

# CSR Measurement in India: A Scale Development Study

Pravin Dange\*

Dr. S. K. Bose\*\*

## Key Words :

- 1.CSR Measurement
- 2.CSR definition
- 3.Stakeholder Theory
- 4.CSP
- 5.CSR in India

## Abstract

Corporate Social responsibility (CSR) is no longer considered as an optional add-on activity of business. It has now become imperative for business to engage in CSR. But the concept has been fraught with measurement difficulties which are causing hindrances for companies to embrace it fully. This paper seeks to take a look at the various attempts to capture the elusive concept of CSR using various measurement tools, problems associated with those tools and evolves a measurement instrument in the context of emerging economies like India. The purpose of this study is to provide an original, valid, and reliable measure of CSR reflecting the responsibilities of a business to various stakeholders. Based on a proposed conceptual framework of CSR, the scale developed and validated by Turker (2009) was adopted, moderated and validated through a systematic scale development process. In the study, exploratory factor analysis was conducted to determine the underlying structure of the data. Data was collected from 142 business professionals working in India. The results of the analysis provided a Six-dimensional structure of CSR, including CSR to Shareholders, Employees, Customers, Government, Society and Non-social stakeholders of Natural Environment and Posterities. The research paper contributes to the literature by way of evolving valid instrument to measure of CSR performance in the context of emerging economies like India.

## INTRODUCTION

The business – society interface is replete with various competing concepts viz. Corporate Social Responsibility (CSR) , Corporate Social Performance (CSP), Corporate Citizenship (CC) etc and all these concepts have been receiving considerable attention of both academia and industry for several years; CSR and CSP being the frontrunners amongst them. Despite proliferation of these concepts, capturing and measuring the performance on the concepts has been still elusive to the academic world. Wood (1991) states that research on the evaluation of corporations have languished in recent years and more effort has to be spent on actually measuring the CSP.

Although the expanding literature on CSR has provided clearer understanding, it is still problematic to find a commonly accepted definition of CSR. Absence of a commonly accepted definition has led to difficulties in measuring the concept. In spite of existence of several measurement methods to measure the concept in the literature, almost all of them have some limitations.

This paper takes an overview of the attempts in the academic litterateur to capture the elusive concept in definition and also takes a critical look at the measures currently available. Further it concludes by developing a

scale for measuring CSR in the Indian context.

The concept and definition of CSR

A study of business history in India shows that the corporate interest in society originated in charity, moved on to philanthropy and culminated in CSR. Although the Business and Society interface has a long historical existence seeped in Indian tradition of daan, dhrama and karma, the concept of CSR came to India in its present form principally from the West. It originated in the fifties of the last century when Howard R Bowen (Bowen, 1953), wrote a seminal book "The Social Responsibilities of a Businessman". Since then the notion of CSR has come to dominate the society-business interface and many theories and approaches have been proposed. Simultaneously, many definitions have also been given in order to understand and explain what the concept meant. The predominant concern have been to both posit and validate the argument that CSR is desirable in its own right or is practiced because it is in the long term interest of corporations to do so (Oosterhout et al, 2006). The perspectives on CSR have also changed from the shareholder primacy perspective which, taking an agency perspective of a firm, argued that the only motive of social responsibility of a business is 'to make profits', (Friedman, 1970), to stakeholder primacy perspective (Freeman, 1984), which argued that business needs to engage and manage expectations of 'all the stakeholders' who can affect and get affected by the business. The concept has been consequently defined in several ways.

\* Faculty, Indira School of Business Studies, Pune and can be reached at pravind@indiraibs.ac.in

\*\* Faculty, Birla Institute of Technology Mesra, Ranchi and can be reached at skbose@bitmesra.ac.in



According to Bowen (1953), one of the first scholars to define the concept CSR is 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.

According to Sims (2003), for instance, "Social responsibility and legality is not one and the same thing. CSR is often seen as acts that go beyond what is prescribed by law".

In 1960, Keith Davis suggested that social responsibility refers to businesses' "decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest." He defines CSR as "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm (Davis 1973).

In contradiction thereof, Carroll (1999) has outlined economic, legal, ethical and discretionary responsibilities of business and stated that "The CSR firm should strive to make a profit, obey the law, be ethical and be a good corporate citizen." (Carroll 1999).

Freeman (1984) presented a more positive view of Managers' support to CSR in the stakeholder theory proposed by him. He asserted that managers must satisfy a variety of constituents, (workers, customers, suppliers, local community organizations etc.), who can influence the outcome of the firm. This theory marked an important shift from shareholder primacy perspective to a stakeholder perspective.

Frederick (1998) outlined a classification based on a conceptual transition from the ethical- philosophical concept of CSR (CSR1), to the action oriented managerial concept of Corporate Social Responsiveness (CSR2). He then included the normative element based on the ethics and values (CSR3) and finally introduced the cosmos as the basic normative reference for social issues in management and considered the role of science and religion in these issues (CSR4).

Woods (1991) argued, "The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behavior and outcomes." To assess whether a corporation meets society's expectations, she points to "the degree to which principles of social responsibility motivate actions taken on behalf of the company." She also argued that "Managers are moral actors" who are to exercise their discretion to meet expectations." She strongly suggested substituting the language of force, coercion and violence with the language

of choice and freedom and mature relationships at individual, corporate and societal level to make good ethical choices to create good society.

Donaldson and Preston (1995) while expanding the stakeholder theory stressed the moral and ethical dimensions of CSR as well as developed a business case of CSR.

Hart (1995) took a resource based view of the firm and argued, with specific reference to environmental social responsibility, that CSR can constitute a resource capability that leads to sustainable competitive advantage.

Jones (1995) looked at CSR from the stakeholder perspective and argued that firms involved in repeated transactions with the stakeholders have an incentive to be honest and ethical.

Barron (2001) termed CSR as corporate redistribution and classified it into three categories as motivated by self interest, normative principles and threats from the stakeholders. He termed the profit maximizing CSR motivated by self-interest as strategic CSR.

Lantos (2001) while building a case for strategic CSR argued that for any organization ethical CSR (avoiding societal harms) is obligatory. For a publicly-held business altruistic CSR (doing good works at possible expense to stockholders) is not legitimate, and that companies should limit their philanthropy to strategic CSR (good works that are also good for the business). Thereby he placed CSR initiatives squarely within the realms of bounded rationality. He has also distinguished between responsibilities which are mandatory and which are voluntary. According to him responsibilities which are mandatory can not be treated as CSR while those that are voluntary can.

Some other scholars have also argued similarly in that if the CSR contribution is voluntary it should constitute CSR else it may be termed as corporate responsibility (Jamali, 2007). Adopting this logic Dima Jamali argues that the use of the term CSR should be restricted to Social Voluntary Responsibility (that can either be altruistic or strategic) and the term corporate responsibility can be used for the other (economic, legal and ethical) responsibilities given by Carroll.

Although there is no consensus regarding the definition of CSR, based on the above perspectives the essential elements that define the form and the content of CSR may be identified as under

1. Sufficient focus by the enterprise on its contribution to the welfare of society
2. The relationship with its stakeholders and society at

large

### 3. Voluntary nature

The first part of the definition emphasizes the company's contribution to the welfare of society. This element is closely related to the 'values and objective of society' and 'benefit society' stressed most of the definition above. (Bowen, 1953; Carroll, 1979 & 1999; Woods, 1991)

The second element of the CSR definition stresses the importance of stakeholder management which has been stressed by Freeman (1984), Donaldson and Preston (1995) & Jones (1995). Carroll (1991) also argued that there is a natural fit between the idea of CSR and organizations stakeholders.

The third element of voluntary nature of CSR has been stressed upon by Lantos (2001) and Jamali (2007).

Having defined CSR, it is important to operationalize the definition with evolving to measure the concept. In order to find out the most appropriate way to of measuring CSR based on this conceptual framework, the related literature should be examined carefully. In the next section, the pros and cons of the existing methods in the literature are discussed in detail.

## LITERATURE REVIEW

### Existing methods of CSR measurement

The measurement of CSP is essential for theory development in research area of social performance (Ruf et al (1998). Carroll (2000) also argued that CSP should be measured because ' it is a important topic to business and to society, and measurement is one part dealing seriously with an important matter... the real question is whether valid and reliable measures can be developed.' There have been several attempts made to measure CSP both in the academic and business community. But there is no single best way to measure CSP as was pointed out y Wolfe and Aupperle (1991).

Waddock and Graves (1997) also took a comprehensive review of the difficulties associated with measurement of CSP and assessed the existing measurement methods which he classified into forced choice Survey Instruments, Reputational Indices, Content Analysis, Behavioural and perceptual measures , case study methodology and social disclosures as a surrogate measure of CSP.

Ruf et al (1998) Classified the CSR measures into Government indices, Content analysis, reputational surveys, Forced choice instruments and after a critical evaluation of the same states that while measures of CSP have become more sophisticated over time, there is still no

systematic methodology for measuring CSP and a clear need exists for a more reliable measure.

Maignan and Farrell (2000) categorized these alternative measures into three main approaches: expert evaluation, single or multiple issue indicators and surveys of managers. Turker (2009) expanded the categories to include scales measuring CSR at individual level and scales measuring CSR at the organizational level.

The accompanying table (Table No 1) takes a look at all the existing methods, the eminent research work with the methods and the limitations of the category of CSR measurement method.

In Summary, a review of literature shows that there are several methods to measure corporate social activities. Although all of them have contributed to the CSR literature, almost all of them have some limitations. Moreover, none of the above measures actually address the measurement of CSR where CSR is voluntary and the legal and economic component are excluded from and stakeholder perspective is included in the definition. Some existing scales which are measuring CSR at organizational level are limited in scope in terms of the stakeholders. Maignan and Ferrel (2000) scale considers only three stakeholders and is based on the corporate citizenship perspective which includes the mandatory economic and legal aspects. There are no scales, which include

- a) Multiple stakeholders
- b) Comply with voluntary nature of CSR
- c) Measure CSR at the organizational level and
- d) Takes care of the limitations of information asymmetry in emerging economies like India

Turker scale (2009) overcomes some of the limitations of the other scales in terms of measuring CSR at the organizational level, Stakeholder perspective and being perception based overcomes the limitation of lack of availability of data. However the scale also not free of limitations as it is based on the Corporate Citizenship concept and includes the legal and economic component which the authors believe are out of bounds of CSR. Another limitation is in terms of the stakeholders considered.

Therefore there is a need for development of a new scale which would capture the essence of the above definition and include the relevant stakeholders.

According to Carroll (2000), since it is difficult to gather actual measures, there is a tendency to rely on stakeholder opinions or assessment of performance in the literature.

Table No 1 :

| S no | CSP Measurement method Category                             | Examples  | Eminent Research Work using the CSP measurement method   | Limitations of the CSP measure category  |
|------|---|---|--|--|
| 1)   | Reputation Indices  | KLD Research & Analytics Inc., eekom research AG., SAM (Sustainable Asset Management) Group Holding AG., SiRi (Sustainable Investment Research International) Company Ltd., Kempen Capital Management (KCM), SNS Asset Management (SNS AM), | Moskowitz (1972,1975),Ruf et al (1998), Waddock and Graves (1997),Bowman and Haire (1975), McGuire et al (1998), O'Bannon and Preston (1973), Chakravarthy (1986), McGuire et al (1988)              | Not based on sound theoretical background; Limited scope; Variability across indices; Not available in most of the Emerging economies.         |
| 2)   | Single/ Multiple issue indicator                            | The pollution control performance, reported by The Council of Economic Priorities, Corporate Crime as an indicator of CSR   | Bowman and Haire (1975) ,Bragdon and Marlin (1972), Chen and Metcalif (1984), Freedman and Jaggi (1982), Spicer (1978), Shane and Spicer (1983), Bacus and Baucus(1997), Davidson and Worrell (1990) | Unidimensionality in case of single issue indicator; Limited ability to delineate the entire structure of CSR; Absence of global focus         |
| 3)   | Content Analysis  | Analysis of annual reports, Social Disclosures, Social disclosure scale derived from Ernst and Ernst (1973), Percentage of social disclosures in financial reports  | Wolfe et al(1991), Anderson and Frankle(1980), Ingram and Frazier (1976)   | The information given in the reports may be different from the actual corporate actions  |
| 4)   | Scales measuring CSR perception at the individual levels    | Aupperle (1984), PRESOR - Perceived role of Ethics and Social Responsibility, Quazi and O' Brien (2000), DuyguTurker Scale(2009)  | Aupperle (1984), Singhapakdi et al (1996) Rugimbaba et al (2008), Quazi and O'Brien (2000), Etherage (1999)  | The scales although measure individual values, are not designed to measure the organizational involvement with socially responsible activities |
| 5)   | Scales measuring CSR perception at the Organizational level | Maignan and Farrell (2000)  | Maignan and Ferrell (2000) Duygu Turker Scale (2009),  | Based on Carroll's (1979) Citizenship conceptualization, Considers only three Stakeholders (Customers, Employees and Public)                   |

Table No 2: Validation of the Scale

| S N | Item Nos  | Stakeholder                        |
|-----|-----------|------------------------------------|
| 1   | 1 and 3   | Natural Environment                |
| 2   | 2 and 4   | Future generations ( posterities ) |
| 3   | 5 - 8     | Society                            |
| 4   | 9 to 13   | Employees                          |
| 5   | 14 to 16  | Customers                          |
| 6   | 17 and 18 | Government                         |
| 7   | 19 to 22  | Shareholders                       |

However, developing comprehensive measures of corporate social activities that really address social performance is a challenge. Because, 'if we do less of this, we should not call it social performance' (Carroll, 2000). In spite of this apparent risk, relying on stakeholders' views can be a more reliable way of measuring corporate social responsibility activities compared to alternative methods.

Moreover, in the emerging economies like India, where the indices are not yet developed fully, it remains the only recourse to measure CSR. The efforts to measure CSR in Indian Companies are also going on but there is a long way to go before they can be used for academic research. For example the Karmayoga.com ratings cannot be used for academic research as they lack the methodological rigor required for the same. Environmental performance reporting by CSE also is limited in scope as so far only ratings for a few sectors has been done.

Therefore, absence of any outcome based measures in Indian context makes it mandatory to measure CSR based on perceptions. But while evolving such measure the following care should be taken. The measure of CSP/R

- 1) Should be responsive to a variety of factors that constitute social responsibility
- 2) Be independent of the characteristics of the organization
- 3) Reflect the values of the stakeholders being considered
- 4) Should conform to the theoretical definition of CSP/R

Development of such perception based measure is needed particularly in the context of emerging economies dominated by information asymmetry to help one know the corporate social performance of companies.

Evolving and validating such measure would go a long way in contribution to the cause of development of the concept of CSR in India.

Therefore, in order to evolve such a measure, it was found

to be apt to adopt the scale developed by Turker (2009), moderate it to suit the contextual change in terms of the definition and stakeholder scope and validate it in the Indian context.

#### Turker (2009) Scale

The scale was a perceptual measure based on the Corporate Citizenship concept which considers the Economic, Legal, Ethical and Discretionary components of CSR. The final scale validated in Turkish context contains 18 items ( Appendix 1) and considers Government, Society, Employees, Customers, Natural Environment, Future Generations and NGO's as representative stakeholders after (Wheeler and Sillanpaa, 1997) four- fold classification of stakeholders as Primary (Social and Non-social) and Secondary ( Social and Non-social). The scale was validated using data gathered on all the items on 7 point likert scale from a sample of 269 business representatives from Turkish companies and leads to capturing performance on CSR on Social and Non-social Stakeholders, Customers, Government and Employees.

#### Moderation of the scale

The Turker (2009) scale was moderated to take into account the definitional change which warranted that all items which connoted economic and legal responsibilities which are not voluntary be removed from the scale. Accordingly, item nos. 17 and 18 which connoted Legal requirements and measured performance specific to the government were replaced with two other items which expected to capture voluntary performance on CSR specific to Government. Four More items (Item Nos 19 to 22) were added to take care of the additional stakeholder – shareholder in the scale. The total No of stakeholders considered in the scale were 7 having representation for all the categories of stakeholders. The scale taken up for validation contained 22 items to measure performance specific to the seven stakeholders. The items to measure

stakeholder specific performance are as given in table No 2:

In order to validate the scale, an instrument containing these 22 selected items with a 7 point likert scale was designed and administered through mail to around 1000 business professional in Indian companies. The follow up was done telephonically and the total responses received were 142 of which 133 responses were complete. These responses were analyzed using SPSS for validating the scale. 73% of the respondents were Post Graduates. 45 % of the professionals in the sample represent the service sector and 47 % represented the manufacturing sector.

Since the scale was designed to measure performance specific to the seven stakeholders under study, a principal component factor analysis with Varimax rotation to extract seven factors was run on the data in accordance with the steps suggested by Hair et al (2006).

Table No 3 presents the correlation matrix for 22 items of the scale.

A review of the above correlation matrix reveals that 201 of the 231 correlations (approximately 87%) are significant at less than 0.05 levels, which provide adequate basis to perform a factor analysis for each item and for the overall basis. To evaluate the overall significance of the correlation matrix, the Bartlett's test was used again. The Bartlett's test found that the correlations, when taken collectively, were significant at the 0.0001 level.

The data gathered from the main survey were analyzed through confirmatory factor analysis to extract 7 factors to measure performance specific to the seven stakeholders considered in the study. Table 4 shows the information regarding the 22 possible factors and their relative explanatory powers. In the table, it is possible to assess the importance of each component and select the ideal number of factors while using the Eigen values at the same time. The seven factors capture 79.022% of the variance of the 22 items, which can be deemed sufficient in terms of explained total variance.

However As seen from the table No 4,

a) item no 19 is loaded on the 7th factor which is expected to be loaded on the factor which measures shareholder performance Factor No 5. This item is also causing anomaly in the correlation matrix also where it is not correlated to any of the other items. The possible reason for this could be that the item tried to capture performance on shareholders along with investors creating confusion for the respondent about shareholder and investor and possibly the item is measuring performance related to investors which is not

a part of the study.

- b) item No 8 although loaded on factor 3 as expected, is a double barreled item which also loads on factor 1.
- c) items Nis 1,3 and 2 , 4 which were separately expected to measure performance specific to natural Environment and Posterities respectively are loaded on the same factor confirming that in the perception of business professionals performance with respect to Natural Environment and Posterities is interchangeable and in their perception they are not treated as separate stakeholders.

As an outcome of the first round of confirmatory it was decided that the two stakeholders – Natural Environment and Posterities (Future Generations) should be treated as one stakeholder only as the performance perception is coming out to be same for both the stakeholders. Since item No 19 and item No 8 are introducing anomalies in the measurement, it was deemed fit to remove these two items from the scale and rerun the factor analysis to extract 6 factors expected to measure the performance specific to the six stakeholders. The output of the principle component factor analysis with varimax rotation to extract 6 factors is given in Table No 5

The rotated factor matrix for the reduced set of 20 items showed a similar result and pattern, and almost the same values for the loadings. The amount of explained variance decreased slightly from 79.022% to 78.333% which may be on account of the reduced no of factors extracted. The structure of the scale containing the 20 shortlisted items based on factor analysis revealed the following structure of the data

- \* First factor: including CSR to Employees (Item nos. 9, 10, 11, 12 and 13)
- \* Second factor: including CSR to natural Environment and Posterities (Item nos. 1, 2, 3 and 4)
- \* Third factor: including CSR to Society (Item nos. 5, 6 and 7)
- \* Fourth factor: including CSR to Customers (Item nos. 14, 15 and 16)
- \* Fifth factor: including CSR to Shareholders (Item nos. 20, 21 and 22)
- \* Sixth factor: including CSR to Government (Item nos. 17 and 18)

When considering the related literature and the items included in these factors, the factors can be labeled as CSR to Employees, CSR to mute and absent stakeholders, CSR to Society, CSR to Customers, CSR to Shareholders and CSR

Table No 3: Correlation Matrix

| Item No | 1      | 2      | 3      | 4      | 5      | 6      | 7      | 8      | 9      | 10     | 11     | 12     | 13     | 14     | 15     | 16     | 17     | 18     | 19    | 20     | 21     | 22 |  |
|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|--------|----|--|
| 1       | 1      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |        |        |    |  |
| 2       | .656** | 1      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |        |        |    |  |
| 3       | .714** | .690** | 1      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |        |        |    |  |
| 4       | .569** | .746** | .668** | 1      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |        |        |    |  |
| 5       | .332** | .234** | .348** | .374** | 1      |        |        |        |        |        |        |        |        |        |        |        |        |        |       |        |        |    |  |
| 6       | .423** | .317** | .384** | .429** | .659** | 1      |        |        |        |        |        |        |        |        |        |        |        |        |       |        |        |    |  |
| 7       | .415** | .322** | .348** | .396** | .624** | .777** | 1      |        |        |        |        |        |        |        |        |        |        |        |       |        |        |    |  |
| 8       | .425** | .312** | .347** | .363** | .518** | .683** | .658** | 1      |        |        |        |        |        |        |        |        |        |        |       |        |        |    |  |
| 9       | .301** | .184*  | .171*  | .202*  | .298** | .517** | .439** | .617** | 1      |        |        |        |        |        |        |        |        |        |       |        |        |    |  |
| 10      | .170   | .090   | .145   | .209*  | .255** | .418** | .360** | .549** | .651** | 1      |        |        |        |        |        |        |        |        |       |        |        |    |  |
| 11      | .196*  | .125   | .149   | .203*  | .394** | .528** | .456** | .564** | .622** | .682** | 1      |        |        |        |        |        |        |        |       |        |        |    |  |
| 12      | .199*  | .166   | .155   | .251** | .231** | .428** | .392** | .519** | .692** | .669** | .639** | 1      |        |        |        |        |        |        |       |        |        |    |  |
| 13      | .261** | .291** | .232** | .299** | .305** | .423** | .392** | .538** | .590** | .595** | .598** | .658** | 1      |        |        |        |        |        |       |        |        |    |  |
| 14      | .230** | .172*  | .174*  | .158   | .274** | .375** | .322** | .474** | .493** | .444** | .442** | .399** | .395** | 1      |        |        |        |        |       |        |        |    |  |
| 15      | .282** | .265** | .182*  | .175*  | .282** | .389** | .390** | .545** | .536** | .460** | .502** | .521** | .535** | .665** | 1      |        |        |        |       |        |        |    |  |
| 16      | .218*  | .170   | .170   | .190*  | .151   | .324** | .300** | .511** | .467** | .443** | .393** | .521** | .467** | .642** | .734** | 1      |        |        |       |        |        |    |  |
| 17      | .381** | .299** | .328** | .312** | .257** | .368** | .298** | .407** | .329** | .410** | .441** | .319** | .349** | .386** | .477** | .426** | 1      |        |       |        |        |    |  |
| 18      | .337** | .262** | .345** | .320** | .293** | .386** | .309** | .418** | .365** | .483** | .482** | .262** | .445** | .385** | .414** | .354** | .751** | 1      |       |        |        |    |  |
| 19      | -.044  | -.044  | .044   | -.042  | .144   | .083   | .093   | .101   | .086   | .080   | .085   | .077   | .069   | .080   | .067   | .066   | -.043  | .027   | 1     |        |        |    |  |
| 20      | .293** | .181*  | .266** | .240** | .343** | .370** | .404** | .578** | .518** | .529** | .504** | .460** | .444** | .493** | .523** | .522** | .319** | .369** | .129  | 1      |        |    |  |
| 21      | .327** | .252** | .198*  | .361** | .366** | .565** | .528** | .595** | .578** | .398** | .498** | .515** | .490** | .431** | .492** | .468** | .422** | .378** | .111  | .596** | 1      |    |  |
| 22      | .219*  | .048   | .054   | .097   | .256** | .351** | .373** | .483** | .513** | .437** | .458** | .494** | .437** | .396** | .488** | .515** | .361** | .388** | .172* | .612** | .705** | 1  |  |

\* Significant at 0.05 alpha

\*\*Significant at .01 alpha

Table 4: Rotated Component Matrixa extraction of 7 factors

|  | Component |       |      |       |       |       |        |
|--|-----------|-------|------|-------|-------|-------|--------|
|  | 1         | 2     | 3    | 4     | 5     | 6     | 7      |
| Company participates in activities which aim to protect the natural environment                  | .038      | .775  | .212 | .114  | .181  | .145  | -.061  |
| Company makes investments to create a better life for future generations                         | .078      | .896  | .069 | .111  | .006  | .038  | -.041  |
| Company implements special programmes to minimize its negative impact on the natural environment | .039      | .851  | .181 | .065  | -.021 | .161  | .108   |
| Company targets sustainable growth which considers future generations                            | .156      | .820  | .211 | -.021 | .071  | .085  | -.047  |
| Company supports NGOs working in public welfare areas  | .092      | .184  | .823 | .065  | .056  | .128  | .132   |
| Company contributes to campaigns that promote the well being of the society                      | .294      | .243  | .795 | .129  | .159  | .122  | -.022  |
| Company encourages employees to participate in voluntary activities                              | .220      | .240  | .788 | .131  | .226  | .028  | -.014  |
| Company emphasizes the importance of its social responsibilities to society                      | .406      | .233  | .552 | .318  | .296  | .105  | .011   |
| Company policies encourage employees to develop their skills and careers                         | .700      | .092  | .239 | .264  | .304  | .038  | -.010  |
| The management of the company is concerned with employees' needs and wants                       | .793      | .009  | .148 | .183  | .111  | .281  | .053   |
| Company implements flexible policies to provide a good work and life balance for its employees   | .707      | -.013 | .337 | .155  | .149  | .306  | .029   |
| Managerial decisions related to employees are usually fair                                       | .819      | .105  | .107 | .231  | .242  | -.035 | -.009  |
| Company supports employees who want to acquire additional qualifications                         | .732      | .206  | .129 | .219  | .157  | .134  | .028   |
| Company respects consumer rights beyond the legal requirement                                    | .229      | .052  | .201 | .798  | .104  | .169  | .044   |
| Company provides full and accurate information about its products to its customers               | .328      | .113  | .157 | .768  | .206  | .175  | -.004  |
| Customer satisfaction is highly important for our company  | .285      | .098  | .028 | .786  | .288  | .114  | 8.27-5 |
| Company voluntarily cooperates with the government to solve the social problems                  | .169      | .226  | .116 | .252  | .167  | .810  | -.086  |
| Company engages in public private partnership for social development                             | .249      | .200  | .144 | .151  | .139  | .849  | .034   |
| Company disseminates comprehensive and clear information to shareholders and investors           | .043      | -.034 | .075 | .030  | .090  | -.033 | .976   |
| Company pays dividends to shareholders in accordance with clearly stated dividend policy         | .328      | .143  | .183 | .349  | .585  | .105  | .112   |
| Company manages the corporate governance issues properly   | .295      | .173  | .318 | .186  | .744  | .120  | -.018  |
| Company presents a true and fair picture in the annual reports                                   | .280      | -.035 | .123 | .222  | .820  | .185  | .092   |

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.



Table No 5: Rotated Component Matrix Extraction of 6 factors

|  | Component |       |      |       |       |       |
|--|-----------|-------|------|-------|-------|-------|
|  | 1         | 2     | 3    | 4     | 5     | 6     |
| Company participates in activities which aim to protect the natural environment                  | .038      | .780  | .191 | .110  | .182  | .151  |
| Company makes investments to create a better life for future generations                         | .078      | .898  | .058 | .111  | .001  | .041  |
| Company implements special programmes to minimize its negative impact on the natural environment | .037      | .847  | .179 | .064  | -.007 | .160  |
| Company targets sustainable growth which considers future generations                            | .156      | .823  | .207 | -.017 | .070  | .085  |
| Company supports NGOs working in public welfare areas  | .098      | .185  | .839 | .077  | .083  | .117  |
| Company contributes to campaigns that promote the wellbeing of the society                       | .303      | .254  | .782 | .137  | .169  | .126  |
| Company encourages employees to participate in voluntary activities                              | .229      | .251  | .774 | .137  | .236  | .032  |
| Company policies encourage employees to develop their skills and careers                         | .702      | .099  | .215 | .263  | .312  | .045  |
| The management of the company is concerned with employees' needs and wants                       | .791      | .010  | .132 | .180  | .128  | .285  |
| Company implements flexible policies to provide a good work and life balance for its employees   | .708      | -.010 | .333 | .159  | .163  | .305  |
| Managerial decisions related to employees are usually fair                                       | .820      | .110  | .095 | .234  | .246  | -.033 |
| Company supports employees who want to acquire additional qualifications                         | .731      | .207  | .118 | .221  | .166  | .136  |
| Company respects consumer rights beyond the legal requirement                                    | .228      | .053  | .199 | .802  | .121  | .167  |
| Company provides full and accurate information about its products to its customers               | .327      | .117  | .143 | .770  | .214  | .179  |
| Customer satisfaction is highly important for our company  | .282      | .102  | .005 | .782  | .295  | .121  |
| Company voluntarily cooperates with the government to solve the social problems                  | .168      | .231  | .101 | .249  | .161  | .816  |
| Company engages in public private partnership for social development                             | .245      | .199  | .137 | .148  | .146  | .850  |
| Company pays dividends to shareholders in accordance with clearly stated dividend policy         | .320      | .141  | .167 | .341  | .612  | .104  |
| Company manages the corporate governance issues properly   | .296      | .181  | .301 | .186  | .743  | .122  |
| Company presents a true and fair picture in the annual reports                                   | .275      | -.035 | .114 | .217  | .830  | .183  |

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

to Government.

#### Reliability of the scale

In the reliability assessment, two commonly used methods were chosen for each scale. Firstly, the inter-item correlations of each scale were computed and interpreted. As a rule of thumb, the item-to-total correlations should exceed 0.50 and the inter-item correlations should exceed 0.30 (Hair et al., 2006). Table I shows that the correlation matrix includes 22 items, after the deletion of the 8th and

19th item, There are 190 different item pairings or correlations and the average inter-item correlation is 0.39, higher than the suggested threshold value of 0.30. In the second method, the internal consistencies of each scale were assessed by computing Cronbach's alpha. Although the generally agreed upon lower limit for Cronbach's alpha is 0.70, the decisions were taken based on the number of items, number of dimensions, and average inter-item correlations (Cortina, 1993). Therefore, as computed above, the inter-item correlation is 0.39, and the scale

includes 20 items in six dimensions. The suggested alpha for similar conditions ( $r = 0.30/18$  items/3 dimensions) described by Cortina is 0.64 (1993). The Cronbach's alpha was found to be 0.926 for the integrated 20 item scale and 0.871 and 0.898 for the two parts when split half reliability test was run on the data. This indicates a very high reliability of the final scale. For the six factors the Cronbach's alpha was 0.898, 0.889, 0.867, 0.864, 0.840 and 0.858 respectively confirming the reliability of the respective subscales.

## CONCLUSIONS

The CSR literature is replete with multiple ways of measuring the concept but each of the tools has its own limitations. The measurement difficulty arises on account of the lack of definitional clarity and the contextual limitations particularly in emerging economies like India where absence of an integrated database like KLD index, a need was felt to evolve a measure of Corporate Social Responsibility. Further, since stakeholder perspective has become to CSR, it is important to measure CSR specific to the stakeholder under consideration. The need to evolve such a measure was felt. The literature review suggested that the scale developed by Turker (2009) can be used for measuring CSR as it is a perception based measure, measures performance specific to multiple stakeholders and measures it at the organizational level. However the scale considers CSR based on the corporate citizenship concepts which include the mandatory components also, which many consider not being a part of CSR and only voluntary commitment is CSR. Therefore, the scale was moderated to suit the definitional change and scope in terms of the stakeholders and was validated in the Indian context. The final validated scale containing 20 items on 7 point likert scale measures 6 factors capturing performance specific to the stakeholder categories.

Once of the interesting findings of the study was that the performance specific to the stakeholders of Natural Environment and Posterities were highly correlated and loaded on the same factor confirming that in the perception of business professional both the stakeholders are not treated separately. Another interesting finding that the second factor explains 16% of variance meaning the mute and absent stakeholders have grown in importance and Indian companies are thinking beyond the production function stakeholders of Shareholders, Customers and Employees and are given equal importance. Thus this paper not only develops a scale for measuring stakeholder specific CSR but also would go a long way to measure way in Operationalization and measurement of CSR in India and would significantly contribute to the CSR theory building

efforts and also help Operationalization of the CSR concept

## REFERENCES

- Anderson, J.C. and Frankle, A.W. (1980). 'Voluntary social reporting: An iso-beta portfolio analysis'. *The Accounting Review*, 55, 467-479.
- Aupperle, K. E. (1984). 'An Empirical measure of corporate social orientation', in L. E. Preston (ed.). *Research in Corporate Social Performance and Policy*, Vol. 6 (JAI, Greenwich, CT), 27-54.
- Baron, David. (2001). 'Private politics, corporate social responsibility and integrated strategy'. *Journal of Economics and Management Strategy*, 10 (1) (Spring) , 7-45
- Baucus, M. S. and Baucus D. A. (1997). 'Paying the Piper: An empirical examination of longer-term financial consequences of illegal corporate behavior'. *Academy of Management Journal*, 40(1), 129-151.
- Bowen, H. R (1953). *Social Responsibilities of the Businessman* (Harper & Row, New York)
- Bowman E. H. and Haire M. (1975). 'A strategic posture toward corporate social responsibility'. *California Management Review*, 18, 49-58.
- Bragdon, J. H., and Mariin, J.A. (1972). 'Is Pollution Profitable?'. *Risk Management*, 19 (4), 9-18.
- Carroll, A. B. (1991). 'The Pyramid of Corporate Social Responsibility: Towards the Moral Management of Organizational Stakeholders'. *Business Horizons*, 34 (4), 39-48.
- Carroll, A. B. (1999). 'Corporate Social Responsibility. Evolution of Definitional Construct'. *Business and Society*, 38(3), 268-295.
- Carroll, A. B. (2000). 'A Commentary and an Overview of Key Questions on Corporate Social Performance Measurement'. *Business & Society*, 39(4), 466-478.
- Carroll, A.B. (1979). 'A Three-Dimensional Conceptual Model of Corporate Performance'. *Academy of Management Review*, 4(4), 497-505.
- Chakravarthy, B. (1986). 'Measuring strategic performance'. *Strategic Management Journal*, 7, 437- 458.
- Chen, K.H., and Metcalf, R.W. (1984). 'The relationship between pollution control record and financial indicators revisited'. *The Accounting Review*, 55, 168-177.
- Cortina, J. M. (1993). 'What is Coefficient Alpha? An Examination of Theory and Applications'. *Journal of Applied Psychology*, 78(1), 98-104.
- Davidson, W. N. and Worrell D. L. (1990). 'A comparison and test of the use of accounting and stock market data in relating corporate social responsibility and financial performance'. *Akron Business and Economic Review*, 21 (3), 7-19.
- Davis, K. (1973). 'The Case For and Against Business Assumption of Social Responsibilities'. *Academy of Management Journal*, 16 (4), 691-718.
- Davis, K. (1960). 'Can Business Afford to Ignore Social Responsibilities?'. *California Management Review*, 2(3), 70-76.

Donaldson, T. and Preston L. E. (1995). 'The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications'. *Academy of Management Review*, 20(1), 65-91.

Etheredge, J. M. (1999). 'The Perceived Role of Ethics and Social Responsibility: An Alternative Scale Structure'. *Journal of Business Ethics*, 18 (1), 51-64.

Frederick, W. C. (1998). 'Moving to CSR4'. *Business and Society*, 37(1), 40-59.

Freedman, N. and Jaggi, B. (1982). 'Pollution disclosures, pollution performance, and economic performance'. *Omega - The International Journal of Management Science*, 10, 167-176.

Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach* (Pitman, Boston).

Friedman, M. (1970). 'The Social Responsibility of Business is to Spicer, B. H. (1978). 'Investors, corporate social performance and information disclosure: An empirical study'. *Accounting Review*, 53(1), 94-111.

Turker Duygu (2009). 'Measuring Corporate Social Responsibility: A Scale Development Study'. *Journal of Business Ethics*, 85, 411-427.

Oosterhout, J., and Huegens P. (2006). 'Much Ado About Nothing: A conceptual Critique of CSR'. Report Series, Research in Management, Erasmus Research Institute of Management, Netherland.

Waddock, S and Graves, S (1997). 'The Corporate Social Performance – Financial Performance Link'. *Strategic Management Journal*, 18, 303-319.

Wheeler, David and Sillanpaa, Maria (1997). *The Stakeholder Corporation — A Blue Print for Maximizing Stakeholder Value*, London: Pitman Publishing.

Wolfe, R. and K. Aupperle (1991). 'Introduction to Corporate Social Performance: Methods for Evaluating an Elusive Construct'. In J. E. Post (ed.), *Research in Corporate Social Performance and Policy*, 12, 359-385, (JAI Press, Greenwich, CT).

Wood, D. J. and R. E. Jones (1995). 'Stakeholder Mismatching: A Theoretical Problem in Empirical Research on Corporate Social Performance'. *International Journal of Organizational Analysis*, 3, 229-267.

Wood, D. J. (1991). 'Corporate Social Performance Revisited'. *Academy of Management Review*, 16(4), 691-718.

#### Appendix 1

##### Turker (2009) Final Scale items

1. Our company participates in activities which aim to protect and improve the quality of the natural environment.
2. Our company makes investment to create a better life for future generations.
3. Our company implements special programs to minimize its negative impact on the natural environment.
4. Our company targets sustainable growth which considers

future generations.

5. Our company supports nongovernmental organizations working in problematic areas.
6. Our company contributes to campaigns and projects that promote the well-being of the society.
7. Our company encourages its employees to participate in voluntarily activities.
8. Our company emphasizes the importance of its social responsibilities to the society.
9. Our company policies encourage the employees to develop their skills and careers.
10. The management of our company is primarily concerned with employees' needs and wants.
11. Our company implements flexible policies to provide a good work & life balance for its employees.
12. The managerial decisions related with the employees are usually fair.
13. Our company supports employees who want to acquire additional education.
14. Our company respects consumer rights beyond the legal requirements.
15. Our company provides full and accurate information about its products to its customers.
16. Customer satisfaction is highly important for our company.
17. Our company always pays its taxes on a regular and continuing basis.
18. Our company complies with legal regulations completely and promptly.

#### Appendix 2

##### Moderated Scale

Company participates in activities which aim to protect the natural environment

1. Company makes investments to create a better life for future generations
2. Company implements special programmes to minimize its negative impact on the natural environment
3. Company targets sustainable growth which considers future generations
4. Company supports NGOs working in public welfare areas
5. Company contributes to campaigns that promote the wellbeing of the society
6. Company encourages employees to participate in voluntary activities
7. Company emphasizes the importance of its social responsibilities to society
8. Company policies encourage employees to develop their

- skills and careers
9. The management of the company is concerned with employees' needs and wants
  10. Company implements flexible policies to provide a good work and life balance for its employees
  11. Managerial decisions related to employees are usually fair
  12. Company supports employees who want to acquire additional qualifications
  13. Company respects consumer rights beyond the legal requirement
  14. Company provides full and accurate information about its products to its customers
  15. Customer satisfaction is highly important for our company
  16. Company voluntarily cooperates with the government to solve the social problems
17. Company engages in public private partnership for social development
  18. Company disseminates comprehensive and clear information to shareholders and investors
  19. Company pays dividends to shareholders in accordance with clearly stated dividend policy
  20. Company manages the corporate governance issues properly
  21. Company presents a true and fair picture in the annual reports
- \* Items in Bold were removed from the final scale