can vary depending on the context they were appointed.

4.2.4 Experience and CSR Practices

The impact of the directors' experience on CSR practices was determined by carefully examining their "suggestions" made

by directors to improve CSR practices in SL. The researchers tried to identify whether the length of experience is reflected or make a significant difference in the suggestions.

An executive director, who had joined the particular company under the capacity of a finance manager, currently works as an executive director with 24 years' service and holds directorships in 12 companies, made a contributory remark. His suggestion, as shown below is to bring CSR and sustainability disclosure practices in Sri Lanka to a genuine and purpose serving platform. Detailed and lengthy CSR disclosure practices in annual reports are discouraged by him.

"We have to give back to society. Annual reports should be concise and understandable to the shareholders in one- or two-pagessnapshots. My opinion on CSR reporting in annual report is distorted. Basically, outstanding writers come and write all kind of stories and unfortunately, I see most of the awards are given based on such written reports. But at the end of the day what you practice is more important. So, I see few companies exaggerate CSR activities with massive CSR reports. It has become an award-winning competition and marketing tool than genuine CSR practice"

A former chairman, a non-executive director, a high-ranked government officer, and an ambassador of few countries, who is now retired, made the following remark. His opinion is that a company that exhibits

great environmental concerns should not engage in any hazardous environmental activities behind the back. He was the sole director who spoke in favour of establishing mandatory rules for CSR. He further mentioned that CSR practices should be done genuinely and correct information should be conveyed to the shareholders.

“I wonder whether CSR can be made mandatory, but if that can be done, much better, because it’s a corporate responsibility! That is what’s important. It’s not just adding a chapter in annual reports and wipe your hands off, we have to get the stakeholders involved, because it is important to our sustainability, our motive is to get the people attracted towards our company”

Another senior director with 38 years’ experience who has served both in public and private sectors, was of the opinion that fancy annual reports do not serve the real purpose of CSR and it should be something viable and sustainable.

“Personally, I don’t like glossy reports, which costs about Rs. 5000/- per print merely because some organization is organizing a competition to select the best. And if you go for the competition, ultimately everyone gets some sought of award. So much is spent for the publicity. Sometimes, I feel we are trying to get unnecessary publicity for CSR projects, if a company gives RS 500,000/- for a CSR and they are trying to get one million mileage out of that....it’s not fair to do CSR to get publicity right?”

Further, a female executive director, who started working at age 18 and completed almost 32 years in corporate sector, talked about the future of CSR through her experience:

“Actually we need sustainability. We need to make an impact specially on the field of education and build knowledge of communities out there. There is a lot we have to do with genuine hearts. It can be aligned to the business”

The above answers can be compared and contrasted with the below mentioned answer of an independent non-executive director who was appointed to the board one year ago. The answer exhibits a qualitative difference from the previous answers.

“I can’t think of anything like that, I have to think about it a little more before I answer but I think.... (think) generally the best CSR for a company should be related to what they do”

The findings infer that experience of directors have an impact on CSR practices due to several reasons. Directors who worked in several fields for a longer period reflected more knowledge and a unique vision regarding CSR practices. Directors who served in multiple directorships exhibited the similar traits. Their experience, seem to have facilitated articulating meaningful recommendations to enhance CSR and CSR reporting system in Sri Lanka. The directors with more experiences provided vigorous insightful answers which can be reasoned out in the Upper Echelon theory perspective.

The main findings mentioned above, make a further revelation that, disclosing CSR practices in Sri Lanka has become a powerful marketing tool to enhance brand image and reputation among shareholders and potential investors. It appears that most companies focus on receiving appreciation awards for CSR reporting. However, the actual CSR implementations and their standard should differ from what is being reported since most of the annual reports are prepared by outsourced third parties professionalized in attractive annual report preparations.

4.3 Why board characteristics affect CSR practices: Through the lenses of Upper Econ Theory (UET)

In this work, UET is used as the theoretical lens to analyze how board characteristics articulate the CSR practices. Because it suggests that the managers at the apex interpret and process information differently due to their values that influence their cognitive base and various demographic characteristics (Wijesinghe & Samudrage, 2015). In the light of UET, the current research has considered directors or the board as the upper echelon of the company and found that they process information concerning social and environmental needs in a different way from the rest of the management. However, according to UET, this is due to their values and ability to assume future events, awareness of available options and consequences and the decision makers' values in picking the best fitting option (Hambrick et al., 1984). These characteristics influence the various strategic decisions pertaining to CSR taken by directors. In the current research, gender,

education, nationality, and experience have been identified as the cognitive base of directors.

One of the findings in the current research is female directors may implement women and children focused CSR initiatives due to their understanding of women's needs. Another finding is that female directors may promote certain CSR initiatives better due to their inherent qualities such as empathy, compassion, motherhood and caring. According to UET, understanding is a cognitive skill and gender is a demographic characteristic. Furthermore, empathy, motherhood and caring are human values. Accordingly, it is evident that directors process information on social and environmental needs differently due to their values which influence their cognitive base and demographic characteristics.

In the current study it was found that CSR decisions are positively and significantly influenced by the educational background of directors because their overall knowledge and thinking pattern is sharpened by the different educational courses they have undertaken. In the light of UET, CSR choices made by companies' exhibit values and cognitive bases of powerful actors, meaning which directors. Accordingly, characteristics of the director board or the upper echelon impact the practices and decisions of such firm (Bantel & Jackson 1989; Nishii et al., 2007).

and career experience (Wijesinghe & Samudrage, 2015).

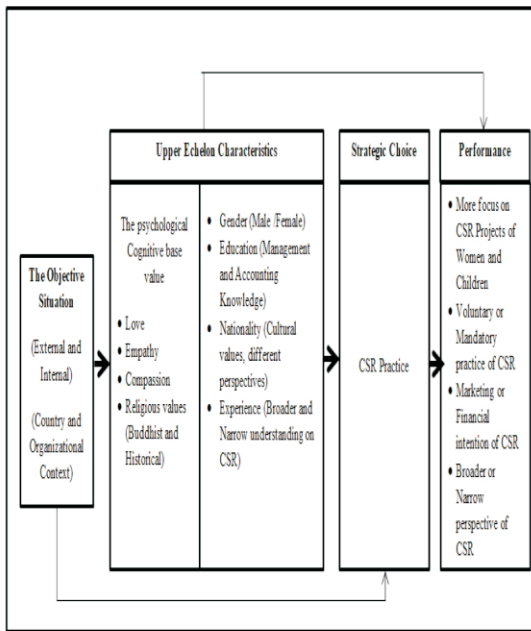


Fig.2. Effect of board characteristics on CSR Practice in UET perspective Source: Interviews and survey data

According to UET, the personal characteristics of the decision-maker become more critical depending on the complexity of the decision. Accordingly, the current research finding confirms that individual characteristics such as directors' knowledge and experience are imperative in formulating viable CSR decisions. The UET also approves that different characteristics of top managers' such as experiences, career, or age impact their choices on strategy and organizational performance (Nielsen, 2010). Further, directors, who worked in several areas for more extended periods in multiple directorships showed more knowledge and experience on CSR practices. According to UET, the top managers' background can be appraised via noticeable demographic characteristics such as functional experience

05. Discussion and Conclusion

According to Post et al. (2011), gender diversity or the women and men directorships add different values to CSR practices. This finding is reassured by one of the findings of the current research to a certain extent. According to the work of Deschênes et al. (2015), performed in Canada, the presence of female directors in the board makes an extra connection with social, employment, and community work. But less contribution to the environmental work. The positive finding of this work goes in line with the findings of the present research since it confirms the female directors' influence on women and children targeted social and community work. Accordingly, when comparing the two studies, it can be noticed that the developed or developing country status does not necessarily impact the gender and CSR relationship. The study of Muttakin et al.(2016), conducted in Bangladesh suggested that, CSR disclosure level reduces with women participation in Boards which is a negative correlation. However, the current research reveals that gender is not necessarily influential factor in Sri Lankan Context. But female directors are more favorable towards women and children focused CSR practices. The current study explains the root courses for identified behavior of directors on CSR practices; the impact of their cognitive and inherent values. Further, this study suggests that the foreign director participation might positively impact CSR by elevating the disclosure level. The

current research provides one reason why foreign directors in board may positively impact CSR due to their exposure to varied country experience. This proposition was further confirmed by Barka and Dardour' (2015) work, which provides that diverse nationality and background of directors in the board can be considered the most pertinent characteristics of companies with high CSR scores. Moreover, the study of Osemeke et al. (2016) supports the above finding.

The Australian study of Rao and Tilt (2016) suggest that overall board diversity and specific traits such as tenure, gender, and multiple directorships have a possible impact on CSR reporting. Similarly, the authors of the current research too demonstrate the positive impact of gender and multiple directorships (experience) on CSR practices. Further, the present study provides that the knowledge and experience earned through multiple designations enable directors to make improved decisions on CSR practices (Dahya, Lonie, & Power, 1996; Hashim & Abdul Rahman, 2011). According to Uzma (2016), when the board is composed with well experienced female directors, the likelihood of adopting CSR practices is significantly high. The work of Katmon, et al. (2019) performed in Malaysia demonstrates the corresponding relationship of CSR and directors' educational level. They argue that the role play by the board of directors is vital for CSR disclosure since it is a result of the decision-making process, judgment skills and discretionary power emanate from directors. The same argument can also be adopted in the current research context.

The novelty of the present study is providing the rationale behind the influence of board characteristics such as gender, education, experience and nationality on CSR practices with valid theoretical explanation in the light of UET. Because, most prior studies in developed and developing country context shave only explored "what is the relationship" between board characteristics and CSR practices. But, the current study sheds light on "How board characteristics influence CSR practices?" and "Why board characteristics influence CSR practices?". Besides, the study strengthens the validity of UET by proving that the strategic choices on CSR practice are shaped by Upper Echelons' psychological and cognitive values (board of directors). Further, the findings of the study firmly emphasize that the influence of board characteristics towards CSR practice depends on the unique context of each company as it generates different finding from other studies performed in developing countries (Muttakin et al., 2016) and Sri Lankan context (Shamilet al., 2014). Thus, this research provides valuable insights to stakeholders and organizations regarding decision-making on directors' appointments taking their characteristics into account.

This study is subjected to some limitations. It focuses only on selected board characteristics such as gender, education, nationality and experience. But future studies can be conducted to address more board characteristics such as age or other designations of directors. Further, this study influences future studies to examine wider range of board characteristics in different country settings and different

organizational settings. Possibly these studies can be single case studies or longitudinal case studies to excavate broader understanding. Last but not least, future studies can apply different theoretical lenses to build various other theoretical generalizations.

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