

The Effects of Different Institutional
Investors and Board of Director
Characteristics on Corporate Social
Responsibility of Public Listed
Companies: The Case of Nigeria

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DECLARATION

I certify that this work has not been accepted in substance for any degree, and is not concurrently being submitted for any degree other than that of PhD being studied at the University of Greenwich. I also declare that this work is the result of my own investigations except where otherwise identified by references and that I have not plagiarised the work of others.

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ABSTRACT

This thesis investigates the effects of institutional investors and board of director (BOD) characteristics on Corporate Social Responsibility (CSR) of Public Listed Companies (PLCs) in Nigeria. This study is motivated by the lack of empirical studies in Nigeria concerning the role of different institutional investors and BOD on CSR.

More specifically, this study uses multi-method approaches: firstly, the case study method involving in-depth interviews, documentary data followed by postal survey. Secondly, the Pooled Ordinary Least Square, random effect and fixed effect estimators were used to estimate the balanced panel of 174 PLCs from 2003 to 2009. The study finds no significant relationship between different types of institutional investors and CSR. Also, while the Non-Executive Directors (NEDs) and board size show a positive relationship with CSR, the executive directors and board diversity show a negative and significant relationship with CSR.

This thesis not only contributes to the understanding of how BOD characteristics and how the role of institutional investors' affect CSR, but it also fills the gap in the methodologies employed in the corporate governance and CSR studies in Nigeria. This is useful for an emerging market economy like Nigeria in areas of policy making and for companies to improve on their CSR practices in host communities.

In addition, the study reveals the absence of the role of institutional investors and BOD characteristics in strengthening the corporate governance mechanism in developing countries and the significance of filling the gap by supporting the formation of the ethical code of conduct and business standard for best practices. Secondly, the study reveals that CSR in developing countries are strategic in nature and linked to the corporate philosophies of companies. The implications of this study are that the interest of the managers should be aligned to the stakeholder interest; this is to ensure the long term survival of the company and to create a win-win situation between the company and community.

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ABBREVIATIONS

BOD	Board of Director
CAC	Corporate Affairs Commission
CEO	Chief Executive Officer
CLO	Community Liaison Officer
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CSRO	Corporate Social Responsiveness Orientation
ED	Executive Director
FP	Financial Performance
IRRC	Investor Responsibility Research Centre
KLD	Kinder, Lydenberg and Domini
MNC	Multinational Company
MOSOP	Movement for the Survival of the Ogoni People
ND	Niger Delta
NED	Non-Executive Director
NGO	Non-Governmental Organisation
NSE	Nigerian Stock Exchange
NSSA	Nigerian Shareholders Solidarity Association
NYSE	New York Stock Exchange
OPEC	Organisation of Petroleum Exporting Countries
PAT	Profit after Tax
P/E	Price Per Earnings
E/S	Earnings Per Share
PLC	Public Liability Company
PRO	Public Relations Officer
R&D	Research and Development
ROA	Return on Assets
ROE	Return on Equity
ROS	Return on Sales
SAP	Structural Adjustment Programme
SEC	Security and Exchange Commission

SIC	Standard Industrial Classification
SMEs	Small and Medium Enterprises
SR	Social Responsibility
SRI	Socially Responsible Investment
SSRN	Social Science Research Network
TME	Top Management Equity
TMT	Top Management Team
UK	United Kingdom
US	United States of America

CHAPTER 1

1.0 INTRODUCTION

This study focuses on Nigeria and the role of different institutional investors¹ (such as indigenous, foreign and government) and the board of director (BOD) characteristics (for instance, board composition, board size and board diversity) on Corporate Social Responsibility (CSR) of Public Listed Companies (PLCs) from 2003 to 2009.

The role of business in society² has placed more pressure on companies to become more accountable to stakeholders³ (Aras and Crowther, 2008a; Aras and Crowther, 2008b; Aras and Crowther 2009; Benson *et al*, 2009; Sandberg, 2011; Jia and Zhang, 2011; Wang *et al*, 2011; Cox and Wicks, 2011; Peloza and Shang, 2011; Hung, 2011; Bingham *et al*, 2011). This development has made the BOD make strategic decisions and policies. These policies help to guarantee companies' survival in a competitive global market that demands better financial performance (Baysinger and Butler, 1985; Waddock and Graves, 1997), and satisfaction of stakeholders (Kassinis and Vafeas, 2002; Mahoney and Thorn, 2006, Wahba, 2010).

In this chapter, a brief description of the research problem, research objectives, research questions, methodology and justification of study are presented. The chapter also provides the contribution and originality of the study followed by the structure of the thesis.

¹ The institutional investors refer to the large investors that own shares of more than 5% shareholding (Cox *et al*, 2004), whereas the diffuse investors (small investors) own share of 5% less. Examples of institutional investors include Banks, Insurance, Pension Funds, and Mutual Fund companies. In Nigeria, Banks and Insurance companies are the common institutional investors (Ojo, 2009), while the Pension Funds and Mutual Funds companies are more common in the US and UK (Aguilera *et al*, 2006; Petersen and Vredenburg, 2009a; Wahba, 2010). In Nigeria, the institutional investors' funds are valued at 198.7 billion Naira, approximately £794.8 million, with 149.8 billion Naira (approximately £599.2 million) invested in the Nigerian Stock Market (SEC, Fourth Quarter Magazine, 2008).

²For the purposes of convenience this research study uses society or human society to mean community representing a group of people related to each other through culture, language and same geographical territory (Carroll and Buchholtz, 2009; www.wikipedia.org/society accessed on 31/10/2010).

³ The stakeholders' group includes shareholders, employee, suppliers, government, consumers, communities and environment (Freeman, 1984; Rugman and Verbeke, 1998 and Heslin and Ochoa, 2008).

1.1 Research Problem

The global market recently witnessed the emergence of other stakeholder groups namely, the institutional investors and the BODs. Whilst the institutional investors are involved in monitoring of the board activities (Waddock and Graves, 1997), the BOD formulate rules and policies that govern the company (Baysinger and Butler, 1985). The institutional investors include the pension funds, investment banks, insurance companies, private firms and mutual funds (Graves and Waddock, 1994; Johnson and Greening, 1999; Cox *et al*, 2004). Also, the BODs formulate rules and strategies including CSR policies (Baysinger and Hoskisson, 1990; Coffey and Wang, 1998; Brunninge *et al*, 2007).

The institutional investors and BODs have come under increased pressure from both the global market and multitude of stakeholders (particularly government, investors, Non-Governmental Organisations (NGOs), media and public), to make companies more accountable and sustainable (Aguilera *et al*, 2006). These developments have placed the institutional investors and BODs in a very difficult position, such as making risk-return trade-offs among the different stakeholders. That is selecting investment in environmental or social issues for the good of public and image of the company as against profit maximisation for shareholders. By doing this, their goal is to make companies not only to prosper profitably, but to be responsive to stakeholders' demand and their satisfaction. One of the ways of doing this is through monitoring and ensuring that BOD makes strategic corporate decisions. For example, when directors and management use CSR as a tool for improving corporate reputation and competitive advantage for the company, while at the same time, the investors perceive CSR as beneficial. By incorporating CSR in selecting social responsibility investment companies, as one of their investment portfolio options (Mallin, 2004). Brammer and Pavelin (2006) in their study of CSR and reputation, note that reputation effect of companies is associated with CSR.

This makes the institutional investors not only interested in the corporate decision as mentioned above, such as strategies and financial performance of the company (Shleifer and Vishny, 1986; 1993; Cox *et al*, 2004), but in corporate control of the company, especially when results fall below expectations (Waddock and Graves, 1990). The reason for this is because, according to Mallin (2004) the investments of institutional investors are so large that exit strategies become difficult compared to dispersed (small) investors.

Unlike the institutional investors that find exiting from the company difficult, because of their large investments, the small investors sell their shares once they perceive the companies are not performing. As a result, the institutional investors are beginning to widen their interests, by focusing on the long term performance of the company (Li and Zhang, 2010). By doing this, they concentrate on satisfying their stakeholders. According to Turban and Greening (1997) the institutional investors derive the long term benefit of product quality, low risk and employee satisfaction by supporting good environmental practices and community developments.

Recently, the role of BOD in CSR has raised concerns due to CSR breaches⁴ by PLCs (Mitchell, 2007; Tuodolo, 2008). This CSR breaches is as a result of the design of CSR policies and structures (Mackenzie, 2007), and CSR implementations (Webb, 2004; Idemudia, 2009). For example, one of the CSR policies is the Code of directorships, while CSR structures include the Code of Ethics and Business Standards⁵ formulated by BOD. These CSR issues have led many authors to point out the need to examine the role of BODs and investors in CSR (Dulewicz and Herbert; 1999; Ibrahim *et al*, 2003; Webb, 2004; Aguilera *et al*, 2006; Hung, 2011).

⁴The breach in CSR practices includes oil spillage, gas flaring and environmental degradation in Nigeria (Oyefusi, 2007a; Ehikioya, 2009; Idemudia, 2009).

⁵The Code of Ethics and Business Standards consists of ethics policy – that is complying with all government laws, rules, regulations and the local customs and tradition of the people; corporate assets policy – maintain and protect corporate resources and use it efficiently to advance companies' interest; conflict of interest policy – conflict between personal interest and corporation's interest and directorships policy. These policies are for the directors, executive officers, and other employees.

In essence, this study seeks to examine CSR practices from the context of the role of institutional investors and board characteristics. In other words, this research will explore the role of BOD and investors in the design and implementation of CSR, thereby providing an insight into how companies govern themselves in the global market environment. Also, this will increase understanding and knowledge on how corporate bodies interact with their stakeholders. This is because of their important role in strengthening the corporate governance mechanism in PLC, such as, monitoring managerial opportunism⁶ (Jensen and Meckling, 1976; Fama and Jensen, 1983; Rediker and Seth, 1995). Consequently, CSR structures and implementations are improved which ultimately enable companies to reduce CSR breaches (Webb, 2004). Therefore, this study attempts to fill the gap in management literature by identifying as well as analysing the role of investors and BODs in CSR.

Moreover, the lack of corporate governance and CSR in developing countries has been widely mentioned (Shleifer and Vishny, 1993; Amaeshi *et al*, 2006). Shleifer and Vishny (1993), and Monks and Minow (2004) argue that there is a considerable lack of corporate governance and CSR literatures in developing countries, most especially in the areas of the role of institutional investors and board characteristics. This lack of research in areas of corporate governance and CSR in developing countries further reinforces the need to investigate the role of institutional investors and BOD in CSR (Andayani *et al*, 2008).

To begin with, most of the previous studies on the effects of different institutional investors and BOD characteristics on CSR concentrate on developed countries (Guyatt, 2005, Hendry *et al*, 2006, Petersen and Vredenburg, 2009a and Marshall *et al*, 2009). To our best literature review, however, institutional investors influence on CSR practices in developing countries, including Nigeria remains unknown (Eskeland and Harrison, 2003; Sanda *et al*, 2005; Cole *et al*, 2008).

⁶Managerial opportunism refers to when corporate managers become self serving, individualistic and opportunistic rather than serving the interest of shareholders (Berle and Means, 1932; Jensen and Meckling, 1976; Fama and Jensen, 1983; Jensen, 1993; Williamson, 1993).

At present, there is no study on the effects of different institutional investors and BOD characteristics on CSR in Nigeria.

Initially, most studies assume different institutional investors are homogenous or aggregated in nature (Goergen and Ronneboog, 2002) and thus have similar preferences for CSR. Contrary to this assumption, empirical studies have shown that institutional investors are not only heterogeneous in nature but have differing preferences for CSR (Johnson and Greening, 1999; Rasic, 2010). For instance, some institutional investors are long term or short term in nature, while others are large or small investors. These different investors do show differing preferences for CSR, Johnson and Greening (1999) find that long term institutional investors support CSR, while short term institutional investors do not support CSR. This applies to the directors too, such as the non-executive directors (NEDs) support CSR while the executive directors and female directors do not (Pfeffer, 1973; Werbel and Carter, 2002; Dunn and Sainty, 2009).

Several studies find a positive relationship between institutional investors and CSR (Graves and Waddock, 1994; Johnson and Greening, 1999; Neubaum and Zahra, 2006). While other results are inconclusive or neutral (Abbott and Monsen, 1979; Arlow and Gannon, 1982; Ullman, 1985; McWilliams and Siegel, 2000), some findings show a negative relationship between institutional investors and CSR (Vance, 1975). Therefore, these inconsistencies surrounding different institutional investors have been intriguing. Hence, the effect of different institutional investors and BOD characteristics on CSR becomes an open question? As a result, this study will argue that different institutional investors and BOD characteristics have an impact on CSR. In the long run, this impact will enhance the relationships between the organisations and the communities (Webb, 2006). To be able to determine this important role and relationship, a set of research questions, hypotheses and questions emerged from the research aims and objectives, which inform the multi-method approach adopted in this study.

Past studies on the role of BOD composition⁷ on CSR are also mixed and sometimes inconclusive (such as, Wang and Coffey, 1992; Johnson and Greening, 1999; Werbel and Carter, 2002; Dunn and Sainty, 2009; Kruger, 2010). Ibrahim *et al* (2003) and Rodriguez-Dominguez *et al* (2009) find no significant relationship between NED and CSR. In contrast, Coffey and Wang (1998) and Johnson and Greening (1999) find the inclusions of NED in BOD to be positively related to CSR. Thus, Johnson and Greening (1999) suggest that the NED bring their skills, connections and contacts to the board. By doing this, they encourage the long-term survival of the corporation by enhancing product quality and good environmental practices with the aim of satisfying a wider group of stakeholders. As a result, the NED can help develop policies and strategies for the corporations to solve the environmental issues and challenges (Pfeffer, 1972). Therefore, the effect of BOD characteristics on CSR becomes an open question in developing countries like Nigeria. For example, how the BOD involvement in CSR policies enhances company performance? Hence, one of the aims of this study is to provide a more integrated BOD stakeholder view (Bingham *et al*, 2011) and to offer additional evidence to help reconcile these diverse findings concerning the role of BOD in CSR.

Several methods have been employed in the study of the effects of different institutional investors and BOD characteristics on CSR. While some authors use the econometric method (Johnson and Greening, 1999; Neubaum and Zahra, 2006; Rasic, 2010), others employ the case study method (Hendry *et al*, 2006; Petersen and Vredenburg, 2009a; 2009b). Petersen and Vredenburg (2009a) argue that despite the use of positivist approach by previous researchers in determining the link between institutional investors and CSR, the mixed and inconclusive results still persist. In fact, the authors emphasised the use of other methods, for instance, the interview method.

⁷The board composition refers to the total number of executive directors and non-executive directors present in the board (Baysinger and Hoskisson, 1990).

Nonetheless, the econometric and positivist approach do provide correlation between the investors and CSR, though it lacks in-depth understanding (Petersen and Vredenburg, 2009a). To resolve it, this research would in addition to adopting the positivist approach, employ the case study method, to examine the relationships between the types of institutional investors and CSR in Nigeria. The case study method provides depth and robust explanations, concerning the behaviours and perceptions of investors and directors and how they influence CSR. Moreover, this will increase the understanding of ‘how’ and ‘why’ CSR and institutional investors are related. Petersen and Vredenburg (2009a) argue that the answer to the ‘why’ question might come from investigating the perceptions of institutional investors on CSR. They explain that by exploring the investment decisions of institutional investors, the reasons behind the role of institutional investors in CSR might be achieved.

More importantly, there are several methodological or empirical inconsistencies that are of real concern to researchers in examining the relationship between institutional investors, BOD characteristics and CSR - See the multi-dimensional structure of CSR, section 2.5 (Aupperle *et al*, 1985, Waddock and Graves, 1990; Johnson and Greening, 1999, Neubaum and Zahra, 2006; Chai, 2010). However, the role of institutional investors in CSR has been questioned by several authors because of the mixed and inconclusive findings (Graves and Waddock, 1994; Johnson and Greening, 1999; Bartkus *et al*, 2002 and Neubaum and Zahra, 2006; Chai, 2010). According to Chai (2010) previous research concerning types of institutional investors and CSR suffer from sampling and methodological error as a result of accounting disclosures in CSR practices. Consequently, results from rigorous and robust empirical analysis based on reliable longitudinal and cross sectional data are limited.

These mixed findings could be as a result of how CSR is defined (Carroll 1999), see section 2.2 for details. For example, Carroll (1979) defined CSR based on social issues using four principles such as economic, ethical, legal and philanthropy responsibilities, while others (such as, Agle *et*

al, 1999) defined CSR based on stakeholders' management. In fact, some authors adopted a more strategic approach in defining CSR (Wood, 1991; Wartick and Cochran, 1985 and Yongqiang, 2008; 2009) - see section 2.2 for concept of CSR. These inconsistencies in CSR definition are due to the word "social" resulting in various CSR measures (Carroll, 1999). While some authors use social issues to measure CSR (such as environment, employee relations and philanthropy) or Carroll's economic, ethical, legal and philanthropy responsibilities (Ibrahim *et al*, 2003). Others use stakeholders such as shareholders, employee relations, environment, and consumer satisfaction as a proxy for CSR measurement (Agle *et al*, 1999). Subsequently, these different CSR measures result in errors and lack of adequate control variables (See section 2.5 and 4.6), sampling method, research design and estimation methods (Waddock and Graves, 1997). Therefore, this is one of the aims and objectives of this study. The thesis will attempt to reduce the specification biases and inconsistencies, by investigating the effect of institutional investors and BOD characteristics on CSR using multi-methods approaches and carrying out diagnostic tests. These tests are aimed at producing consistent results that are reliable and valid, especially in economically vibrant and developing society.

Whilst most of the past studies adopted the positivist approach (quantitative), others employ the realism approach (case study) in providing understanding about the impact of institutional investors and BOD characteristics on CSR, hence, this study argues for a pragmatic approach, by combining the positivist and realism approaches, with the aim of providing a more robust, valid, reliable and replicable findings.

1.2 Focus on Nigeria

This thesis focuses on the corporate sector in Nigeria because the first Code of Corporate Governance was established in 2003 and later revised in 2009. This undoubtedly increased the transparency and accountability of PLCs to their stakeholders. The Code of Corporate Governance (2009) expects PLCs to be stakeholders' oriented in approach rather than focusing

on shareholders' interest alone. The Code of Corporate Governance (2009) emphasises sustainability reporting from PLCs by stating that: *every company should report at least annually on the nature and extent of its social, ethical, safety, health and environmental management policies and practices* (Code of Corporate Governance, 2009:80). By establishing this, the CSR activities of PLCs were expected to increase. Despite, the awareness of the Code of Corporate Governance in Nigeria (2009) and the sustainability reporting criteria mentioned above, the CSR practices among PLCs in Nigeria are still philanthropic in nature characterised by cash donations and charities (Amaeshi *et al*, 2006; Helg, 2007). According to Amaeshi *et al* (2006) the CSR activities in Nigeria are influenced by the culture of the people which is mostly social cohesiveness, togetherness, sharing and communal in nature. However, the downside of these CSR activities is the high incidence of CSR breaches among companies operating in the country that have led to environmental degradation (Oyefusi, 2007b).

Recently, the activities of the corporations have been called into question by pressure groups such as, the media and NGO because of the breaches in CSR practices. These CSR breaches include oil spillage, gas flaring, dumping of toxic wastes in rivers and environmental degradation in Nigeria (Oyefusi, 2007a; Ehikioya, 2009 and Idemudia, 2009). These problems have affected the sources of livelihood of the communities mainly farming and fishing (Bisina, 2005). Consequently, several groups such as the international organisations and media corporations have pressured the government and corporations to resolve these CSR issues. As a result, companies need to reshape and increase their CSR practices in Nigeria. For instance, companies can redefine CSR to be in line with their corporate philosophies. Again, this increase the need to investigate the role of BOD in CSR practices in the country (Eweje, 2006 and Oyefusi, 2007a). Therefore, the central theme of this thesis relates to the role and perceptions of institutional investors and directors in CSR activities and what factors influence them to engage in CSR, thus reducing the CSR breaches and ultimately creating a win-win situation between the

business and community. This means that while, the business organisations improve their financial performance because of low cost associated with CSR practices (low tax or clean environment), the community benefits from the CSR practices through the provision of school blocks, hospital equipment, drugs and waste management tools.

In classifying the industries, the impact of the oil industries' operations and their performance on the environment are taken into consideration. Recently, most oil companies have come under intense scrutiny by NGOs and the media, such as the ExxonMobil, Total and Chevron. Also, taken into consideration is the contribution of the oil sector to the economy. The role of Multinational Corporation (MNC) in developing country differs from company to company (Poynter, 1982). These MNCs are regarded as the economic life wire of the stock exchange and economy. The importance of MNCs to the Nigerian economy was articulated by Poynter (1982) and Ogwumike and Ogunleye (2008). The authors both agreed that the presence of MNCs in Nigeria contributed to economy in the form of higher employment, technology transfer, and increased social responsibility awareness, payment of taxes, dividend and higher wages when compared to the local companies.

Oil as a natural resource contributes 85 per cent of the Nigeria's Gross Domestic Product (GDP). The MNCs through their operations can cause harm to the environment. For example, the oil spillage, gas flaring, and dumping of toxic wastes in rivers are serious environmental and social issues common with the oil MNCs. In order to capture these impacts, the NSE classification of listed industries (See appendix E) are adopted in this study. In addition, industry effects are captured by classifying the various industries into three groups (Section 4.6.3.6). These companies are classified based on the GDP's contribution to the Nigerian economy, that is extractive oil companies, which contributes more to the GDP is coded as (1), while the remaining 174 PLCs is grouped as other sectors and coded as (0) (Perrini *et al*,2007).

In addition, the justification of the study is based on the increased awareness of companies' CSR activities in Africa, with particular emphasis on Nigeria. There has been increased expectation that companies should be socially responsible in their business operations (Webb, 2004). In this regard, companies are required to adhere to high ethical standards for society to confer legitimacy on them, avoid damaging the environment and produce high quality and environmentally friendly products (Ameashi *et al*, 2006; Helg, 2007; Amao and Amaeshi, 2008). One of the important ways a company can achieve this high ethical standards is to ensure that CSR is strategic. This study also tends to explore if institutional investors and directors support strategic CSR on PLCs as a way of not only enhancing CSR practices but the corporate governance structure of the firm.

1.3 Aims and Objectives

The aim of this study is to determine the impact of different institutional investors (indigenous, foreign and government) and the BOD characteristics (non-executive director, executive director, board size and board diversity) on CSR in Nigeria. Furthermore, the objectives of this study are as follows:

- To investigate and identify the effect of the indigenous institutional investors, foreign institutional investors and government institutional investors on CSR.
- To investigate and identify the effect of the non-executive directors, executive directors, board size, board composition and board diversity on CSR.
- To reduce the specification biases and inconsistencies in variables revealed in previous studies.
- To determine the factors that influences the institutional investors and BOD decisions to invest in CSR in Nigeria.

This study's aims and objectives concerning the corporate governance and CSR above drive the research methodology.

1.4 Methodology

This research is designed to use the multi-methods approach, that is, the case study and econometric statistical method. The statistical analysis examines the impact of the different institutional investors and BOD characteristics on CSR of PLCs in Nigeria. This statistical analysis involves the use of balanced panel of 174 PLCs from 2003 to 2009. It involves the use of Pooled Cross Sectional, Fixed Effect and Random Effect Estimators to test the specific effects of different institutional investors, and BOD characteristics on CSR. The institutional investors and BOD data are obtained from the Nigerian Stock Exchange (NSE) fact book and complemented with postal survey. Based on the above research aims and objectives of this study, the following hypotheses are formulated for the statistical analyses.

1.4.1 Hypothesis Formation

The stakeholder theory suggests that satisfying all stakeholders can lead to good corporate image, high employee morale, reduction in implicit cost leading to competitive advantage and high financial performance (Freeman, 1984; Turban and Griffin, 1997; Johnson and Greening, 1999). The Stakeholder Theory identifies support for a positive relationship between institutional investors and CSR (Waddock and Graves, 1997; McGuire *et al*, 1988). Research carried out by Waddock and Graves (1997), Johnson and Greening (1999), and Neubaum and Zahra (2006) findings support the positive relationship between the institutional investors and CSR. The authors, in their study find a positive and significant relationship between long term institutional investors and CSR.

Specifically, several authors investigating the heterogeneous nature of institutional investors, find a positive relationship between foreign institutional investors and CSR (Dasgupta *et al*,

2000 and Chai 2010), while, Nazli and Ghazali (2007) find a positive relationship between governments institutional investors and CSR practices. Others such as Earnhart and Lizal (1999) find a positive relationship between indigenous institutional investors and CSR. Based on the Stakeholder Theory and empirical findings, the following hypothesis is proposed.

Hypothesis 1: There is a positive relationship between foreign, indigenous and government institutional investors and CSR practice by the PLCs in Nigeria.

The stakeholder, stewardship and resource dependence theories support larger board size by suggesting that an increase in board size helps the firm to connect to its environment and hence CSR (Pfeffer, 1972; Goodstein *et al*, 1994). Pfeffer (1973) finds a positive relationship between board size and CSR. Similarly, Slater and Dixon-Fowler (2009) find a positive and statistically significant relationship between CEO's international assignment experience⁸ and CSR.

Other previous empirical studies support the presence of NED on the board (Coffey and Wang, 1998; Johnson and Greening, 1999). Johnson and Greening (1999) find the inclusion of NED on board to be positively related to CSR. Furthermore, the inclusion of women, ethnic minorities and directors of different racial background into the BOD are positively related to CSR practices (Coffey and Wang, 1998; Johnson and Greening, 1999). The stakeholder theory supports board diversity and suggests that the BOD is able to reach quick decisions concerning environmental issues when the BODs are diversified (Johnson and Greening, 1999). Also, ethnic minorities have more knowledge of their communities where the companies operate and may likely encourage the company to invest in CSR as a way of improving their relationship with the communities (Huse *et al*, 2009). Therefore, based on the stakeholder, resource dependence, stewardship theories and empirical findings, hypothesis 2 is proposed.

⁸The CEO international assignment experience is the experience of working and living in a foreign country (Slater and Dixon-Fowler, 2009).

Hypothesis 2: There is a positive relationship between NEDs, executive directors, board size, board diversity and CSR practice by the PLCs in Nigeria.

Given the lack of depth in the statistical analyses (Petersen and Vredenburg, 2009a); the case study approach is also adopted to complement the econometric/statistical method. In this study, the case study method provides depth and understanding of the perceptions and behavioural perspectives concerning what influences the institutional investors and BOD to engage in CSR in Nigeria. The case study approach involves four (4) PLCs namely Zenith Bank, Wema Bank, ExxonMobil, and Industrial and General Insurance (IGI) Company. The case study involves the use of the primary data (such as, in-depth interviews and survey questionnaires) and secondary data (such as, documents from annual reports, websites and corporate citizens' reports of the companies). Based on the above research aims and objectives of the study, the following research questions are formulated for the case study approach.

1.4.2 Research Questions

- What are the roles of the indigenous, foreign and government institutional investors on CSR?
- What are the roles of the non-executive directors, executive directors, board size and board diversity on CSR?
- What factors influence the indigenous, foreign and government institutional investors to engage in CSR in Nigeria?
- What factors influence the board composition, board size and board diversity to engage in CSR in Nigeria?

Moreover, the case study method uses eighteen (18) interviews and documentary analyses from websites, annual reports and corporate citizens' reports of companies. This multi-method approach is employed in order to compensate for the lack of rigour and depth in using econometric analyses. Finally, this finding from the econometric methods is subjected to further

test by the use of case study method to provide depth to the study.

1.5 Contribution of Study

This study contributes to knowledge concerning the role of companies in society by investigating and providing understanding of how the role of institutional investors and BOD characteristics affects CSR. For example, this study finds different institutional investors (indigenous, foreign and government) do have little or no influence on CSR. For the BOD characteristics, the NED and board size do have a positive and significant relationship, while the executive and female directors reveal a negative and significant relationship. To our best knowledge, there is no study in the literature that investigates the effect of different institutional investors and BOD characteristics on CSR in PLCs in Nigeria.

In addition, this research provides the opportunity for some theories such as the stakeholder, stewardship and resource dependence (see chapter 2) to be tested in Nigeria. The testing of the theories in the Nigerian context contributes to the body of knowledge for developing countries. The theories were able to provide a deeper understanding concerning the link between the role of institutional investors and BOD characteristics. Especially, how it affects CSR from the developing countries' perspectives considering the fact that most West African countries (Ghana, Sierra Leone, Benin, Gambia just to name a few) share similar economic, social and political characteristics. For example, similar foreign institutional investors are common in all West African countries. These generalisations help to provide insight into CSR activities in some developing countries and hence contribute to the literature.

This research uses multi-method approaches in Nigeria in determining the influence of different institutional investors and BOD characteristics on CSR in the country. Previous studies reveal the use of mostly qualitative technique in Nigeria's CSR studies, for example, the use of focus group and interview methods (Idemudia, 2007b; Rwabizambuga, 2007). The interview method

already experimented with Amaeshi *et al* (2006) and other corporate governance studies reveal the use of regression techniques such as, Ordinary Least Square (OLS) or multiple regressions (Sanda *et al*, 2010). This study broadens its research tool by combining quantitative and qualitative methods in Nigeria. While the interviews provide a better and deeper understanding of CSR through the richness, totality and fullness of the responses, the quantitative (secondary and survey questionnaires) enhance the generalisation, validity and reliability of findings. These multi-method approaches are illustrated in details in chapter four (4) and six (6).

Moreover, in order to increase the reliability and validity of this study, the control variables are broadened to include several independent variables (such as company age, return on asset, earnings per share, company size, industry effects, debt and risk) that affect CSR. This provides a more robust approach of examining the role of institutional investors and directors in CSR activities.

Thus, this thesis adds to the growing body of empirical studies in CSR investments, policies and implementations, thereby enhancing the comparability of the findings obtained in this research with other previous studies obtained from developed economies such as US, UK and Japan. These countries have more developed capital market, stable political systems and strong regulatory frameworks.

1.6 Structure of the Thesis

The thesis structure is divided into seven chapters. This is chapter 1, the introductory chapter. Chapter 2 looks at the literature review which focuses on the theories namely agency, stakeholder, resource dependence, stewardship, legitimacy and institutional. These theories are discussed using agency and stakeholders' theory to understand the relationship between different institutional investors and BOD characteristics on CSR in Nigeria, which conflict with each other. Also, the critiquing of the theories using resource dependence, stewardship, legitimacy

and institutional theories are adopted, as agency and stakeholders' theories sometimes take opposing viewpoints.

Chapter 3 outlines and evaluates CSR in Nigeria. It shows that CSR in Nigeria is socially embedded and philanthropic in nature mainly characterise by donations and charitable activities (Amaeshi *et al*, 2006). In addition, the implementation of the corporate governance framework in Nigeria is discussed. It reveals the compliance to the Code of Corporate Governance (2003; 2009).

Chapter 4 explains the research methodology. The pragmatist research philosophy was adopted for this study. This involves use of the case study method and econometric methods, Pooled ordinary least square (OLS), Fixed and Random effect models, to estimate the impact of different institutional investors and BOD characteristics on CSR in Nigeria. Also, the multi-sector case study and the sampling techniques are discussed. The mixed methods are selected to ensure robustness, validity and reliability of the study (Creswell, 2003).

Chapter 5 presents the empirical findings for the statistical method. The Pooled OLS, random and fixed effect estimators are employed. The hypotheses are tested using the Pooled OLS, random and fixed effect estimators and these estimators are used to test Model 1 and 2.

Chapter 6 focuses on the use of multi-sector case study approach to investigate the role of institutional investors and BOD characteristics on CSR of four PLCs. It also discusses the CSR indicators such as CSR and governance structure and how it determines the level of strategic CSR among the four (4) PLCs. This is done by exploring how companies align CSR practices to the vision, mission and values statements of the business philosophies of the PLCs.

Chapter 7 considers the contribution of this research as it runs to its conclusion. Furthermore, it highlights the recommendations for companies and proposes areas of future studies. In addition, the implications of research findings for managers and policy makers are also discussed.

CHAPTER 2

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews the theories and previous empirical studies on the role of different institutional investors and board of director (BOD) characteristics on Corporate Social Responsibility (CSR) of Public Listed Companies (PLCs). The body of evidence presented here underpinned the study in terms of the research objectives, hypotheses and motivation stated to investigate it. It is organised as follows: It discusses the various theories⁹ used to explain the relationship between different institutional investors, BOD characteristics and CSR. Also, discussed are the determinants of CSR and its multidimensional constructs.

Several studies (such as, Petersen and Vredenburg, 2009a, 2009b; Wahba, 2010) tend to treat institutional investors as aggregated institutional investors, while others (see, Waddock and Graves, 1997, Johnson and Greening, 1999) suggest that the institutional investors are dual in nature comprising the long term and the short term investors. Others see it as homogenous entity, while some authors use large or disperse investors (for instance, Cox *et al*, 2008). However, few studies (Said *et al*,

⁹The agency theory produces conflicting arguments with the stakeholder theory predictions concerning the link between the role of institutional investors, BOD characteristics and CSR. To balance this conflicting viewpoint, four other theories (stewardship, resource dependence, legitimacy and institutional) are used in this study.

2009) distinguished the indigenous, foreign and government institutional investors as types of institutional investors. In terms of CSR, most studies are centred on either CSR disclosures (Said *et al*, 2009) or environmental performance (Wahba, 2010) and none are yet to examine the effect of indigenous, foreign and government institutional investors and BOD characteristics on CSR in Nigeria. As a consequence, this study tends to fill that gap.

According to Aguilera *et al* (2006) institutional investors in developed countries (such as in US and UK) have shown more engagement in CSR because of the following factors. 1) Higher awareness of risk. 2) Risk management and 3) Ethical issues. Aguilera *et al* (2006) reiterated that not only do different institutional investors differ in their preferences for CSR practices within countries, but also differ between countries. As a result, the effects of different institutional investors and BOD characteristics on CSR are country, firm or period specific (Consolandi *et al*, 2008; Prado-Lorenzo *et al*, 2010; Ghahroudi *et al*, 2010). Few studies focus on emerging economies (Li and Zhang, 2010). However, none of the previous studies examined the effect of types of institutional investors and BOD characteristics on CSR in Nigeria. Hence, the next section discusses the concept of CSR followed by its link to corporate governance.

2.2 The Concept of Corporate Social Responsibility

Carroll (1979: 500) defined CSR as: *...encompassing the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time.*

This study draws extensively from Carroll's (1975; 1999) work on CSR. At the heart of the CSR concept is the question of who is to be satisfied or who should the business organisation focus on when making decisions? Is it to satisfy shareholders'

interest alone or multiple interests of stakeholders? In examining these issues, the various CSR definitions are examined, with the aim of providing an understanding of what is at stake in the CSR debate.

The basic idea of CSR is that business and society are interwoven rather than separate entities. Evidence of corporate giving, variously referred to as charitable giving (Brammer and Pavelin, 2006), philanthropic contributions (Seifert *et al*, 2004), can be traced back to centuries ago. However, formal writing on CSR is largely a 20th century work (Carroll, 1999), but it was in the 1960 that CSR construct became ubiquitous. For example, CSR have been viewed in different dimensions as corporate citizenships (Pinkston and Carroll, 1994), corporate social performance (Johnson and Greening, 1999), corporate social responsiveness (Wood, 1991). These constructs suggest CSR is a dynamic phenomenon, sometimes with imprecise definitions, and used by authors interchangeably (Galbreath, 2010).

According to Davis (1960: 70), social responsibility is a, *'businessmen's decisions taken for reasons at least partially beyond the firms' direct economic or technical interest'*. By this, Davis is suggesting that social responsibility is a vague idea, which would be meaningful only if viewed in a managerial context. Similarly, Frederick (1960: 60), views social responsibility as: *...a public posture towards society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms*. The central arguments of Frederick's definition is that business derived its means of production from the society; hence, the socio-economic interest of the society must be taken into consideration when distributing business wealth. However, while, Frederick's definition suggests that the responsibility of the firm goes beyond that of making economic gain, it fails to specify what those social

ends are. Clearly, Frederick's definition lacks specificity on the normative or moral obligations of the role of business in society.

In extending the suggestion that the responsibility of the firm goes beyond that of making economic gain, to improving the society, McGuire (1963: 144), opined that: *The idea of social responsibility supposes that the corporation has not only economic and legal obligations but also certain responsibilities to the society, which extend beyond these obligations.* McGuire in supporting the arguments of Davis and Frederick's above, imply that a single definition of CSR may be difficult, so long as the society continues to change and that the socio-economic interest of the society must be taken into consideration.

Other definitions highlighted those areas that CSR is usually considered to cover. Extending the self-interested principles was Fitch (1976) by adding other principles to it. Fitch (1976) widens CSR principles to include pursuance of self-interest principle¹⁰, social-society interest principle and mutual interest. The self-interest approach by corporation was referred to as the utilitarian principle or short term view (Fitch, 1976; Wood, 1991). Fitch argued that this short term view may force managers to adopt minimal responsibility as its guiding philosophy of CSR. Fitch view CSR as a problem solver. By this, the author tries to argue that CSR can be used to solve society's social issues such as environmental waste management, thereby ensuring that the society remains clean. The author defined CSR *as the serious*

¹⁰ Self-interest is the satisfaction of shareholders interest by making profit. Society interest includes product quality, job creation and satisfying customers. Mutual interest principle is satisfying stakeholder (Fitch, 1976).

attempt to solve social problems caused wholly or in part by the corporation (Fitch, 1976: 38). Fitch (1976) proposes that a corporation can be socially responsible by stating the absence of any social problems in society as its desired situation, prioritising which of the social problems are most relevant to it (as a corporation) and then using the normal corporate problem solving mechanisms to reduce or eliminate the gap between the desired state of affairs and the existing one. He further suggested that corporations can achieve enlightened self-interest by applying their expertise to the solution of social problems, thereby increasing profit. Fitch's problem concept of CSR appears limited and failed to capture what CSR covers in light of the previous definitions. His proposition that the problem concept of CSR be used as a profit maximisation tool may also be faulted by authors who have criticised profit motives as being the sole interest of business (Davis, 1960; Carroll, 1975).

From the background of previous definitions, Carroll (1975; 1999) identified three issues necessary for the acceptability and implementation of CSR by managers or firms: (1) basic definition of CSR, (2) enumeration of the social areas or the stakeholders to whom the firm had a responsibility, and (3) specification of philosophy of responsiveness to the issues. He therefore proposed a conceptual model of Social Performance comprising of the four aspects (responsibilities) of its' definition. These are regarded as the responsibilities of CSR.

In the context of this research, (Carroll, 1979, 1995), operational definition of CSR is used. For instance, they envisage CSR as having four (4) compartments; first, companies are expected to meet their judiciary responsibility of making profits and guaranteeing a return on investments. This is their economic responsibility. Second, companies are expected to obey the countries' rules, laws and regulations. The society expects the business to fulfil its economic responsibility within the legal

framework. This forms the legal responsibility of business organisations. Third, companies are expected to do the right thing that are morally correct and avoid anything that will cause harm to the society. Fourth, by discretionary responsibility, it means companies are supposed to invest in areas not required by law or mandatory on them, such as investing in society, employee training, quality product and philanthropy. This responsibility is anchored on the belief that business and society are interwoven rather than separate entities (Pinkston and Carroll, 1994). However, the shortcomings of Carroll CSR conceptualization is that it covers CSR orientation (Galbreath, 2010) and views discretionary responsibility of CSR as not only separate but represent the last responsibility (based on Carroll's pyramid of companies' responsibilities)' companies should performed. What this means is that, the discretionary responsibility is not only broad but could conflict with economic and legal responsibility.

Taking a different approach, several authors (Jones, 1980; Frederick, 1986; Woods, 1991) decide to focus more on the processes, outcomes and responsibility of CSR. This was common in the 1980s and 1990s (Jones, 1980; Woods, 1991). Jones agrees with Frederick (1986) by summing up that CSR is a fundamental idea that companies' have a responsibility to work for the good of the society. Jones (1980: 59), raising the question of adoption and implementation of CSR, defines the concept as, *...the notion that corporations have an obligation to constituent groups in the society other than stockholders and beyond that prescribed by law or union contract*'. Jones argues that CSR should be seen as a process rather than a set of outcomes, arguing that it is virtually impossible to define social responsibility in terms of specific decisions. He proposes further that by incorporating into the decision-making process, ways by which broader social concerns are given consideration, CSR then,

will be seen as a means rather than as a set of ends. Jones (1980) CSR definition is not significantly different from previous ones. His work has however been very insightful and addresses the question of implementation of CSR.

Other authors adopted a more strategic approach in defining CSR (such as Wood, 1991; Wartick and Cochran, 1985 and Yongqiang, 2008). Wood (1991) defines CSR using the term Corporate Social Performance (CSP), viewing CSP as CSR in action. The author tried to link the societal outcomes with principles and processes. *CSP is defined as a business organisation's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships* (Wood, 1991: 693). Wood definition tries to answer the shortcomings of Wartick and Cochran (1985) idea of CSP which regarded CSP as performances, implementation and strategies of CSR rather than on varying interactions and linkages between the business and society. The CSP model as develop by Wood (1991) comprises of 3 principles of CSR: This involves the institutional principle (legitimacy); organisational principles (public responsibility) and individual principle (managerial discretion). Wood argued that the society confers legitimacy to corporations. The differences between societal expectations by corporations and corporation's perceptions and performances on social issues create a legitimacy gap (Davies, 1973; Wood, 1991). The ability of corporations to fulfil the legitimacy gap will guarantee their long-term survival as good companies in the society (Davies, 1973).

Despite all attempts by scholars to create acceptable definitions of CSR, there were notable criticisms. Freidman (1970) and Elaine (1994) were more critical in their analysis of CSR agenda. Both authors view CSR practices as a misguided philosophy. Friedman and Elaine viewed CSR practices as misappropriation of company

resources. Friedman (1970) went further to define corporate responsibilities by affirming that corporate bodies should be responsible only to shareholders interest. The author further noted that the maximisation of shareholder's wealth should be the main corporate objectives of corporations. However, Goodijk (2000) in advocating for the stakeholder model as against the shareholder wealth maximisation model gave the following reasons as the advantages of stakeholder model: that stakeholder approach increases shared responsibility, good management practices and societal legitimacy.

Several authors, in criticising CSR, for instance, Fitch (1976) adopts the cost perspectives approach. Fitch emphasised CSR cost should be borne by the society because corporation engage in CSR activities for image building. The author concludes that the cost of production be transferred to societies resulting in higher prices, higher taxes and low dividend for shareholders. However, corporations tend to avoid this cost and internalised them so as to be seen as socially responsible. Fitch mixed signals on CSR was evident as he initially view CSR as strategic and now view it as a transferable cost, which can be transferred from businesses to society (customers).

Further critiquing CSR agenda, Henderson (2001) adopts a cost-benefit approach. Here, Henderson argues that CSR should be accepted by companies if the benefit derived from CSR outweighs the cost incurred. Interestingly, Barnea and Rubin (2006) argue that CSR may create conflicts among the insiders and outsider

shareholding¹¹. According to the author the insider shareholders (top managers as shareholders) are more likely to support CSR unlike the outside shareholders (institutional shareholders). This is because the insider shareholders, who are managers, benefit from ownership of shares and therefore will support CSR practices, if they believe that CSR will increase corporation's value unlike the outside shareholders (Barnea and Rubin, 2006).

The conflicting CSR definitions according to Carroll (1979; 1991) are caused by the word 'social' in corporate social responsibility because CSR connotes ambiguity. This inconsistency in the word social was supported by (Cochran and wood 1984; Wartick and Cochran, 1985; Clarkson, 1995). It could be said that these criticisms of CSR have led many scholars to adopt CSP, which means CSR in action as mentioned earlier, suggesting the processes and relationships between firms and society (Carroll, 1979; Carroll, 1991; Carroll, 1999; Clarkson, 1995; Cochran and wood, 1984; Wartick and Cochran, 1985 and Husted, 2000).

Considering the above discussions on CSR, this study will sum up the whole definitions and concept of CSR as voluntary provision or contribution of business organisation resources beyond their fiduciary responsibility, aimed at satisfying the various internal and external stakeholders. These provisions and contributions by firms include the provision of amenities to the communities, providing quality products, clean environments and high employee morale.

¹¹ Insider shareholdings are shareholders with high stake of their reputation, identity closely related and tied to corporation's interest. Outsider shareholders are institutional and very small investors (Barnea and Rubin, 2003).

In sum, CSR comprises the economic, legal, ethical, and discretionary responsibility and these responsibilities must be carried out by a company simultaneously. Therefore, according to Carroll (1979: 501) *the four-part frame work can thus be used to help identify the reasons for business actions as well as to call attention to the ethical and discretionary considerations that are sometimes forgotten by managers.* In essence, the philosophy behind the other side of CSR (business, legal, ethical and discretionary) or social responsiveness is the managerial responses (mode, strategy) to social issues. According to Carroll (1975) the model integrates economic objectives into the social performance framework, by placing discretionary and ethical expectations into a rational and legal framework. What this does is that? It helps the managers to systematically think through social issues when making strategic decisions that affect the company.

The central arguments in this study is in line with (Carroll, 1975, 1991, 1999), that managers, investors and directors should understand that the social responsibility of business is equally as important as the economic performance, if they are to survive in the long term. Hence, organisation's performance is enhanced when economic performance and the social responsibility of business are linked and strategic (Hess *et al*, 2002). By this business organisation must ensure CSR is strategic, especially if the board and investors' perceive CSR as beneficial to the company. The next section discusses reasons and the need for strategic CSR.

2.3 Strategic Corporate Social Responsibility

The words strategic CSR connotes different meaning to different authors, while Hood (1996) view strategic CSR as an attempts by companies to expect a return on their investment on social issues, for example expecting a lower risk (such as avoidance of fine or fee from government) in exchange for investment in good environmental

management and practices. Together, Gills and Spring (2001), and Hess *et al* (2002) view strategic CSR, as when companies aligns their CSR activities with its business objectives, such as enhancing their core competencies by investing in CSR. Besides, this will provide competitive advantage for the company and thus, improve their performance.

This study argues that strategic CSR is achieved by companies if they align their CSR investments to their corporate objectives. From a different perspective, CSR is said to be strategic when a company incorporates community involvement activities into its strategic planning process and operations. In other words, companies are required to incorporate external environmental concerns into its strategic policies, at the same time, while not perceiving CSR as a waste of company resources or anti-profit (Amaeshi, 2010).

The above argument is supported by Carroll (1975; 1991; 1999) that suggests that not only should companies' integrate their economic objectives into the social performance framework, but also ensure that these social issues such as external environmental concerns; product quality and high employee morale must be strategic to the overall corporate belief and philosophy of the company. This according to Carroll (1999) will ensure that firms survive in the long term. While Brammer and Millington (2005), and Brammer and Pavelin (2006) note that the linking of CSR to the corporate philosophy of companies enhance their reputation and brand image, it also gives them competitive advantage over their competitors.

The importance of strategic CSR by companies is anchored on the premise of achieving long term engagement and sustainability while striving to enhance greater accountability (Pinkston and Carroll, 1994; Huse, 2005). It is widely believed that

different companies have different levels of CSR engagement (Werther and Chandler, 2006). For instance, the authors suggest that the more a company adopts strategic CSR, the more it is perceived to be socially responsible.

Furthermore, the importance of aligning corporate objectives and its strategies to CSR was supported by Bell (1974). Thus, Carroll (1999) assessments that the company is an integral part of the society are factual. According to Bell (1974) strategic CSR involve incorporating environmental and social issues as an integral part of the company's social orientation, for instance, CSR activities of company should be an integral part of its business mission, vision, values, strategy and operations. According to Carroll this integration will ensure that businesses continue to understand that they have an obligation to ensure a better society.

The central argument about strategic management concerns itself on how the company positions itself in relation to its environment to ensure effectiveness and good corporate performance (Carroll and Bulcholz, 2006). Strategic CSR therefore, ensures that management addresses social issues from the environment by effectively using company resources to achieve organisational goals. Consequently, this outcome will make the company socially responsible.

Waddock and Boyle (1995) gave examples of strategic CSR to include the following:

- 1) it requires top management involvement, that is, decisions not relegated to some middle managers in Marketing or Human Resources departments. This involves the CEO, directors and top managers in the evolution and implementation of CSR strategies. This underscores the significance of strategic CSR in enhancing corporate performance.
- 2) Requires huge company resources such as human, physical and financial assets deployed by the company over an extended period of time.
- 3)

Requires strategic decisions committed to long term prosperity of the company. Strategic CSR projects are becoming long term in nature and committing the firm to a longer time period, for instance community development projects, schools, hospitals etc.

Furthermore, Hess *et al* (2002) acknowledge strategic CSR to include social audits that ensures accountability and transparency on how large company resources are utilised by management. Social audit reports provide firm with information about how they are viewed and how they are progressing in meeting the interests and expectations of investors, employees, suppliers, customers, community needs on a variety of CSR issues ranging from good environmental management to product quality.

Increasingly, making strategic CSR decisions can be deemed to be excellent managerial criteria necessary for company performance, for example, top managements and BODs are responsible for making strategic decisions that will guarantee the satisfaction of stakeholder and long term survival of company (Hess *et al*, 2002). The driving force for strategic CSR, according to Pearce and Robinson (1997) include first, the process of globalisation. According to Waddock and Boyle (1995: 135) greater globalisation of many companies' operations implies that the communities to which these companies are responsible to can no longer be narrowly defined as those communities immediately surrounding their corporate headquarters. But companies are being redefined as those areas that the companies has significant activities. Therefore, community has grown and evolved to become communities. Second, the building of alliances and networks by firms aimed at expanding the scope and number of communities are another driving force for strategic CSR. Many

companies are building alliances to ensure that good corporate citizenship efforts result in a long term improvement in the competitive environment.

Other reasons driving strategic CSR include changing government regulations or voluntary codes, for instance, the Global Compact, ISO 14001 and Global Reporting Initiative (GRI). These regulations are forcing companies to adopt strategic CSR. Finally, societal changes are forcing increased NGO activism demanding companies to make positive impact on the society they operate in, to gain legitimacy and avoid fallout with the public due to loss of legitimacy. Recently, there has been increased media focus on CSR activities by companies arising from corporate malpractices and collapse of companies tarnishing their corporate reputation and image.

According to Werther and Chandler (2006) strategic CSR can be used as guide for CSR indicators mentioned below. In this study, the case study method was based on the Werther and Chandler (2006) model of strategic CSR. This study uses the CSR indicators as the framework/model for discussion. According to Carroll (1999) the managers are systematically incorporating social issues when making strategic decisions that affect their company's performance. Werther and Chandler (2006) developed a theoretical framework of strategic CSR comprising three (3) phases, namely, the CSR planning phase (vision and mission), CSR strategy phase and CSR implementation phase¹² (See section 4.8 for details).

¹²Werther and Chandler (2006) model of strategic CSR comprises: first phase, which is the CSR planning phase that indicates the alignment of the CSR policies with the corporate philosophy (vision, mission and values statements) of the organisation. The second phase is the CSR strategy which indicates the tactics and signifies the level of compliance of companies to national and international Code of Conduct of Best Practices. This includes formation of corporate governance structure such as Code of Ethics and Business Conduct. The third phase is the CSR implementation and performance evaluation phase. This phase involve the launching of formal CSR practices and strategy documents, CEO/management briefings and meetings on CSR, community development projects, donations and charitable activities, the process of getting feedback and evaluating performances.

In summary, the strategic CSR indicators as mentioned above are in line with Carroll (1991; 1999) arguments that business and society are interwoven. According to Carroll (1999) this integration ensures that business organisations continue to understand that they have an obligation to ensure a better society. This is achieved by incorporating ethical, environmental and social issues as an integral part of their business mission, strategy and operations. By doing this, companies ensure that not only should the economic objectives and social issues be integrated, but also confirm that this integration satisfies the expectations of the various stakeholders and guarantee the long term survival of company. The next subsection discusses the link between corporate governance and CSR.

2.4 The Link between Corporate Governance and Corporate Social Responsibility

The link between corporate governance and CSR is in the area of ethics and moral behaviour aspects of the company (Barnea and Rubin, 2005, Andayani *et al*, 2008). Corporate governance and ethics do share common traits, such as, the understanding of business ethics. Business ethics examines both the ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and relevant to the conduct of individuals and entire organizations. In Carroll (1991; 1999) definitions of CSR, that is the 2nd and 3rd responsibility of CSR suggests that companies are expected to obey the countries' rules, laws and regulations. This is the legal responsibility of business organisation. The society expects the business to fulfil its economic responsibility within the legal framework, by complying with the rules and laws of the country where they operate. The 3rd component is the ethical responsibility that expects companies to do the right thing that are morally correct and avoid anything that will cause harm to the society.

The main argument concerning 4th link between corporate governance and CSR is that both of these responsibilities (legal and ethical responsibilities of Carroll definitions of CSR) are emphasised in not only in the corporate governance mechanisms, for instance in the various Codes of Corporate Governance, but also in the CSR concept (Ethics policy). This means that the ethical and legal responsibilities of companies are enshrined in the Codes of Corporate Governance and CSR concept (the Ethical Code of Business Standard). Clearly, Carroll arguments as stated above highlight the link between Corporate Governance and CSR.

Several authors have noted that the corporate governance structure and governance system affects CSR (Johnson and Greening, 1999; Benson *et al*, 2009). For instance, the BODs are responsible for making policies, rules and procedures concerning CSR (Webb, 2004) with the aim of improving firm performance. In this case, the BODs are the internal corporate governance mechanism. One of the ways that the link between corporate governance and CSR (ethics) has been expressed is through integration of one another (Fisher, 2004).

Corporate governance and ethics do share common traits, such as, the understanding of business ethics do enhance the understanding of CSR. In fact, there are definitions in CSR literature that claim that the substance of CSR developed from ethics or ethical governance. For instance, Davis (1967: 46) argues that *the substance of social responsibility arises from concern for the ethical consequences of one's action as they may affect the interest of others*. Similarly, Epstein (1987: 104) asserted that *the normative correctness of the products of corporate action has been the main focus of corporate social responsibility*. This confirms that the link between corporate governance and CSR shared some overlapping concepts and meaning. As capped by Samson and Daft (2003: 147), *ethics deals with internal values that are part of*

corporate culture and shapes decisions concerning social responsibility with respect to the external environment. Hence, this shows that the internal values and cultures of companies can influence the CSR policies, particularly as it affects the ethical standards in companies. For instance, the formation of Code of Ethics and Business Standards are influenced by the corporate governance structure of the firm.

Nonetheless, De Graaf and Stoelhorst (2010) observed that the corporate governance has not fully occupied a central focal place in CSR analysis and research. This is because earlier studies ignored the satisfaction of other stakeholder's interest apart from shareholders. For example, Friedman (1972) argues that investment on the environment is a dollar stolen from shareholders. However, Carroll (1999; Carroll and Buchholtz, 2009) noted that the satisfaction of stakeholder enhances the long term survival of companies. In this case, De Graaf and Stoelhorst argues that the stakeholders influence the governance structure or systems of corporate bodies thereby making the governance structure and system as the useful focal point for understanding CSR responsiveness through empirical enquiry. What this means is that the satisfaction of stakeholder is very important in any organisation's performance, growth and their survival. Also, the satisfaction of stakeholder is being influenced by the corporate governance structure operated by the organisations. This reinforces Carroll (1991) and a Beltrattie (2005) assertion of the values of CSR that emphasises that good corporate governance mechanisms and CSR policies encourages stakeholders' satisfaction. Consequently, this demonstrates another link between corporate governance and CSR. For instance, both are aim at satisfying various stakeholders such as the investors, employees, suppliers, consumers and communities thereby making a firm to be more respected and valuable. Also, this makes the corporate governance and CSR good pair and complements to each other.

In addition, the link between corporate governance and CSR can help resolve the dilemma problem surrounding the meaning of CSR (Benson *et al*, 2009). De Graaf and Stoelhorst (2010) argue that the governance system can help business to resolve the problem associated with the normative and descriptive CSR (Mitnick, 1995). Further, the moral paradox problem of ‘what business does’ and ‘what business should do’ has been the most recurrent CSR problem (Jones, 1990; Husted, 2000)¹³. At the centre of this dilemma are the BOD responsibility to formulate policies and strategies concerning CSR (Johnson and Greening, 1999; Kassinis and Vafeas, 2002; Williams, 2003; Webb, 2004; Mackenzie, 2007). Therefore, the BOD becomes a useful group that captures the trade-offs in stakeholder’s management. Also, part of the reasons for studying the role of BOD and institutional investors on CSR revolves around the problem associated with the normative and descriptive CSR. This means that a focus on the cause and effect on BOD actions and social outcomes may provide a useful answer to the normative and social dilemma of CSR in a developing country.

In summary, the link between corporate governance structure and CSR can be viewed from two dimensions. Notably, these dimensions are the ethical and stakeholders’ satisfactions. This shows that the internal values and cultures of companies, which is part of the corporate governance system influences CSR policies and most often determines the extent of its implementation. This implies that corporate governance and CSR complements each other and are sometimes referred to as CSR governance (Graaf and Stoelhorst, 2010). Clearly, the link between corporate governance and CSR reinforces Carroll arguments that business organisation has got a role to play in the society, particularly, if it will improve their performance and survival in the long

¹³ The ‘What is’ means what corporate bodies or business do while ‘what ought to’ means what corporate or business should do (Jones, 1991, Husted, 2000).

term. As a result, the BOD and top managers should engage actively in formulation and implementation of CSR policies to ensure satisfaction of their stakeholders.

Following the review of CSR and corporate governance mechanism, the various theories underpinning this study focus particularly on the stakeholder theory which is used to explain CSR practices by companies. Several additional theories (agency, stewardship, resource dependence, legitimacy and institutional) are examined in order to understand further, the link between the roles of institutional investors and BOD characteristics on CSR. Hence, the next section discusses these theories followed by the empirical findings of previous studies.

2.5 Theories of Corporate Governance and Corporate Social Responsibility

Letza *et al* (2004) divided the theories of governance and CSR into two; namely, the shareholders and stakeholders models; while Hawley and Williams (1996) named four(4) governance and CSR theories: i) the finance model, ii) stewardship model, iii) stakeholder model, and iv) the political model.

Moreover, the finance model is built around the principal agent relationship (Berle and Means, 1932; Jensen and Meckling, 1976; Fama and Jensen, 1983) with the main aim of companies, to satisfy shareholders' wealth (Friedman, 1972). In the finance model view, the agency problem (Jensen, 1993) is resolved through the use of incentives to align the interest of shareholders to that of managers (Jensen and Meckling, 1976; Fama and Jensen, 1983). On the other hand, the stewardship model argues that managers are good servant working reliably to enhance shareholders' wealth. The stakeholders' model argues that companies should satisfy a wider group of stakeholders such as shareholders, employees, suppliers, community and environment (Freeman, 1984 and Carroll, 1999). The political model locates the

governance-performance issues from the political context such as the use of non-market mechanism for monitoring managers and BODs (Hawley and Williams, 1996; Letza *et al*, 2004).

2.5.1 Agency Theory

The agency theory assumes that corporate managers are self-serving, individualistic and opportunistic in nature (see, Berle and Means, 1932; Jensen and Meckling, 1976; Fama and Jensen, 1983; Jensen, 1993; Williamson, 1993; Rediker and Seth, 1995; Kirkbride and Letza, 2004). According to Kirkbride and Letza (2004) the principal-agent (finance model) underpinned by the agency theory assumes that the singular aim of companies is the maximisation of shareholders' wealth. Based on the opportunistic and self-interest assumption of human behaviour, agency theory argues that managers (as agents) will pursue their own interest at the expense of shareholders' interest (as principal) causing agency problems. Therefore, these agency problems such as moral hazards and conflict of interests lead to higher agency costs¹⁴ which affect performance (Fama and Jensen, 1983; Jensen, 1993).

Moreover, the agency theory usually views CSR activities by companies as anti-profit. Friedman (1970) argues that profit maximisation is the sole responsibility of business organisations and the author further dislikes corporate attempts to invest in other stakeholders' welfare such as environmental concern, consumers' protection and employee welfare. Also supporting the above arguments are Hughes (2001) and Bakan (2004) that pointed out that the legal responsibility of companies is to make a profit for investors by providing goods and services demanded by the society.

¹⁴The agency cost is the risk that agents will use organizational resource for their own benefit (Hawley and Williams, 1996; Letza *et al*, 2004).

According to Carroll (1991; 1999) the society expects companies, apart from satisfying customers and investors, to satisfy wider stakeholders' groups such as the employees, environment and the public. In contrast to Friedman (1970) and Bakan (2004) argument that CSR is a misallocation of companies' resources, Amaeshi (2008) argues that CSR is not anti-profit but rather contributes to the corporate performance and the value of the firm (Mallin, 2004; Heslin and Ochoa, 2008).

Furthermore, due to conflicting interests inherent in such CSR practices, Jensen (2001) argues that management will pursue their own interests at the expense of shareholders (Shleifer and Vishny, 1997). Managers will achieve their interest using CSR as a cover for managerial opportunism, thereby affecting the value of the firm (Chen, 2001). Therefore, in resolving the problem of opportunism, self-interest and multiple trade-off objectives, Jensen (2001) proposes the enlightened stakeholder theory¹⁵ by suggesting that the firms and corporate officers should pursue the value maximisation function if companies are to survive in the long term. By maximising value, managers avoid the temptation of placing some stakeholder interest over others. The author argues that CSR provides multiple functions rather than single value function causing the trade-offs problem arising from companies trying to satisfy multiple stakeholders.

The corporate governance mechanism for resolving conflicting interests, such as, managerial opportunisms and agency problems (owners-managers and employees-

¹⁵The enlightened stakeholders' group includes apart from the traditionally considered stakeholders such as shareholders, employees and consumers (Freeman, 1984) but also a wider group, the suppliers, government, communities and environment (Rugman and Verbeke, 1998 and Heslin and Ochoa, 2008).

shareholders) are the BOD and institutional investors. Several authors (for example, Rediker and Seth, 1995; Hawley and Williams, 1996; Kirkbride and Letza, 2004) recommend the BOD and institutional investors as good corporate governance mechanisms in companies. As for the BOD, Jensen (1993) and Sanda *et al* (2010) suggest a small BOD size as a way of enhancing BOD effectiveness and independence. In the same line, Yermack (1996) argues that smaller board size is better because larger BOD decision making process is slow and directors hardly criticise the policies made by managers. Yermack further argues that smaller BOD favour higher financial performance.

Using CSR, Webb (2004) opposes the ideas of Jensen (1993) and Yermack (1996). Webb (2004) argues that the introduction of Non-Executive Directors (NEDs) and women (Sanda *et al*, 2005) into the board, increases the board size, and this will not slow down the decision making process of BOD but rather enhances CSR practices. Therefore, according to Balabanis *et al* (1998), managers invest in CSR practices if they believe CSR practice will enhance company's value.

Rediker and Seth (1995) in examining alternative corporate governance mechanisms suggest the use of institutional investors as an additional corporate governance mechanism for monitoring opportunistic managers. This is because of the ability of institutional investors to use their voting power to fire or hire managers. According to Rediker and Seth (1995) institutional investors' voting power can act as a check to managerial opportunism and help to strengthen good corporate governance practices.

In testing agency theory, Atkinson and Galaskiewicz (1988) use managerial and disperse ownership shareholding of companies. According to them institutional investor-controlled companies differ from the manager-controlled companies in their

response to CSR. This means a higher percentage of managers as shareholders will not support CSR. They find a negative relationship between managerial institutional owners and CSR. The reason for this is that, managers are primarily more concerned with the management and satisfaction of stakeholders (Clarkson, 1995).

In fact, the reason for the negative relationship, according to Atkinson and Galaskiewicz (1988), is that if managers are not shareholders the firms engage in CSR. The authors concluded that managerial shareholders are capitalists and hence, will not invest in CSR. What this means is that, managers who eventually become owners, pursue profit and return on their investment. However, the opposite will be the case if they are managers (that is, not owners), as they would allocate resources to CSR activities. That is, according to the authors mean as managers they tend to protect their jobs and long-term interests by enhancing profit maximisation.

2.5.2 Stakeholder Theory

Freeman (1984: 46) defines stakeholder theory as *a person or group that can affect or is affected by the achievement of the organisation's objectives*. In fact, Freeman and McVea (2001) argue that the stakeholder theory expects managers to have a balanced view of all groups that have a stake in the company. The stakeholder group includes the shareholders, employees, suppliers, customers, environment, communities, government and the media (Freeman, 1984; Carroll, 1991; 1999; Jensen, 2001). Also, Jensen (2001) states that companies should pursue the maximisation of the value function in the long term, thereby satisfying the welfare of the stakeholder. Several authors (See, Agle *et al*, 1999; Jawahar and McLaughlin, 2001; Heslin and Ochoa, 2008; Benson *et al*, 2009; Chai, 2010) support stakeholder theory by implying that

corporations should implement policies that satisfy the interests of the different groups that have stakes in the corporations if they are to survive in the long-term.

According to Hung (2011) the stakeholder theory can be used to describe how BOD views the interest of corporate units by focusing on what each stakeholder deserves or requires from the BOD. In other words, the stakeholder theory can be used to analyse and determine the interaction between a company and its environment (Pfeffer, 1972; Kassinis and Vafeas, 2002). In addition, the stakeholder theory has become a focal point for describing, evaluating and managing CSR (Clarkson, 1985; Bingham *et al*, 2011). Pelozo and Shang (2011) argue that CSR activities by impacting on the attitudes and behaviours of investors and directors using products and services create stakeholder value.

The stakeholder theory¹⁶ is made up of three different components namely, a) the descriptive or empirical, b) normative and c) instrumental (Jones 1995; Donaldson and Preston, 1995; Hawley and Williams, 2004). According to Donaldson and Preston (1995) the descriptive, normative and instrumental stakeholder¹⁷ are different but mutually accommodating of each other as the stakeholder theory (Jones, 1999;

¹⁶According to Jones (1995) by exploring how managers and firm behave, when there is a social issue, the descriptive stakeholders address the questions: what happens to firm? While, the instrumental stakeholders address the questions: what happens to firm, if managers behave in a certain way? The normative stakeholders are the moral behaviour of firms or managers and address the questions: what should happen (Jones, 1995)? Put differently, the descriptive stakeholders enables the firm to describe the interests of the stakeholders, while instrumental enables the firm to address the interest of the stakeholders and the way to address it and finally the normative explains the moral view of firms of doing the right thing for all stakeholders.

¹⁷ The descriptive stakeholder presents the corporation as a collection of several interest groups having a stake or inherent value. The instrumental stakeholders focuses on how the stakeholder enhances corporate performance such as profitability, growth, competitive advantage, risk mitigation while the normative is anchored on the social issue aspect of the corporation (Donaldson and Preston, 1995).

Husted, 2000), attempts to guide and explain the operation and structure of the firm. The stakeholder theory considers the organisation as an entity through which several and diverse groups achieve their objectives (Jones and Wicks, 1999; Moir, 2001).

In accordance with the long term goal of the company, the stakeholders' theory provides a useful framework to evaluate CSR through examining the impact of different institutional investors, BOD characteristics on CSR. Prado-Lorenzo *et al* (2009) tested the stakeholder theory in examining the relationship between types of institutional investors and CSR in Spanish companies and finds government institutional investors and financial institutions influence CSR. Using survey and interview approaches for banks in the UK, Thomson and Cowton (2004) argue that banks, apart from interest on recovering their loan debt, should pursue CSR practices.

Similarly, Huse and Rindova (2001) test the stakeholder theory from BOD roles and responsibilities using survey questionnaires and interviews. Huse and Rindova (2001) conclude that different stakeholder group expect different roles and responsibilities from the BOD. The authors find that the customers have a higher influence on the BOD roles compared to owners, management employees, and community. These findings indicate that the BOD favour long term relationships of the companies. In the light of the aforementioned studies, this thesis uses the stakeholder theory to examine the impact of institutional investors and BOD characteristics on CSR practices in Nigeria. The authors argue that it is the stakeholders' theory that best explains the CSR practices of companies and by extension, the role of firms in society.

Moreover, Freeman and McVea (2001) point out the importance of stakeholder theory in assisting corporate managers in CSR decisions. In order to maintain a

balance between the governance in public and corporate setting, a corporation must engage in dialogue with the various stakeholders (Carroll, 1991; 1999; Webb, 2004). For supporters of the stakeholder theory (such as, Agle *et al*, 1999; Jawahar and McLaughlin, 2001; Freeman and McVea, 2001), shareholders are seen as one of a number of important stakeholders. However, according to Jensen (2001) conflicts arise when managers are faced with satisfying multiple stakeholders. An example of that conflict is the traditional conflict of interest between profit maximisation and stakeholder management model¹⁸ such as when a company is faced with environmental and profit maximisation goals (Benson, 2009). Therefore, companies might face problems on how to allocate firm resources on clean environment with the aim of avoiding fines from government or allocating resources in operations that maximise profits for shareholders (Kassinis and Vafeas, 2002).

According to Benson *et al* (2009) the traditional conflict, that is, profit maximisation, can be resolved if companies engage in a trade-off between social, environmental and profits maximisation goals. Another way to resolve the conflict according to Benson *et al* (2009) is to apply a cost-benefit analysis. This according to the authors means that the corporation should consider the marginal costs and benefits when making decisions concerning production, efficiency and environmental goals. In other words, when the marginal cost is lower than the marginal benefit derived from CSR activity, companies should invest in CSR. However, if the costs are greater than the benefits,

¹⁸ The stakeholder management model is based on the assumptions that prudent management of companies' stakeholders should be instrumental and strategic to achieving the companies' objectives such as revenues, profits and returns to shareholders (Jones and Wick, 1999). Therefore, the authors argue that companies should satisfy stakeholders in such a way as not to obstruct the objectives of the company of profit maximisation.

then the government policies or interventions from the market will correct any abnormality arising from the costs imbalance especially when the social costs are greater than corporations internal cost of production (Kassinis and Vafeas, 2002).

Besides, Laplume *et al* (2008) mentioned the criticisms of stakeholder theory as not well grounded and also doesn't provide corporate managers with a strong and vivid instrument in tackling environmental problems. Also, the stakeholder theory does not assist managers in decision-making when faced with trade-off problems concerning multiple stakeholders (Hillman *et al*, 2001; Benson *et al*, 2009). According to Heath and Norman (2004) the stakeholder theory is based on a wrong assumption that shareholders are part of the stakeholders, in violation of the corporate law. In line with corporate law, Heath and Norman (2004) argue that the shareholders are well elevated and protected as the owners of the corporation, and are therefore given rights to ensure that managers consider the maximisation of shareholders' value to be of primary concern.

Another criticism against the stakeholder theory is the governance structures as laid out in corporate law in many countries (Elanie, 1994). In some cases, there is the possibility that managers investing in CSR can be removed by the institutional investors that are short term oriented (Heath and Norman, 2004). For example, managers can lose their jobs, if majority of investors view them as sacrificing a certain amount of profit to advance other stakeholder interests (Heath and Norman, 2004). This line of argument is supported by Friedman (1971, 1972). According to Friedman (1972) investing in CSR and trying to satisfy the stakeholders should be considered as the misappropriation of shareholders' wealth. By doing this, managers are acting against the interest of the owners, which is to maximise profit and satisfy their interests.

On the other hand, one of the arguments for stakeholder theory, according to Ingley *et al* (2011) is for companies to practice more stakeholder engagement or corporate democracy. This will ensure more diversity on the board and long term survival of company. Also, there will be more strategic decisions in companies and stakeholder relations. The next part of this section discusses the stewardship theory and how it supports CSR practices.

2.5.3 Stewardship Theory

While the agency and stakeholder theories may seem irreconcilable with each other, the stewardship theory takes a middle ground approach. Letza *et al* (2004) argue that the agency theory and instrumental component of the stakeholder theory assume the human nature as self-interested, suggesting that managers cannot be trusted as efficient agents to serve the principal's interest. However, the stewardship theory rejects the notion of self-seeking managers as assumed by agency theory. Instead, the stewardship theory argues that managers are not self-centred and opportunistic but have a wide range of motives and values comprising self-recognition, achievement, success, respect, and good corporate performance (Letza *et al*, 2004).

According to Davis *et al* (1997) the stewardship theory is embedded in the psychological and sociological perspectives of corporate governance that view managers as collectivist and decent. The psychological and sociological perspectives of corporate governance assume that all managers are not the same; hence some managers are true subordinates, satisfying shareholders' interests rather than pursuing individual motives (Lane *et al*, 1998). Consequently, Letza *et al* (2004) suggest that managers are good stewards that work for the maximisation of profit and enhance

owner's wealth (Donaldson and Preston, 1995; Davis *et al*, 1997; Balabanis *et al*, 1998; Robin, 2008).

Furthermore, the stewardship theory highlights the fact that managers will satisfy their own objectives better by satisfying that of the corporation (Davis *et al*, 1997). According to Davis *et al* (1997) stewardship theory helps to resolve the agency problems, identified namely, the motivational variability by asserting that managers are more servant-like, pro-corporations, and trustworthy in nature. On the contrary, agency theory portrays managers as self-centred, opportunistic and wasteful (Jensen, 1993). However, the stewardship theory disputes managerial opportunism by portraying managers as honest, dependable and having good intention, such as improving organisational performance (Davis *et al*, 1997).

Lane *et al* (1998) suggest that there are many situations in which managers serve their own interests while serving shareholders' interest. As a result, managers put the interest of the organisation first. Also, some of these directors' decisions are likely to be influenced by financial performance (Baysinger and Hoskisson, 1990; Baysinger *et al*, 1991) and because of the need to protect their reputations; they are likely to behave in a way that maximises shareholder returns (Daily *et al*, 2003). Therefore, stewardship theory is assumed to be in line with satisfying the shareholders' interest only.

Nonetheless, Kay and Silberston (1995) disagree and view stewardship theory from another assumption of human nature, referring to managers as trustees. Kay and Silberston (1995) suggest that managers are trustees to the companies rather than being agents to the shareholders. What is essential in the authors' argument is the trust existing between managers and shareholders? Therefore, stewardship theory

argues that managers, by acting as trustees to the company, satisfy a wider group of stakeholders.

Subsequently, the managers satisfy multiple stakeholders' groups because they want the organisation to succeed in its endeavours. Hence, stewardship theory supports CSR practises by predicting that CSR activities will enhance a firm's value (Donaldson and Preston, 1995). As a result, the present study uses the stewardship theory to examine the impact of institutional investors and BOD characteristics on CSR practice in Nigeria.

However, Davis *et al* (1997) identify a number of limitations associated with the stewardship theory. Firstly, it is assumed that all stakeholder groups have interests that will be well served by increasing organisational wealth. This assumption may be unrealistic and too simple. Even among stakeholders, there can be conflicting interests. For example, Johnson and Greening (1999) argue that some categories of institutional investors, such as, investment fund managers are more concerned with short-term earnings, while others such as pension fund managers are concerned with the long-term performance of the corporation. Secondly, Davis *et al* (1997) argue that the stewardship model may only be suitable under certain situations, for example, if there is a collectivist culture, that is, managers view themselves as members of one group (work units). Finally, the adoption of the corporate governance mechanisms is consistent with minimizing agency cost and reduction of steward-like behaviour in most large corporations (Davis *et al*, 1997). The next part of this section discusses resource dependence theory and how it sometimes supports stakeholder theory and CSR.

2.5.4 Resource Dependence Theory

The resource dependence theory takes a middle ground approach similar to that of the stewardship theory (Conner and Prahalad, 1996; Russo and Fouts, 1997). Conner and Prahalad (1996) argue that the resource dependence perspective is a knowledge-based theory, built around the internal competencies of companies, for example, the assets which are valuable to the companies. Conner and Prahalad (1996: 477) state that the resource dependence theory *...based on irreducible knowledge differences between individuals rather than the threat of purposeful cheating or withholding of information. We assume limited cognitive abilities on the part of individuals (bounded rationality), and assume that opportunistic behaviour will not occur.* Therefore, individuals are different with varying skills, experience, insights or knowledge which they bring to the organisation as asset and resources.

Pfeiffer (1972), and Silky and Parker (2005) argue that the resource dependence theory is anchored on the experience and connections of the NEDs' ability to pull resources from the environment to the company. The theory views the BOD as the go-between the corporations and communities. Furthermore, the theory suggests that the inclusion of NED on board brings diversity to the BOD. This helps to reduce transactions costs, pull resources to company and serves as a source of important information because of NED's contacts and connections (Conner and Prahalad, 1996). On a similar note, Russo and Fouts (1997) use resource based perspective to show that there is a positive relationship between CSR and economic performance of companies.

In addition, the resource dependence theory is seen as overlapping with the stakeholder theory in the sense that both theories, unlike the agency theory,

accommodate the fact that the firm has an obligation towards its environment (Silky and Parker, 2005) and by extension the multiple stakeholders (Donaldson and Preston, 1995; Carroll, 1999). Lynall *et al* (2003) state the resource dependence theorists view a firm as an open system, dependent on external organisations and environmental contingencies. By extension, the firm depend on the environment for its resources to be able to survive and the board is seen as playing a central role when managing the corporation's relationship with its environment (Pfeffer and Salancik, 1978). For example, using social linkages, connections and skills of NED and executive directors, companies are able to improve organisation performance.

According to Prado-Lorenzo (2009) the powers that control the resources dependence theory belong to the controller of organisational resources, thus establishing different levels of powers between stakeholders' groups. Therefore, this contributes to institutional investors having different goals towards organisational achievement (Atkinson and Galakiewicz, 1988). The different institutional investors' primary role as resource providers tend towards satisfying different groups of stakeholders depending on whether their interest is long term or short term (Johnson and Greening, 1999). In this study the resource dependence theory is used to examine the impact of institutional investors and BOD characteristics on CSR of PLCs in Nigeria.

On the other hand, the primary role of the BOD, from the resource dependence perspectives is to serve as resource providers (Lynall *et al*, 2003). The board members may contribute to the operations of the firm by managing external stakeholders (Pfeffer, 1972). Also, resource dependence theory offers areas of guidance to the BOD. For example, while the agency theory focuses on incentives to monitor executive managers, the opposite is true for resource dependence theory which excludes the consideration of incentives that might serve to encourage board

members to provide resources to the corporation (Hillman and Dalziel, 2003). The potential contribution of resource dependence theory in understanding the relationship between corporate governance and CSR is, however, largely restricted to the BOD. The next part of this section discusses the institutional theory and how it supports CSR practices.

2.5.5 Institutional Theory

The institutional theory is rooted in the economics, sociology and political science field¹⁹. The institutional theory refers to the flexibility of the social structure. According to Scott (2004: 2) institutional theory *considers the processes by which structures, including schemes, rules, norms, and routines became established as authoritative guidelines for social behaviour. It inquiries into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse*. In other words, institutionalisation refers to the repeated processes that have similar meanings over a number of times (Bondy, 2008). For instance, the Code of Ethics and Standard Practice in organisation is governed by institutional theory.

Selznick (1957) argues that the organisation is an adaptive mechanism that is shaped according to participants' characteristics, influences, constraints and commitments from the external environment (Monks and Minows, 2004; 2008). As a result,

¹⁹ The economic field focuses on individual as rational utility maximisers if institutions provide benefits greater than cost to the individual. The political perspectives refer to the way political institutions influences decisions, structures, processes, forms and outcomes while the sociology perspectives focuses on the new institutional theory, hence the most suitable for gaining insight into how corporations interact with the environment (Scott, 2004; Bondy, 2008).

institutionalisation is firm specific and time specific, as well as a process of creating values and reality (Selznick, 1957).

In addition, Scott (2004) argues that it is the external environment that shapes the processes and forms within an organisation. For example, the role of Non-Governmental Organisations (NGOs), government, media and unions shape organisational processes in governance and CSR, such as the employees. Scott (2004) concludes that the organisational arrangements and forms are not designed by economic laws but by the social, culture and political factors and processes.

Besides, the institutional theory approach is embedded in sociology and adopted by social science and management scholars in studying organisations (Scott, 1987; 2004), and is known as new institutional theory. The new institutional theory offers insightful perspectives about CSR acceptability in the business field. Consequently, the new institutional theory, offers a useful tool for analysing how firms are affected by their wider environment especially on the planning and execution of CSR practices within PLCs.

Similarly, Campbell (2006) in exploring the role of institutional theory in shaping CSR argues that the institutions (governance rules, norms and standards) influence companies to engage in CSR. This is done through restraining corporate behaviours using rules and punitive sanctions, for example, imposing sanctions against irresponsible companies through fines and fees. Hence, institutions can enable actions by creating favourable incentives to influence participants and actors to behave in certain ways. Campbell (2006) concludes that companies engage in CSR if they encounter more pressures from compliances to government regulations, rules and laws. Also, pressures from NGO and the industrial sector's self-regulation rules make

companies to engage in CSR activities. The author suggests that the extent of CSR in companies will depend on the ability of the company to engage in institutionalised dialogue with various stakeholders.

2.5.6 Legitimacy Theory

Suchman (1995:574) defined legitimacy as *a generalised perception or assumption that the actions on an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*. This means that corporate policies and actions of organisations should conform to societal values, if they are to be accepted by the society as legitimate. According to Davis (1973) a corporation operating in any given society must exercise its power judiciously and in a responsible way. The author further states that if the corporation fails to operate in a responsible manner, the society will be forced to protest and withdraw its support and legitimacy to the corporation. This is also called Social Licence to Operate (SLTO)²⁰. According to Idemudia (2009) Multinational Companies (MNCs) in Nigeria engage in CSR because they want to legitimise their operational activities in the community. In other words, companies want the community to perceive them as good corporate citizens because of their involvement in CSR (Eweje, 2006; Tuolodo, 2008).

According to Seth (1979) businesses are social institutions that must use their powers responsibly, if they are to survive in the long term and be accepted by the society. Also, Carroll (1999) argues that corporations derive their benefits from society which confers legitimacy on them and ensure their continued survival as wealth creators. Therefore, corporations should be responsible to the society and community, such

²⁰The SLTO is the community approval or consent that corporate bodies must obtain from the host communities in areas where they are operating (www.policyinnovations.org accessed on 20/10/2010).

that the BODs and investors use CSR as a tool to enhance company legitimacy (Idemudia, 2007a). In the same vein, Hannifin and Cooke (2005) state that organisational legitimacy is essential for ensuring social worthiness, while corporate survival (Eweje, 2006), ensures that their operations are perceived as good to the consumers (Joyner and Payne, 2002). This will ensure repeated patronage and long term survival of the firm (Carroll, 1991).

On a similar note, Dowling and Pfeiffer (1975) propose that a corporation becomes legitimate through its operations in the community when it is considered noble, worthy and just by the society. However, when corporations fail in their responsibility of protecting the environment by avoiding oil spillage, the government may decide to punish them through payment of fines and taxes, which will increase the cost of operation (Cassini's and Vales, 2002).

Also, Davis (1973) argues that the inability of the BOD to focus on CSR practices towards satisfying the stakeholders' group can make the society and community withdraw its legitimacy. Consequently, Reinhardt *et al* (2008) stated that this lack of legitimacy can cause companies' to loss talented employees, competent personnel and the ability to operate peacefully in the community. Therefore, these punitive measures can force the management of an irresponsible corporation to behave socially responsible within the community (Nasi *et al*, 1997).

Furthermore, Nasi *et al* (1997) argue that the image and impression acquired by the corporation helps to confer legitimacy on it, but this image and impression change from time to time and this can affect its legitimacy in the long run. This is why corporations must ensure that their image, perception and expectations from the society must be monitored and maintained at all times (Lindblom, 1994). By

monitoring their CSR activity and its impact on all stakeholders, the companies' survival in the long term is guaranteed (Nasi *et al*, 1997; Prado-Lorenzo *et al*, 2009b). Otherwise there exists a gap known as the legitimacy gap (Eweje, 2006), referred to when the corporation's performance and expectations from the society begin to widen (Seth, 1979). This legitimacy gap can cause the company's long term future and existence to be in jeopardy (Reinhardt *et al*, 2008).

In the case of Nigeria, Eweje (2006) argues that there is a legitimacy gap between oil companies and host communities in the Niger Delta region of the country. This legitimacy gap is traced to the policies and procedures employed by some MNCs in their operations (Eweje, 2006). For instance, the Shell Petroleum Development Corporation (SPDC) uses their public relations department to improve their relationships with the communities by providing social amenities, such as pipe water, school blocks and hospital equipment (Rwabizambuga, 2007). However, Eweje (2006) argues that despite the claim by SPDC on CSR practices in the Niger Delta region, the local communities still perceive the responses and efforts of SPDC as double standards; public relation stunts and inadequate policies especially among the Ogoni people of the region.

Collaborating Eweje (2006) is Rwabizambuga (2007) and Idemudia (2007b) who reiterate the presence of legitimacy gap between oil MNCs and local community expectations in Nigeria. In bridging this gap, Idemudia (2007b) suggests that efforts should be made by companies to widen the range of communications between the MNCs and its stakeholders. Thus, the PLCs are becoming conscious of the consequences of their operations within the society which has influenced them to change from creating wealth not only for shareholders, but also to satisfy other groups of stakeholders (Carroll, 1999; Shahin and Zari, 2007).

Following the discussions above, the development of agency, stakeholders, stewardship, resource dependence, institutional and legitimacy theories exposes the need to understand the strategic CSR practices of companies. According to Mahmud and Ritz (2008) corporate governance mechanisms such as, the different institutional investors and BOD characteristics help to understand the role of companies in CSR. Particularly, how the role of governance structure and mechanism influences CSR.

This study takes a posture and assumes that business organisation should not only pursue their economic interest but should, also pursue the ethical and social responsibility in order to be sustainable in the long term (Carroll, 1991; 1999; Aras and Crowther, 2008). This embedded CSR responsibility by corporate organisation is supported by the stakeholder theory. Given these concerns, this thesis will examine the roles of different institutional investors and BOD characteristics on CSR. The next section considers the empirical studies on the different institutional investors and BOD characteristics on CSR. This further provides insight into the heterogeneous nature of institutional investors and BOD characteristics and how they affect CSR activities in companies.

2.6 Empirical Analysis of the Role of Institutional Investors and Board of Director Characteristics on Corporate Social Responsibility

The literature review on the empirical studies on the role of different institutional investors and BOD characteristics on CSR show various dimensions and varied results. Different institutional investors pursue different organisational goals and have different preferences for CSR practices. For example, some institutional investors pursue long term goals, while others are interested in the short term goals (Waddock and Graves, 1997; Johnson and Greening, 1999; Bartkus *et al*, 2002; Neubaum and Zahra, 2006).

2.6.1 The Role of Institutional Investors on Corporate Social Responsibility

The relationships between institutional investors and CSR are mixed (Coffey and Fryxell, 1991; Graves and Waddock, 1994; Johnson and Greening, 1999; Goergen and Ronneboog, 2002; Bartkus *et al*, 2002; Neubaum and Zahra, 2006; Wahba, 2010; Rasic, 2010). What isn't clear is the extent of how institutional investors affect stakeholders? This is because some institutional investors may have short term orientation in their investment approach (Graves and Waddock, 1994), ensuring return on investment for shareholders. However, other institutional investors' companies are long term oriented (Coffey and Fryxell, 1991; Johnson and Greening, 1999). Examples of long term institutional investors include pension fund and insurance companies while short term institutional investors are investment banks and mutual fund companies.

Graves and Waddock (1994), Waddock and Graves (1997), Johnson and Greening (1999); and Cox *et al* (2004; 2008) find a positive relationship between long term institutional investors and CSR, suggesting that increased CSR practices attract a higher number of institutional investors. Graves and Waddock (1994) findings show CSR is a risk reducing measure, hence, offering investors some predictions of an efficient market theory. Thus, prompting them to invest in pro-CSR companies with lower risk. In fact, Johnson and Greening (1999) state that the positive relationship between the long term institutional investors and CSR imply that effective CSR practices enhance product quality, responsiveness to the community, and promote good environmental management. In a related study, Cox *et al* (2004) suggest that pressure from regulatory authorities forces long term institutional investors to engage in CSR. Also, Atkinson and Galaskiewicz (1988) suggest that companies that engage in CSR and social oriented seminars (on social issues) are more likely to assume CSR

as enlightened self-interest principle.

On the other hand, Waddock and Graves (1997); Johnson and Greening (1999) and Neubaum and Zahra (2006) examine the link between short term institutional investors and CSR. They find insignificant relationship between short term institutional investors and CSR. Accordingly, Johnson and Greening (1999) short term institutional investors, for example, the investment bankers, pursue short term gain, based on quarterly outcomes and therefore do not support CSR.

Conversely, several studies (Coffey and Fryxell, 1991; Cox *et al*, 2008; Andayani *et al*, 2008; Wahba, 2010) find no relationship between institutional investors and CSR. Though, Wahba (2010) argue that under certain conditions of resource availability and limited investment options, institutional investors engage in CSR. On the whole, the author concluded that the findings are inconclusive.

In other related studies, Coffey and Fryxell (1991) use numbers of women as proxy for CSR measures. According to Coffey and Fryxell (1991) the use of women as proxy for CSR measure creates uncertainty in the directionality of influence of institutional investors on CSR. These findings indicate that institutional investors do not influence the BOD and management enough through corporate decisions to engage in CSR because of the need to make quick returns on their large investments. Similarly, Cox *et al* (2008) and Andayani *et al* (2008) finding indicate that the institutional investors are not interested in CSR because they pursue short term interest of maximising profit. In contrast, Consolandi *et al* (2008) find a negative relationship between institutional investors and CSR. The negative findings imply that institutional investors are interested in holding a temporary stake in the

companies. This short term interest by investors prevents management from allocating resources to CSR.

Previous studies reviewed so far reveal that institutional investors such as long term and short term investors have different preferences for CSR. While long term institutional investors support CSR, the short term institutional investors do not support CSR. This suggests mixed and inconclusive findings. Therefore, further studies are needed to examine the relationship between different institutional investors and CSR.

Moreover, many authors argue that the institutional investors have different preferences for CSR (Waddock and Graves, 1997; Johnson and Greening, 1999; Neubaum and Zahra, 2006). Based on these different preferences, several authors have distinguished institutional investors into different groups (Cumming and Johan, 2004; Lydenberg, 2007; Rashid and Lodh, 2008). Lydenberg (2007) divided institutional investors into universal, social and rational investors. The author argues that both the universal and social investors seek to benefit from return on the economy and society, while the rational investors benefit from return on market because of the portfolio market theory.

In addition, Shleifer and Vishny (1986) divide institutional investors into large and diffused (small) investors. In another study, Shleifer and Vishny (1997) find that diffused shareholders are disadvantaged due to information asymmetry. Diffuse shareholders have less motivation to monitor the BOD unlike the institutional investors who have huge investment, for instance, the institutional investors do not only put pressure on managers to perform, but also demand accountability and transparency from them (Johnson and Greening, 1999). Bingham *et al* (2011) find

family investors support CSR rather than non-family investors. The author states that family investors are more interested in relationship building and stakeholder satisfaction compared to non-family investors that are individualistic and averse to social issues.

In the same line, Rashid and Lodh (2008) introduce managerial ownership (inside ownership) and family ownership as another type of institutional investors' variables. Rashid and Lodh (2008) find family investors to be positively associated with CSR. The findings indicate that the family investors engage in CSR because they want to comply with regulation that mandates companies to ensure the presence of NED in BOD, thus, promoting board independence. In fact, Rashid and Lodh (2008) findings contradict the finding of Consolandi *et al* (2008) that show a negative relationship between institutional investors and CSR. These mixed findings suggest the use of varying types of institutional investors' variables as proxies. These inconclusive findings raise additional calls for more research to investigate and examine the roles of institutional investors in CSR.

Furthermore, past studies investigate the influence of the role of indigenous, foreign and government institutional investors on CSR (Cumming and Johan, 2004; Rasic, 2010). For indigenous institutional investors (see, Earnhart and Lizal, 1999; 2002; Choe *et al*, 2005); foreign institutional investors (Dasgupta *et al*, 2000; Eskeland and Harrison, 2003; Prasanna, 2008; Song *et al*, 2009; Chai, 2010); government institutional investors (Nazli and Ghazali, 2007; Said *et al*, 2009; Zhang *et al*, 2009; Li and Zhang, 2010). In this present study, the impact of indigenous, foreign and government institutional investors and how they affect CSR of PLCs in Nigeria are investigated.

Using a different methodological approach, Petersen and Vredenburg (2009a) use the case study method to examine the link between institutional investors and CSR practices in Canada. Petersen and Vredenburg (2009a; 2009b) find institutional investors favour companies that engage in CSR. This is because investors perceive CSR as a risk mitigating strategy that offers a competitive advantage to the company (Hocketts and Moir, 2004) and enhances its financial performance (Cummings and Burritt, 2007).

Similarly, Marshall *et al* (2009) use the case study method to explore the link between institutional investors and CSR in Australia. The study reveals institutional investors favour CSR, for instance, long term employees' welfare management. This suggests that institutional investors promote long term value in companies. Marshall *et al* (2009) finding contradicts both the findings of Guyatt (2005) and Hendry *et al* (2006) that suggest institutional investors have short term horizons by satisfying the shareholders interest of maximising profit.

Conversely, Guyatt (2005) and Hendry *et al* (2006) explore the influence of behaviour and perception of institutional investors on CSR in the UK. The authors find institutional investors do not support CSR. The findings reveal a number of behavioural challenges such as short term approach, reluctance in adopting CSR practices, defensibility of decisions and policies by investors aimed at short term objectives. This finding suggests that rules, conventions and the market influence the institutional investors to favour the short term approach of maximising profit. Consequently, the long term projects are viewed as riskier since the market is structured on short term horizon. Surprisingly, Guyatt (2005) findings disagree with Petersen and Vredenburg (2009a; 2009b); Clark and Hebb (2005). While, Clark and Hebb (2005) find that the global market influence institutional investors, Proffitt and

Spicer (2006); Ullah and Jamali (2010) find that culture and religion both influence institutional investors to favour CSR.

On the whole, these studies use aggregated institutional investors in their qualitative approach (using case study and interview methods) to investigate the relationship between investors and CSR. The assumption is that institutional investors are one-dimensional and possesses the same characteristics. In contrast, this study uses the case study method to explore the heterogeneous nature of institutional investors and how they affect CSR. The different institutional investors such as the indigenous, foreign and government institutional investors, and their role in CSR are therefore explored.

Following the portrayed facts above, the debate concerning the relationship between types of institutional investors and CSR is still varied and indecisive. These mixed findings could as a result of the heterogeneous nature of institutional investors. Hence, the reason different institutional investors pursue different organisational goals. This could be attributed to their aim to satisfy multiple stakeholders (Johnson and Greening, 1999). Therefore, this study will further explore this relationship between investors and CSR. The next part of this chapter discusses the relationships between the indigenous, foreign and government institutional investors and CSR, starting with the indigenous institutional investors.

2.6.2 Indigenous Institutional Investors and Corporate Social Responsibility

Past studies on the role of indigenous institutional investors and CSR is contradictory (Earnhart and Lizal, 1999; 2002; Choe *et al*, 2005; Said *et al*, 2009). Earnhart and Lizal (1999) examined the effect of types of institutional investors on CSR using an unbalanced panel of 884 companies in 1998. Five different institutional investors

were employed namely, government²¹, financial entities (banks, investment companies, insurance companies, pension fund managers), indigenous investors, investments fund managers and other companies. The Ordinary Least Square (OLS) regression estimator is used to test the effects of types of institutional investors on CSR. Earnhart and Lizal (1999) find a positive relationship between indigenous institutional investors and CSR. However, in the same study, they find government institutional investors show no relationship with CSR. The authors argue that the indigenous institutional investors perceive CSR practices as helping companies to lower fines and mitigate negative risk. This is because the indigenous institutional investors are more knowledgeable about the concern of the community. Accordingly, Earnhart and Lizal (1999) finding illustrates that different institutional investors show different preferences for CSR activities. Our study differs from that of Earnhart and Lizal (1999) in terms of methodology. In this study, a mixed method approach is adopted. While Earnhart and Lizal used cross sectional data and OLS, this study used panel data, random and fixed effect estimators. The Pooled OLS, fixed and random effect estimators are used in addition to the case study method. These approaches are more robust because they provide depth and deeper understanding.

In another study, Earnhart and Lizal (2002) present the effect of different institutional investors on CSR. Six different institutional investors, namely, government investors, indigenous investors, investment funds, portfolio companies, bank and strategic investors²² are employed. Also, the authors studied the effects of privatisation policy from 1996 to 1998 using an unbalanced panel data. Pooled OLS, fixed effect and

²¹The government institutional investors refer to government shareholding where it retains shares in private companies and can pressure companies to engage in CSR disclosure (Said *et al*, 2009).

²²The strategic investors are the concentrated ownership while banks are the investment bankers or fund managers referred to as institutional investors (Earnhart and Lizal, 2002).

random effect estimators are used to establish that strategic investors are positively related to CSR.

In both studies of Earnhart and Lizal (1999) and (2002), the foreign institutional investors were not used. Consequently, the effect of foreign institutional investors on CSR was not fully captured. The authors argue that the study considered the privatisation exercise from 1996-1998 and centred on how much foreign investors participate since they have the resources to acquire new company compared to indigenous investors. However, this study incorporates foreign investors as one of its explanatory variables. It is argued that developing countries rely on foreign investments as part of the engine for economic development that can produce great changes to the socio-economic challenges (Zadek, 2001; Earnhart and Lizal, 2002). In contrast, a further attempt is made in this study, to investigate and understand the effect of foreign institutional investors on CSR. This is one of the objectives of this study.

Choe *et al* (2005) in their study on trading experiences in Korea, argue that indigenous institutional investors are better traders than foreign investors. They conclude that the indigenous institutional investors have an edge over foreign investors as prices move up against foreign institutional investors in trading domestic stocks and shares. Also, indigenous institutional investors pay less during trading of small, medium and large stocks compared to foreign investors because of their understanding of the local market environment and trading experiences.

Past studies on indigenous institutional investors and CSR are still varied and inconsistent (See, Earnhart and Lizal, 1999; 2002; Choe *et al*, 2005; Said *et al*, 2009), implying that institutional investors have different goals and hence show different

preferences for CSR activities (See, Coffey and Fryxell, 1991; Graves and Waddock, 1994; Johnson and Greening, 1999; Neubaum and Zahra, 2006; Wahba, 2010; Rasic, 2010). As a result, this forms part of the objectives addressed in this study. The next part of this section discusses the relationship between foreign institutional investors and CSR.

2.6.3 Foreign Institutional Investors and Corporate Social Responsibility

Studies on foreign institutional investors and CSR are also mixed and inconclusive (see, Dasgupta *et al*, 2000; Eskeland and Harrison, 2003; Prasanna, 2008; Song *et al*, 2009; Chai, 2010). Prasanna (2008) argues that the foreign institutional investors provide the avenues for nations to have access to foreign capital which increases the level of economic activities and development (Song *et al*, 2009). Generally, Rasic (2010) argues that foreign institutional investors normally emanate from developed economies. These foreign investors include MNCs such as Chevron, ExxonMobil, Lever Brothers and Cadbury PLCs to mention a few. By extension, they move to developing countries because of increased globalisation and low barriers (Bondy *et al*, 2004; Clark and Hebb, 2005; Bondy, 2008; Carroll and Buchholz, 2009). Also, foreign investors are driven by the need for lower cost of production, cheaper labour, competition and profit maximisation (Goergen and Ronneboog, 2002; Mallin, 2004).

Several researchers find a small effect of foreign institutional investors on CSR (Dasgupta *et al*, 2000). Dasgupta *et al* (2000) in examining the effect of management policies on CSR using survey of 236 firms in Mexico concluded that foreign institutional investors have little effect on CSR. This finding indicates that foreign institutional investors lack experience and knowledge about the environment, hence; find it difficult to engage in CSR.

On a similar note, Cole *et al* (2008) examine the relationship between foreign institutional investors and CSR in Ghana. The finding shows that foreign institutional investors do not influence CSR practices in Ghana. The author concluded that training and experience of CEO are essential to CSR.

Conversely, Chai (2010) examines the relationship between foreign institutional investors and CSR using panel data of 1,017 listed Korean firms. The author finds a positive relationship between foreign institutional investors and CSR. Chai (2010) argues that big companies with high advertising budget and export orientation tend to favour CSR. The author concludes that CSR is strategic and discretionary, voluntary and embedded in the corporate philosophies of companies. This is similar to the views of Werther and Chandler (2006) that argue that companies should align their CSR practices to their corporate philosophy.

Chai (2010) used the random effect regression estimator to test the effect of foreign institutional investors on CSR. The author explains that the positive relationship between foreign institutional investors and CSR suggest they are inclined to long term value, strategic goodwill or financial performance benefits. Chai (2010) finds a positive relationship between foreign institutional investors and CSR. This finding implies that CSR improves firm reputation. Ultimately, they are able to do this by giving companies competitive advantage over their competitors (Johnson and Greening, 1999; Goergen and Ronneboog, 2002; Bartkus *et al*, 2002; Neubaum and Zahra, 2006).

Similarly, Eskeland and Harrision (2003) use panel data from four (4) host countries, namely, Ivory Coast, Mexico, Morocco and Venezuela to investigate the effect of foreign investors on CSR. The random effect and fixed effect estimators are used to

test the hypotheses. The empirical evidence shows positive relationship between foreign institutional investors and CSR. Eskeland and Harrison (2003) argue that the foreign institutional investors are more involved in environmental management than indigenous investors. Foreign institutional investors use better technological equipment that produce cleaner energy and pollute less.

Conversely, Rasic (2010) finds no relationship between foreign institutional investors and CSR. The author finds the value of the chi-square to be 6.266, while the p-value is 0.652. The author investigates the effect of different institutional investors (that is, private, indigenous and foreign) on CSR in Croatia. The finding implies that foreign investors do not pressure companies to engage in good environmental practices. Rasic (2010) identified weak institution, lack of effective government regulation, high cost of new technologies as factors militating companies from engaging in CSR.

On the same line, Ananchotikul (2008) argues that foreign institutional investors favour countries with weak corporate governance system because it enables them to exploit and take advantage of minority and disperse shareholders. Also, the author found that foreign institutional investors behave like insider and do not improve CSR and governance practices if their original country has weak corporate governance and regulatory system. This means that foreign institutional investors favour CSR and corporate governance practices if they believe that first, it will improve the firm performance and their investment and secondly, when they are under pressure to comply with existing regulatory laws, and finally, if they have strong corporate governance experience from their country.

Continuing on the reason why foreign institutional investors favour CSR and corporate governance practices, Ananchotikul (2008) argues that the extent and level

of relationship between foreign institutional investors and CSR governance depends on the amount of shareholding. For instance, if the level of shareholding is small, foreign institutional investors will invest more in CSR and governance practices. However, the author stated that, if the shareholding is large, foreign institutional investors become entrenched and show little or no interest in CSR and corporate governance practices.

Following the discussion above, it was revealed that some authors investigate only the effect of foreign institutional investors on CSR (for instance, Eskeland and Harrison, 2003; Cole *et al*, 2008), while others investigate a combination of private, indigenous and foreign (Rasic, 2010). In contrast, this study examine foreign, indigenous and government institutional investors, thereby exploring the effect of government institutional investors on CSR. This is one of the goals of this study, to understand the role of government institutional investors on CSR. The next part of this section discusses the relationship between government institutional investors and CSR.

2.6.4 Government Institutional Investors and Corporate Social Responsibility

Several studies on government institutional investors and CSR appear varied and inconclusive (Earnhart and Lizal, 2002; Nazli and Ghazali, 2007; Said *et al*, 2009; Zhang *et al*, 2009; Li and Zhang, 2010). Earnhart and Lizal (2002) examine the effects of institutional investors on CSR. This relationship according to Earnhart and Lizal (2002) depends on firm specific effects. However, after controlling for firm specific effects which captures industry specific effect, the fixed effect estimator show that government institutional investors improve CSR. Also, the random effect estimator used to estimate the panel data show that government institutional investors

have no impact on CSR. In the case of the indigenous institutional investors, after controlling for industry specific effect, production levels and financial performance, produce an insignificant relationship with CSR. The authors concluded that the results imply that ownership structure does not directly affect CSR but indirectly affects financial performance, which in turn determines CSR activities.

Likewise, Nazli and Ghazali (2007) explore the relationship between management, foreign and government institutional investors and CSR practices in Malaysia. The authors generated the data from the company annual reports (CSR data). The results show a positive and statistically significant relationship between government institutional investors and CSR. The authors concluded that government institutional investors are an important aspect of what influences CSR practices. Nevertheless, Nazli and Ghazali (2007) find that management investors engage in less CSR practises because of their intention to maximise profit and satisfy shareholders' interest.

Similarly, Said *et al* (2009) find government institutional investors to be positively and significantly associated with CSR. Said *et al* (2009) findings indicate that the higher the government shareholding in Malaysian PLCs, the higher the level of CSR. Said *et al* (2009) argue government investors can influence companies to allocate their resources towards CSR practices. Also, the authors explain that among the types of institutional investors, the government institutional investors are the most important corporate governance mechanism. The government institutional investors ensure PLCs comply with the legal requirements and accounting standards. Therefore, the positive association of government investors and CSR is aimed at reducing agency cost and alleviating the agency problem between managers and shareholders, public and stakeholders. The government institutional investors can

reduce negative outcomes on companies by mandating companies to provide more disclosures and transparency thereby enhancing company legitimacy. However, Said *et al* (2009) finding of a positive relationship between government institutional investors and CSR contradict the negative relationship between government institutional investors and CSR (see, Zhang *et al*, 2009).

Moreover, Li and Zhang (2010) investigate the link between types of institutional investors; political interference and CSR in China using 692 manufacturing PLCs. Li and Zhang (2010) use multivariate analysis to test their hypothesis. The authors find government institutional investors to be positively related to CSR. This positive finding is supported by Dasgupta *et al* (1997) that argue government institutional investors tend to engage in CSR in order to favour government policies. Also, Li and Zhang (2010) report political interference has a positive and significant relationship with CSR. The findings suggest government institutional investors influence CEOs to pursue social issues relating to the policies of government, for example, infrastructural developments (Rwabizambuga, 2007 and Oyefusi, 2007b), offering employment (Turban and Greening, 1997) and environmental management (Wahba, 2010). According to Li and Zhang (2010) these are politically motivated objectives that pressurise CEOs to pursue CSR.

Nevertheless, Li and Zhang (2010) find non-state owned companies (i.e. private firms) to be negative and significant with CSR. This indicate that institutional investors in non-state owned companies (institutional investors) expropriate disperse investors. This is similar to findings of Atkinson and Galaskiewicz (1988) that disperse investors are being marginalised by large investors, hence do not invest in CSR. Also, institutional investors influence management to achieve their own

interests by ignoring other stakeholders, by not involving in CSR (Hendry *et al*, 2006; Guyatt, 2005; Consolandi *et al*, 2008).

The limitation of Li and Zhang (2010) is the use of non-state owned companies as a proxy for institutional investors. This does not reveal if the types of institutional investors are indigenous or foreign. It has been argued that China's economic growth has been influenced by both foreign and indigenous institutional investors (Chen, 2001). Therefore, this study incorporates foreign ownership as a variable and examines the specific effect of these types of institutional investors (indigenous, foreign and government) on CSR using institutional investors as independent variables (Johnson and Greening, 1999).

On the contrary, Zhang *et al* (2009) examine the role of institutional investors on CSR using 686 firms in China. Zhang *et al* (2009) find government institutional investors to be negatively related to CSR. The authors noted that government institutional investors do not favour CSR. The finding indicates that the government owned companies are poor in managing company assets, thereby making losses because they interfere with the company operations. Zhang *et al* (2009) finding contradicts Li and Zhang (2010) that finds government institutional investors to be positively related to CSR. The reason for these contradictions could be the use of different CSR measures. For instance, the use of cash donations as CSR measures by Zhang *et al* (2009). The author uses cash donations to earthquake victims as a proxy for CSR while Li and Zhang (2010) used the CSR rating from Shanghai National Accounting Institute index as proxy for CSR measure. In essence, the Shanghai National Accounting Institute index is formulated to follow the standard of the SA 8000 issued by Social Accountability Index.

Nonetheless, Rasic (2010) finds an insignificant relationship between government institutional investors and CSR. Rasic (2010) uses environmental performance as a proxy for CSR measures. The author argues that government institutional investors are inefficient in allocation of firm resources.

The review of both the theoretical and empirical literature suggests that the role of different institutional investors in determining CSR has received considerable interest from researchers and scholars. In particular, the impact of the different institutional investors in determining CSR practices in developed countries has been common. For example, Aguilera *et al* (2006) argue that the institutional investors in developed countries paid more attention to social and environmental concerns. However, these kinds of studies are lacking in developing countries (Cole *et al*, 2008). This study undertakes one of such investigations in the direction of CSR by PLCs in developing countries, such as Nigeria.

In view of the discussions above, previous studies on the effect of different institutional investors on CSR revealed not only varied and inconclusive findings, but show that the effects are firm and country specific (Consolandi *et al*, 2008). Therefore, because of this gap, there is the need to examine the impact of different institutional investors on CSR in Nigeria. This study intends to achieve that aim and resolve this problem in the body of literature. So, it is the prediction of this study that the indigenous, foreign and government institutional investors influence PLCs to engage in CSR. The next section reviews the role of the BOD characteristics on CSR.

2.6.5 The Role of Board of Director Characteristics and Corporate Social Responsibility

The role of the BOD includes strategy, control and service. For instance, formulating goals, rules and strategies for the organisation, 2) monitoring and rewarding performance and 3) providing and securing resources for the company and the environment (Hung, 2011). These roles of BOD include some of the companies' CSR policies which shape the CSR structure and implementation.

Extensive literature has been documented in past studies on the role of BOD characteristics on CSR, and the findings are also diverse (Wang and Coffey, 1992; Johnson and Greening, 1999; Werbel and Carter, 2002; Dunn and Sainty, 2009; Kruger, 2010). The role of BOD characteristics on CSR focuses on board composition, that is, the Non-Executive Director (NED) and executive director (Pfeffer, 1972), board size (Conyon and Peck, 1998), and board diversity (Campbell and Miguez-Vera, 2008; Post *et al.*, 2011).

2.6.6 Board of Directors' Composition and Corporate Social Responsibility

Several studies on the role of board composition²³ on CSR are equally mixed (Wang and Coffey, 1992; Johnson and Greening, 1999; Werbel and Carter, 2002; Dunn and Sainty, 2009; Kruger, 2010). In terms of the relationship between NED and CSR, several authors find the inclusions of NED in board to be positively related to CSR (Coffey and Wang, 1998; Johnson and Greening, 1999; Post *et al.*, 2011). According to Johnson and Greening (1999) the NEDs would bring their skills, connection and

²³The board composition refers to the total number of executive directors and non-executive directors present in the board (Baysinger and Hoskisson, 1990).

contact to the board; thereby encouraging the long-term survival of the corporation. The authors note that the NEDs' involvement in CSR helps to enhance product quality and good environmental practices with the aim of satisfying a wider group of stakeholders (Pfeffer, 1972).

In addition, Wang and Coffey (1992) analyse the relationship between NED and CSR using multiple regression analysis to test hypotheses. The authors find a positive relationship between NED and CSR. However, the shortcoming in Wang and Coffey (1992) are the use of agency theory in formulating their hypotheses. In fact, other theories were ignored, such as the stewardship (Davis *et al*, 1997), resource dependence (Silky and Parker, 2005) and stakeholders (Heslin and Ochoa, 2008; Benson *et al*, 2009; Chai, 2010). In that regard, this study attempts to resolve this shortcoming by using these theories (stewardship, resource dependence and stakeholders) to explore the relationships between BOD composition and CSR.

In contrast to the positive relationship between NED and CSR, Ibrahim and Angelides (1995); Ibrahim *et al* (2003) and Rodriguez-Dominguez *et al* (2009) find no significant relationship between NED and CSR. Ibrahim and Angelides (1995) examine the relationship between board composition and CSR using secondary data and postal questionnaires. Ibrahim and Angelides (1995) use correlation analysis and MONOVA regression technique to test the hypotheses. The authors find no significant relationship between NED and CSR. Similarly, Rodriguez-Dominguez *et al* (2009) explain that the insignificant relationship between the NED and CSR implies that NED is concern with implementing policies that protect shareholders interest of maximising profit. By doing this, the NED do not support CSR (Rodriguez-Dominguez *et al*, 2009).

As for the effect of executive directors on CSR, Wang and Coffey (1992) find executive directors to be positively related to CSR. Also, Werbel and Carter (2002) report that executive directors are significantly correlated with CSR, as suggested by stewardship theory that executive director's engagement in CSR. This is in the interest of shareholders because the stewardship theory assumes executive directors to be pro-organisational. According to Wang and Coffey (1992) executive directors favour CSR because CSR contributes to the community development through improvement in the public infrastructures. On the whole, this contributes to the long term relationship between the company and society.

Also opposed to NED is (Vance 1964) who argues that executive directors rather than NED help to improve a corporation's performance when they are majority in the board. In addition, the criticisms of NED, according to Schaffer (2002) range from lack of adequate information concerning the state of the corporation and its operation, that is, information asymmetry, a lack of total commitment to the corporation and a lack of time as some Needs are multi-tasked in nature, having more than one job.

Furthermore, Kruger (2010) finds executive directors to be positively related to CSR. According to the author, the higher numbers of experienced executive directors in the BOD, influence their decision making process. The author noted that the executive directors prevent the BOD from pursuing short term interest, while focusing on CSR and stakeholders' satisfaction. This argument of executive directors favouring CSR is supported by the stewardship theory. Therefore, the executive directors help to reduce the amount of law suits that could harm the company. Along the same lines, Kruger (2010) argues that executive directors reduce the occurrences of negative events such as litigations against the company.

The supporters of executive directors' dominated boards argue that executive directors have access to information about the day to day affairs of the corporation and information on senior manager's performance (Baysinger and Hoskisson, 1990). According to Baysinger and Hoskisson (1990) executive directors favour smaller growth firms, high research and development intensity and firms with low diversification strategy.

Given the review of past studies on the relationship between board composition and CSR, the findings still remain mixed, as most studies are based on developed countries. However, this study will focus on developing countries, such as, Nigeria where empirical evidence is lacking. The next part of this section discusses the relationship between the board size and CSR.

2.6.7 Board Size and Corporate Social Responsibility

Many authors differ on how the board size²⁴ affects the quality of BOD's decision making process (Johnson *et al*, 1993; Dalton *et al*, 1998; Filatotchev and Bishop, 2002; Kassinis and Vafeas, 2002). While, Sanda *et al* (2010); Conyon and Peck (1998) argue that board size affects financial performance, Kruger (2010) notes that board size affects CSR.

Jensen (1993) argues for smaller board size and suggests that larger boards are more likely to incur higher agency costs than smaller BOD. In other words, larger BODs are less active and participatory compared to smaller BOD (Sanda *et al*, 2010). This may induce managers to become opportunistic and unable to carry out BODs' monitoring activities on CSR (Kassinis and Vafeas, 2002). Consequently, larger

²⁴ The board size refers to the total number of directors on the board of companies including the executive directors and NEDs (Ogbechie *et al*, 2009).

BODs become less effective than their smaller boards' counterparts (Goodstein *et al*, 1994; Yermack, 1996; Conyon and Peck, 1998; Kassinis and Vafeas, 2002; Amaeshi *et al*, 2006). In terms of the appropriate board size, Sanda *et al* (2010) propose a BOD size of ten as the effective board size, while Jensen (1993) proposes a BOD size of seven members for each company. This could be one of the ways of dealing with the increase in agency cost associated with larger BODs (Fama and Jensen, 1983).

Consistent with Jensen (1993) argument, Yermack (1996) finds a negative relationship between BOD size and financial performance. Given the low availability of financial resources, the argument is that larger BODs find it difficult to engage in CSR (Consolandi *et al*, 2008). Similarly, Yermack (1996) supports smaller BODs by stating that smaller BODs favour higher market valuation. Along the same lines, Jamila *et al* (2010) argue that smaller BODs are more effective mechanisms to enhance corporate performance (McGuire *et al*, 1988). Besides, Conyon and Peck (1998) find BOD size to be negatively associated with financial performance and according to Earnhart and Lizal (2002) given low firm performance, companies will not invest in CSR. The negative findings support small BOD size and this means low BOD efficiency through less CSR disclosures.

Furthermore, Goodstein *et al* (1994) examine the effects of BOD size on CSR in the US and find a negative relationship between BOD size and CSR. This finding implies that a large BOD may find it difficult to coordinate decisions concerning CSR. Goodstein *et al* (1994) use a panel data of 334 hospitals in the health care industry from 1980 to 1985. The model is estimated using weighted generalised least square. The finding suggests larger BOD may be unwilling to bring about a strategic change within a company, for example, to engage in CSR.

On the other hand, Ogbechie (2009) argues that larger BODs are more prone to conflict and difficult to coordinate. Ogbechie (2009) finds no relationship between BOD size and BOD involvement in the strategic decision making process of the company. Some of these strategic decisions include formulating CSR policies. In addition, Said *et al* (2009) find no relationship between BOD size and CSR. Said *et al* (2009) investigated the relationship between BOD characteristics and CSR. The authors use content analysis of Malaysians PLCs in 2006. They find that board size is not associated with CSR. This suggests that the board size hardly influences CSR.

In line with Goodstein *et al* (1994), Kassinis and Vafeas (2002) find BOD size to be negatively related to CSR. Kassinis and Vafeas (2002) examine the effect of board size on CSR among 209 firms. The authors use logistic regression models to test the hypotheses. The negative results imply higher BOD size attracts higher lawsuits filed against the company. Kassinis and Vafeas argue that larger BODs are problematic because they are less cohesive in nature than smaller BOD and encounter process losses. Also, according to Kassinis and Vafeas (2002) larger BODs are incapable of having corporate strategies that prevent lawsuits against the company because of poor CSR practices.

Conversely, several authors argue that the BOD provides a pool of potentially valuable resources for the firm (Pfeffer, 1972; Hillman *et al*, 2000). Pfeffer (1972) emphasises that larger board size assists the corporation to connect with its external stakeholders and gather resources (Cyert and March, 1963), reputation and good corporate brand (Joyner and Payne, 2002). This assertion is supported by the resource dependence view (Russo and Fouts, 1997). Pfeffer (1972) further argues that increased resources could enhance the chances of corporations' boards adopting CSR. Also, the author argues that large BODs provide expertise and skills used to monitor

an entrenched executive management. This indicates that larger BODs are well positioned to make strategic decisions. Empirically, Pfeffer (1972; 1973) finds BOD size to be positively related to CSR, concluding that larger BODs act as linkage to the community and environment. This is because the BODs are interested in the long term interest of the firm.

Coleman (2007) uses panel data from 1997-2001 in four (4) African countries namely South Africa, Ghana, Kenya and Nigeria. The author finds that BOD size is positively related to maximisation of shareholders' value and corporate performance. The argument is that, given higher financial performance, managers will engage in CSR practices (Waddock and Graves, 1997).

Following the discussion on BOD size and CSR, the findings remain varied. Some authors find a positive relationship between BOD size and CSR (Pfeffer, 1972; 1973; Coleman, 2007). Others such as Kassinis and Vafeas (2002) recorded a negative relationship between BOD size and CSR, while no relationship is sustained by Said *et al* (2009). Therefore, one of the objectives of this study is to investigate the relationship between BOD size and CSR aimed at contributing to the body of literature.

2.6.8 Board Diversity and Corporate Social Responsibility

Male and female directors have different values as regards CSR (Post *et al*, 2011). In defining board diversity *...as variation among its members*: Coffey and Wang (1998:1596) argue that *...this variation may derive from multiple sources such as expertise and management background, personalities, learning styles, education, age and values. A board may be viewed as diverse when it is comprised of owners, non-owning managers and outside members*. Similarly, Campbell and Miguez-Vera

(2008: 437) defined board diversity *as the variety inherent in the board's composition. This variety can be measured by a number of dimensions: gender, age, ethnicity, nationality, educational background, industrial experiences and organisational membership, among others.*

Coffey and Wang (1998) argue that diversity of BOD is positively related to CSR. This is because charities and donations are in line with the long-term goal of the company, and altruistic in nature. Coffey and Wang (1998) argue that board diversity reduces managerial control²⁵, improves BOD effectiveness, and check management excessiveness. In a similar vein, Bear *et al* (2010) reiterate that board diversity enhances robust decision making, board effectiveness and independence. According to Williams (2003) board diversity encourages the BODs to be responsive to a wider group by satisfying the various stakeholders of the corporation. However, in the absence of board diversity, managerial opportunism thrives. As a result, this encourages inefficiency, reduced profit, hence affecting the availability of funds for philanthropic and charitable projects (Coffey and Wang, 1998).

Taking a middle approach, Post *et al* (2011) argue that female directors favour CSR, only if they are more in numbers in the BODs. For example, three female directors and above are expected to have an impact on the board to engage in CSR. However, if the number falls below a minimum of three female directors in the BODs, there is little or no impact on CSR.

However, Khan (2010) finds no relationship between female directors and CSR in Bangladesh's banks. In examining the role of female directors in CSR, the author

²⁵Managerial control means the ability of management to influence BOD decisions and outcome (Coffey and Wang, 1998).

uses both the content analysis and multivariate analysis. Khan's (2010) finding implies that female directors are new in executive roles and responsibilities. Therefore, a female director's role might be restricted, having little or no impact on CSR, as a result of their small numbers in the board (Post *et al*, 2011).

On the other hand, Williams (2003) finds no relationship to demonstrate that women as board members increase the adoption of policies in public and educational matters. Charitable investments or donations by corporations influence managers to adopt CSR, especially those with bad corporate image. This is a way to amend their image and increase societal acceptability (Williams, 2003). Also, Tsalikis and Ortiz-Buonafina (1990) find no significant relationship between board diversity and CSR. In the same way, Rose (2007) finds no significant relationship between female directors and firm performance. Given low profitability, the argument is that companies will not invest in CSR.

Nonetheless, Prado-Lorenzo *et al* (2009b) find a negative relationship between inclusion of women in the BODs and CSR. This finding implies that the majority of the male dominated BODs influence the female directors, through unconscious socialisation to adopt the view of the majority of board members, which is to invest less in CSR.

Similarly, Rodriguez-Dominguez *et al* (2009) find negative and no significant relationship between women in BODs and CSR (the coefficient = -3.255 at Wald-value of 2.365). The finding indicates lack of impact of women in CSR, especially on ethical issues. Also, the non-significant results imply few women in the board puts women directors in the minority group in male dominated BODs. As a result, the decision and view of the minority group will not be considered in the decision

making process of the BODs. Likewise, Rodriguez-Dominguez *et al* (2010) find mixed and inconclusive results between female directors and corporate performance. The authors stated that, in the telecommunication and technology sectors, female directors are related to corporate performance, while in the service sectors, female directors show a negative relationship with financial performance. Given low profitability, companies will not invest in CSR. The findings imply that women's backgrounds are not related to the complexity of the production processes in the service sector.

On the other hand, Bear *et al* (2010) examine the impact of board diversity and gender composition on CSR and firm reputation using OLS estimator to test the hypotheses. Bear *et al* (2010) find a positive and significant relationship between women in the BODs and firm reputation. Also, the authors find a positive and statistically significant relationship between CSR practices and board diversification. While, Ayuso *et al* (2007), using 946 companies from Dow Jones Global Index Annual Review in 2004 from 31 countries, find that the board diversity favours stakeholder engagements. In addition, the authors find women inclusion in board and stakeholder engagement to be positively related to financial performance.

Given the review of literature concerning the role of BOD characteristics in CSR, studies reveal that directors differ in their preferences for CSR (Ayuso *et al*, 2007; Rodriguez-Dominguez *et al*, 2009). In the role of board diversity and CSR, the findings are varied. Some authors, as already mentioned, find a positive relationship between board diversity and CSR (Bear *et al*, 2010), negative relationship (Rodriguez-Dominguez *et al*, 2009; Prado-Lorenzo *et al*, 2009b), no relationship (Tsalikis and Ortiz-Buonafina, 1990; Rose, 2007). This makes the findings not only varied and inconclusive but sector and gender specific (William, 2003; Rodriguez-

Dominguez *et al*, 2010). These empirical studies are carried out in developed economies while they are non-existent in developing economy like Nigeria. Most importantly, there are no studies on the role of BOD characteristics in CSR in Nigeria. One of the efforts in this study will be to examine the relationships between BOD characteristics and CSR in Nigeria. Our study is exploratory.

The differences between this study and previous studies so far reviewed is that; 1) it focuses on the impact of indigenous, foreign and government institutional investors on CSR in Nigeria, 2) it focuses on the impact of board composition, board size and board diversity on CSR of PLCs in Nigeria, 3) it examines the perceptions and behavioural factors of indigenous investors, foreign investors, government investors, NEDs, executive directors, BOD size and BOD diversity and how they all influence CSR in Nigeria, 4) it uses both the statistical analysis and case study methods to examine the impact of indigenous investors, foreign investors, government investors, board composition, board size and board diversity on CSR in Nigeria. The next section reviews other factors that affect and determine CSR practices.

2.7 Determinants of Corporate Social Responsibility

Several authors have identified the determinants of CSR to include financial performance (Solomon and Hansen, 1985; Pava and Krausz, 1996; Preston and O'Bannon, 1997; Waddock and Graves, 1997; Johnson and Greening, 1999; Hillman and Keim, 2001; Orlitzky *et al*, 2003; Amaeshi, 2010), firm size and industry type (McGuire *et al*, 1988; Mckendal *et al*, 1999; Waddock and Graves, 1997; McWilliams and Siegel, 2001).

In fact, the relationships between CSR and corporations' performance from previous authors show positive, negative and sometimes inconclusive findings (McWilliams

and Siegel, 2000). The different findings and disagreements between CSR and financial performance arise from both the theoretical context (Balabanis *et al*, 1998), the methodological or the empirical inconsistencies adopted by different researchers (Aupperle *et al*, 1985). Whilst some authors find positive relationships between CSR and financial performance (See, Solomon and Hansen, 1985; Pava and Krausz, 1996 and Preston and O'Bannon, 1997; Waddock and Graves, 1997; Johnson and Greening, 1999; Hillman and Keim, 2001; Orlitzky *et al*, 2003; Cox *et al*, 2004); Other authors find negative or neutral relationships (Abbott and Monsen, 1979; Arlow and Gannon, 1982; Ullman, 1985; McWilliams and Siegel, 2000).

In actual fact, this inconsistency between CSR and financial performance is explained by Amaeshi (2010), when the author writes that....*CSR and financial performance will continue to run on competing logics until their different markets are distinctively articulated and/or aligned* (Amaeshi, 2010: 41). Therefore, trying to compare CSR which is difficult to measure, unlike financial performance, that is easily measured using profitability is the underlying reasons for the mixed and inconclusive results reported in the relationships between CSR and financial performance (McWilliams and Siegel, 2000).

Furthermore, the reason for the positive correlation between CSR and financial performance is based on stakeholder theory (Freeman, 1984; Jawahar and McLaughlin, 2001; Freeman and McVea, 2001). The stakeholder theory anchors on the fact that the value of corporation (performance) is determined by costs namely implicit cost²⁶ and explicit cost²⁷. Kesner *et al* (1986) argue that when a corporation

²⁶ The implicit cost is the cost incurred in developing quality products (low emission of carbon dioxide, greener products that reduces climate change and better environment such as avoiding dumping of toxic waste in river and land (Waddock and Graves, 1997).

avoids investment in CSR, for example, the dumping of toxic waste in the water, the implicit cost decreases and the corporation become socially irresponsible. This could lead to environmental damage and higher explicit cost, because the cost has been transferred to the society through destroying or harming the environment. This could place the corporation in a competitively disadvantaged position with their competitors.

Waddock and Graves (1997) used the slack resources theory²⁸ to explain the positive relationship between CSR and financial performance. The slack resources according to Cyert and March (1963), are the excess resources above what the corporation needs to operate at a certain period of time. Apart from relieving scarcity in corporation, reducing monitoring on profitability and diverting resources to subunits and experimentation, slack resources have been linked to the possible reasons for corporations investing in CSR projects (Cyert and March, 1963). This is because corporations with sound financial resources invest in CSR projects so as to reach a higher standard of corporate performance (Waddock and Graves, 1997; McGuire *et al*, 1988).

In contrast, the reasons for negative correlation between CSR and financial performance are based on the neoclassical economic concepts (Aupperle *et al*, 1985). These neoclassical economic concepts are on prices, output and income distribution of corporations as dictated by the forces of supply and demand. The use of factors of production in business imposes limitations or constraint on both the cost and income. Therefore, proponents of negative correlation argue that managers should be focused

²⁷ The explicit cost is the cost incurred in payments to shareholders and wage contracts (Waddock and Graves, 1997; McGuire *et al*, 1988).

²⁸ The availability of unspent or excess resources is diverted to other purposes for instance investing in CSR (Waddock and Graves, 1997).

on their fiduciary (legal) responsibility of companies which is maximizing wealth and satisfying the shareholders (Friedman, 1970). In this case, CSR is seen as an additional cost on the company which will reduce the profits and shareholders' wealth. This is supported by the agency theory (See section 2.1.1) that is anchored on maximising the shareholders wealth.

However, Ullman (1985) offered the reason for the neutral relationship to be as a result of several variables or components of CSR and financial performance not included in the model. Therefore, these variables causes what is known as the omitted variable bias? These are the variables that result in both CSR definitional inconsistencies and measurement inconsistencies. These variables can render CSR-financial performance correlation invisible (Abbott and Monsen, 1979; Arlow and Gannon, 1982).

The other concept that determines CSR is the good management theory (See Waddock and Graves, 1997). Corporations involved in good stakeholder practices, such as increase in board diversity (more women and ethnic minorities), good community relation practices, and good customer perception have been linked to improved financial performance (McGuire *et al*, 1988). Satisfying all stakeholders can lead to good corporate image, high employee morale, reduction in implicit cost leading to competitive advantage and high financial performance (Johnson and Greening, 1999).

Another determinant of CSR is the firm size and industry. Several studies have confirmed that firm size and industry type influence CSR (McGuire *et al*, 1988). Following several studies (See Mckendal *et al*, 1999; Waddock and Graves, 1997; McWilliams and Siegel, 2001) firm size is related to financial performance and CSR.

It is assumed that firms with large assets have slack resources that are used for CSR practices.

Moreover, another determinant of CSR is using CSR as a strategic tool. If CSR is aligned to the corporate philosophy of companies, then CSR can be used to gain competitive advantage. For example, the CSR expenditures are based on managerial discretion aimed at improving the long term interest of the company. Consequently, this alignment of CSR to the mission, vision and values statements of corporations can be said to be strategic. This is part of what the study explored using the case study approach (See chapters 4 and 6 for details).

Joyner and Payne (2002) suggested various factors that motivate organisations to engage in CSR practices. They are known as CSR drivers²⁹ (Loimi, 2002; Lohman and Ateinholtz, 2004), and these include employee retention, consumer satisfaction and loyalty, company reputation, legitimacy and increase in companies' brand (Carroll, 1999; McWilliams and Siegel, 2001; Amaeshi, 2008).

Debt is another determinant of CSR (Goss and Roberts, 2009). Debt is the amount owned by the company (Mallin, 2004). Neubaum and Zahra (2006) argue that debt affects the level of investment in CSR. While, Goss and Roberts (2009) state that as the level of debt rises, the company comes under pressure to repay its loan and as such may affect the resources needed for CSR practices. Goss and Roberts (2009) find the impact of cost of debt financing to be high and low levels on CSR (Goss and Roberts, 2009). This means that at low level of debt, companies invest in CSR. However, as the debt increases companies are forced to repay their loans and this

²⁹ CSR drivers are factors that influence companies to adopt CSR practices (Joyner and Payne, 2002). Other CSR drivers include avoidance of tax and litigation suits, pressure groups (NGOs) and adherence to government regulations (Navarro, 1988).

makes it difficult for companies to invest in CSR. Goss and Roberts (2009) state most companies invest in CSR when faced with more environmental, social and ethical issues. The authors find a significant spread between two and sixteen basis points in the relationship between debt and CSR. Therefore, companies use strategic CSR to lower their costs of debt. Accordingly, Goss and Roberts (2009) concluded that CSR is used as insurance against environmental and social concerns. The multidimensional construct of CSR is discussed next with the view of understanding the inconsistencies surrounding CSR.

2.8 The Multi-Dimensional Construct of Corporate Social Responsibility

More importantly, CSR is a multidimensional construct that is the diversity of CSR (Coffey and Fryxell, 1991; Carroll, 1979; Griffin and Mahon, 1997; Carroll, 1999). The diversity of CSR is partially studied empirically (Johnson and Greening, 1999). Cox *et al* (2004) use the disaggregated CSR dimensions such as environment, community and employee relations as a measure of CSR in their study. Johnson and Greening (1999) use two CSR dimensions as a measure of CSR, namely, the people dimensions (women and minorities, employee relations and community) and product dimensions (product quality and environment).

Furthermore, there are several methodological or empirical inconsistencies that are of real concern to researchers in examining the relationship between institutional investors, BOD characteristics and CSR (Aupperle *et al*, 1985; Waddock and Graves, 1990; Johnson and Greening, 1999; Neubaum and Zahra, 2006; Chai, 2010). The role of institutional investors in CSR has been questioned by several authors because of the mixed and inconclusive findings (Graves and Waddock, 1994; Johnson and Greening, 1999; Bartkus *et al*, 2002; Neubaum and Zahra, 2006; Chai, 2010).

According to Chai (2010) previous research concerning types of institutional investors and CSR suffer from sampling and methodological error as a result of accounting disclosures in CSR. Consequently, the results from rigorous and robust empirical analysis based on reliable longitudinal and cross sectional data are limited.

These mixed findings could be as a result of how CSR is defined (Carroll 1999). Carroll (1979) defined CSR based on social issues using four principles such as economic, ethical, and legal and philanthropy responsibility. The author illustrates this in a pyramid form by stating that the economic responsibility is more important to the company followed by ethical, legal and philanthropic responsibility. Others defined CSR based on stakeholder management (Freeman, 1984; Agle *et al*, 1999). The European Commission (2006) views CSR as a concept and voluntary practises by firms to widen their responsibility to include social and environmental concern with the goal of satisfying a wider stakeholder group, such as shareholders, employees, customers, society, community, environment and suppliers (See section 2.2).

Some authors adopted a more strategic approach in defining CSR (Wood, 1991; Wartick and Cochran, 1985 and Yongqiang, 2008; 2009). This inconsistency in CSR definitions is as a result of the word ‘social’ which are the moral components of CSR (Carroll, 1999). This has resulted in varying CSR measures. Some authors use social issues to measure CSR (such as environment, product quality and philanthropy). For example, as mention earlier, Johnson and Greening (1999) used product quality and environment as product dimension and women and minorities, employee relations and community as people dimension. The product and people dimensions were used by the authors as a measure for CSR. Ibrahim *et al* (2003) use stakeholders such as shareholders, employee relations, environment, and consumer satisfaction as a proxy

for CSR (Agle *et al*, 1999). In some studies, some authors use BOD characteristics such as inclusion of women as a proxy for CSR measures (See, Coffey and Fryxell, 1991).

Besides, the use of secondary data from organisations that use several CSR dimensions as measures of CSR is another source of the methodological inconsistencies. For instance, Kinder, Lydenberg, and Domini and company (KLD) and FSTE4GOOD index use several CSR components as a measure of CSR, such as women and minorities, product quality, employee relations, ethics, and environment. Consequently, there is lack of empirical uniformity in the findings reported (Turban and Greening, 1997; Griffin and Mahon, 1997; Chai, 2010). According to Slater and Dixon-Fowler (2009) KLD is an independent rating agency that specialises in rating organisations using environment, social and governance performance variables. Some of the KLD CSR dimensions have been employed by several authors (Graves and Waddock, 1994, Waddock and Graves, 1997; Johnson and Greening, 1999; McWilliams and Siegel, 2000; Hillman and Keim, 2001; Slater and Dixon-Fowler, 2009). Waddock and Graves (1997) use five CSR dimensions of KLD (women and minorities, product quality, environment, community and employee relations) as dependent variables. McGuire *et al* (2003) use four CSR dimensions of KLD, namely, product quality, environment, and community and employee relations.

Moreover, several studies measure CSR using different methods such as content analysis of annual reports (Said *et al*, 2009), surveys (Aupperle *et al*, 1991), Standard and Poor's 500 (Graves and Waddock, 1994), KLD (Waddock and Graves, 1997; McGuire *et al*, 2003), behavioural methodological and perception measures (Wodutch and Mckinney, 1991), case study approach (Clarkson, 1985; Petersen and Vredenburg, 2009a), and use of interviews (Hendry *et al*, 2006).

Subsequently, these different CSR measures result in measurement and methodological errors and these errors are concern to management and finance researchers (Waddock and Graves, 1997). In this study, therefore, an attempt will be made to reduce the errors by investigating the effects of institutional investors and BOD characteristics on CSR, using the multi-methods approach. Moreover, in order to understand how CSR and corporate governance structures operate and are linked, it is important to discuss the necessary framework for the Code of Corporate Governance.

2.9 Conclusion

The review of literature provides five key concepts for this research. First, the literature on the role of institutional investors on CSR is not only mixed and inconclusive (Johnson and Greening, 1999; Cox *et al*, 2004; Petersen and Vredenburg, 2009; Chai, 2010; Wahba, 2010), but country, industry and firm specific (Consolandi, 2008). While, some studies find a positive relationship between institutional investors and CSR (Cox *et al*, 2004), other studies show no relationship between institutional investors and CSR (Consolandi *et al*, 2008). In addition, previous studies on the effects of foreign, indigenous and government institutional investors on CSR reveal diverse and uncertain findings (See, Earnhart and Lizal, 1999; Nazli and Ghazali, 2007; Rasic, 2010). Furthermore, past studies on the role of institutional investors on CSR concentrate on developed countries whereas there are none on Nigeria. This gap concerning the role of institutional investors on CSR is what the objectives of this study intends to examine and fill, thereby contributing to the body of knowledge.

Second, the literature on the role of BOD characteristics on CSR is also varied (Coffey and Wang, 1998; Johnson and Greening, 1999; Werbel and Carter, 2002;

Dunn and Sainty, 2009). Previous studies on the characteristics of the BODs and CSR are concentrated on developed countries and the results are mixed. Furthermore, there is no study on the effects of the BOD characteristics on CSR in Nigeria. Hence, there is a gap on the impact of NEDs, executive directors, board size and board diversity on CSR of PLCs in Nigeria. It is one of the goals of this study to also fill this gap in the body of literature.

Third, the stakeholders' theory attempts to address who and what really matters to the company. This refers to the arguments that companies have a moral obligation to engage in CSR and satisfy different stakeholders' group. It equally stresses the fact that management must satisfy them for the purpose of creating long term value for the company. The debate outlines the fact that management is still confused on how to allocate company resources to the competing groups that have stake in the company without encountering conflicts of interest. These tradeoff conflicts have weakened the stakeholder theory as there is little empirical evidence of resolving the tradeoff and helping managers to obtain one value maximising function rather than multiple value maximising functions (Jensen, 2001).

Fourth, the weakness in stakeholder theory does not assist managers in making trade-off decision when faced with multiple stakeholders (Benson *et al*, 2009). This sometimes contributes to our understanding and contested definitions of CSR. The stakeholder theory is still relatively under applied in developing countries like Nigeria. It is still evolving to resolve 'who and what accounts to companies CSR especially in the area of resolving the legitimacy gap between companies CSR and community expectations (Idemudia, 2009a).

Fifth, as a whole the literature review reveal gaps between the lack of empirical research on the impact of institutional investors and BOD characteristics on CSR. They also reveal the conflicts among governance and CSR theories and the need for a theory that incorporate a broader context of CSR practices. In this way, it becomes possible to predict the fundamental difference about strategic CSR practices and corporate governance mechanisms. For instance, is that, it is better explained by the stakeholder theory and value maximisation theory rather than the traditional business theory of profit maximisation?

Finally, previous studies have adopted either the positivist approach (quantitative) or the realism approach (case study) in providing understanding about the impact of institutional investors and BOD characteristics on CSR. This study provides a more robust approach by arguing for a pragmatic approach, which allows for combining the positivist and realism approaches. Thus, providing a better understanding of the construct, and also, as a means of achieving valid and reliable findings.

The next chapter discusses the general overview of CSR and corporate governance framework in Nigeria. It also provides some evidence suggesting that CSR in Nigeria is philanthropic in nature, while the Code of Corporate governance in Nigeria is modeled along the Anglo-Saxon model of both the UK and US.

CHAPTER 3

3.0 CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY IN NIGERIA

3.1 Introduction

The previous chapter discussed the theories and past empirical studies on the role of different institutional investors and board of director (BOD) characteristics on Corporate Social Responsibility (CSR), thereby, providing the scope for the research objectives for this study (see section 1.3). In synthesis, this chapter is aimed at illustrating and understanding the CSR and the regulatory framework of corporate practices of PLCs in Nigeria. The significance of this chapter is to provide further justification to the study of the roles of institutional investors and BOD characteristics on CSR activities in PLCs, thereby serving as an additional motivation and basis for the research aims and objectives.

This chapter is organised to examine the following themes: the regulatory framework in Nigeria, ownership structure of companies in Nigeria and shareholders activism in Nigeria. Also, the CSR practices, the role of BODs and its structure of PLCs in Nigeria are further discussed.

3.1.1 Corporate Governance Regulatory Framework in Nigeria

Historically, the government played an important role during the post-colonial era restricting foreign ownership of companies in the Nigeria economic sectors (Okike, 2004; 2007; Ehikioya, 2009; Ojo, 2009). According to Ahunwan (2002), the interventionists approach by government in developing countries is aimed at exercising control over the developmental process. This is because of the absence of a democratic political culture, weak market structure and lack of good corporate governance practices. Earlier, during the British colonial era, the company registration law known as the Company Ordinance Act was introduced in 1922.

Earlier on, in 1886, the National African Company was the first British company chartered in England to operate in Nigeria (Okike, 2007). The success of the National African Company in Nigeria attracted other companies to Nigeria leading to the rise of foreign ownership in Nigeria. Orojo (1992) asserted that the colonial era witnessed the concentration of foreign owned companies operating in Nigeria. Oftentimes, the foreign investors and their Multinational Companies (MNCs) dominated the economic interest and business environment of Nigeria. In fact, the corporate governance in the British colonial era is the British corporate system which also regulated the activities of companies operating in Nigeria as at that time (Orojo, 1992, Ahunwan, 2002). Consequently, Ahunwan (2002) stated that the British colonial era law forms the core of the Nigeria legal system because of the British colonisation.

Currently, Okike (2007) argues that the legislation in Nigeria is rooted in the colonial British institutions. After Nigerian independence in 1960, the British colonial government transferred most of the rules and regulations to the self-rule, independent Nigerian state. According to Ahunwan (2002) the pre-independence era in Nigeria witnessed the replacement of the Company Ordinance Act of 1922 with the Companies Act of 1948. The Companies Act of 1948 was later replaced by the Company Act of 1968. However, the Company Act of 1968 failed to address the problem of company law, such as the political and socio-economic problems. As a result, Okike (2007) reiterated that the rising economic, commercial and investment activities in Nigeria were dominated by foreign owned companies. This dominance of foreign owned companies formed the bedrock for the growth of foreign institutional investors in Nigeria (NSE fact book, 2008), and this accounted for 40% of the total shareholding of company ownership structure in Nigeria (NSE fact book, 2009).

Furthermore, the post-independence era is perceived to mean economic self-independence, after Nigeria gained independence from the British colonial authority in 1960. This economic self-independence raised agitation for indigenous ownership of companies and control of the means

of production in the socio-economic developments of Nigeria. This also created the advent of indigenous ownership of companies leading to the growth of indigenous institutional investors in Nigeria.

Accordingly, two laws changed the ownership structure of companies in Nigeria. These laws are; the Foreign Exchange Act of 1962 and the Nigerian Enterprise Promotion Degree of 1972 (Indigenisation Degree). Subsequently, Yakasai (2001) argues that the Indigenisation Degree of 1972 influenced the acquisition of foreign investors' shares by indigenous investors. However, most indigenous investors could not acquire the whole shareholdings held by foreign institutional investors, because of lack of funds (Okike, 2007). As a result, the government intervened by acquiring outstanding shares which indigenous institutional investors could not purchase as at that time. This led to the growth of government ownership of companies which attracted the presence of government institutional investors in Nigeria.

Consequently, the government formed state owned companies, as most state and federal governments acquired the shares of foreign investors. In this way, the government gained control of most public utilities, for example, energy, telecom, banks and oil companies (Yakasai, 2001; Ahunwan, 2002).

The growth of companies and their practices led to the significance of a sound regulatory framework in Nigeria. The regulatory framework in the country is similar to that of the British law. Hence, Okike (2007) refers to the Nigeria corporate governance system as mainly the Anglo-Saxon model because of the dominance of the post-colonial era by British companies and their legislations.

The first elaborate regulatory framework in Nigeria is the Company and Allied Matters Act (CAMA) of 1990 which provided the legal framework for corporate governance in Nigeria. CAMA 1990 replaced the Company Act of 1968 as a result of changes in the social, political and

economic environment in Nigeria (Okike, 2004). However, Okike (2007) observes that the corporate governance legislation in Nigeria is weak and this assessment is supported by ROSC (2004)³⁰.

Moreover, the various institutions in Nigeria charged with monitoring corporate governance practices are mainly the government and its institutions. The government plays a vital role by providing the legal framework incorporated in the 1979 constitution, and later reviewed in 1999. The various financial institutions charged with corporate governance are the Corporate Affairs Commission (CAC), Nigeria Stock Exchange (NSE) and Security and Exchange Commission (SEC). The CAC regulates, supervises, monitors and enforces the registration of companies (Yakasai, 2001; Okike, 2004). Also, the CAC is involved with the formation, incorporation, management and winding up of corporate bodies in Nigeria³¹ (Okike, 2007).

The collapse of companies has raised the significance and need for the formation of the Nigerian Code of Corporate Governance in 2003. The aim of the Corporate Governance Code is to establish a standard framework for best practices for PLCs and ensure good governance practices concerning the board leadership and board effectiveness through high accountability and disclosures practices to stakeholders (Ogbuozobe, 2009).

Ehikioya (2009) explains that the importance of corporate governance mechanisms in Nigeria is anchored on transparency, accountability, fairness, trust and responsibility by PLCs. Collaborating Okike's (2007) assessments, is Ehikioya (2009) who extended the advantages of corporate governance in Nigeria to include the ability of the company to attract foreign investment, local investors and partners. Other advantages according to Ahunwan (2002) include

³⁰The ROSC is a report on the observance on the standards and codes prepared by World Bank in 2004. It reported that institutional failures regarding auditing, regulation, compliance, implementation and enforcement of rules and standards in Nigeria corporate organizations are common among PLCs (ROSC, 2004).

³¹The NSE is self-regulating and it also supports SEC. NSE is the life wire of the capital market and was established by the NSE Act in 1961. It regulates the second tier security market (Okike, 2007).

the ability to raise funds from the capital market, increase investors' confidence, and stimulate performance and growth. Furthermore, Ojo (2009) points out that the practice of good corporate governance in Nigeria (that is, good reporting, transparency, accountability, fairness, trust and responsibility) has led to lower bankruptcy risk, high firm performance and market valuation. Consistent with the above argument, Ehikioya (2009) argues that companies with high ownership concentration in Nigeria have better financial performance. However, the author concludes that companies with low financial performance have CEO duality and an unqualified family relative as a member of the BOD. This is a breach of the Nigerian Code of Corporate Governance (2003, 2009).

Moreover, the Code of Corporate Governance in Nigeria (2003, 2009) has raised the confidence of investors translating into the rise of listed PLCs in the Nigerian Stock Market (NSE) (Okike, 2007). Table 3-1 illustrates the rapid growth of the corporate sector as evidenced during the period of 1971 to 2009. The pre-1970s in Nigeria witnessed the rise in the numbers of listed companies in the NSE by four companies, translating to a rise of 4.8%. But, post-1970s to 2009 witnessed the rise of listing of PLCs in the capital market by 101 listed companies, which is an increase of 60%. The reason for the boom in registration of companies as PLCs from the 1970s till 2000s is associated with the federal government privatisation policy which is considered as a proxy for the success of the abrogation of the Exchange Control Act of 1962 and the Nigerian Enterprise Promotion Decree of 1989 (NSE Fact book, 2010). The Nigerian Enterprise Promotion Decree of 1989 led to the partial relaxation of the restrictions, for instance, the foreign investors could hold a share of up to 40% in few sectors, banks, insurance, oil production and mining (the Nigerian Enterprise Promotion Decree of 1972 and 1977) on foreign investments. In 1995 all restrictions concerning foreign investment in all sectors were lifted by the Federal Government.

Table 3.1: Number of Established and Listed Companies

Age analysis	Established	Quoted
1901 -1950	14	0
1951-1970	68	4
1971-2009	84	185

Source: Data compiled using Nigeria Stock Exchange Fact book 2002-2010

Other regulatory frameworks for governance of companies in Nigeria are Security and Exchange Commission (SEC), Nigerian Stock Exchange (NSE) and Nigeria Shareholders Solidarity Association (NSSA), Central Bank of Nigeria (CBN), National Insurance Commission (NAICOM) and National Pension Commission (PENCOM).

Following the above discussion, on the corporate governance regulatory framework in Nigeria that was shaped according to the British colonial legislation emphasises the need to have a good corporate governance structure in companies. This corporate governance structure will enhance checks and balances among PLCs. Therefore, Nigeria Corporate Governance can be referred to as the Anglo-Saxon model. The next section discusses the corporate governance mechanism in general.

3.2 The Corporate Governance Mechanisms

Several studies have emerged to examine the Code of Corporate Governance as one of the mechanisms of reducing agency problems (See, Rediker and Seth, 1995; Kirkbride and Letza, 2004). In essence, the Code of Corporate Governance recognises the role of institutional investors and BOD characteristics, most especially, the inclusion of NED in BOD as a way of increasing BOD independence, while BOD diversification reduces managerial entrenchment and opportunism (Mallin, 2004; Monks and Minow, 2004; 2008).

Furthermore, the roles and responsibilities of institutional investors in both UK and Nigeria are similar (Code of Corporate Governance, 2009). For instance, the fulfilment of these responsibilities in both countries improves the quality of corporate governance practices in the UK and Nigeria. In UK, the Code of responsibilities of institutional investors was drawn up as 'the UK stewardship Code in July (2010) charged with enhancing the quality of engagement between institutional investors and companies. The Code of responsibilities of institutional investors help to improve the long-term returns to shareholders, assist in the efficient implementation of governance responsibilities by setting out good practices on engagement with companies helping to reduce the risk of outcomes(FRC, 2010). However, in Nigeria, the roles and responsibilities of institutional investors in the country are embedded in the Code for Shareholders Association (2007) and Code of Corporate Governance (2009). These Codes recommend that the:

Institutional investors and other shareholders with large holdings should seek to positively influence the standard of corporate governance in the companies in which they invest (Code of Corporate Governance, 2009: 23).

In other words, the institutional investors in Nigeria ensure that PLCs comply with the provisions of the Code of Corporate Governance (2009) or explain the circumstances of non-compliance. Essentially, the formations of these Codes are aimed at strengthening the corporate governance mechanism.

Cuervo (2002) affirms that one of the important corporate governance mechanisms is the Code of Corporate Governance. Zattoni and Cuomo (2008: 01) identify two main questions behind the relevance of the Codes of Corporate Governance, *1) the determination to improve the efficiency of the national governance system, or 2) the will to 'legitimize' domestic companies in the global financial market without radically improving the governance practices.* For them the issuance of

the Code of Corporate Governance for civil law countries (France, Germany, Japan, Greece and Mexico) are influenced by the will to legitimise companies without enhancing the corporate governance practices. Hence, this is one of the criticisms against the corporate governance practices by PLCs (Mallin, 2004).

Cuervo (2002) argues for more control mechanism and less Code of Corporate Governance for the maximisation of company financial performance (Kirbride and Letza, 2004; Mackenzie, 2007). The essence of the corporate governance system is in ensuring the effective decision-making process by BOD, such as maximisation of firm value (Kassinis and Vafeas, 2002). According to Cuervo (2002) and Shleifer and Vishny (1997) the corporate governance mechanism adopted and practiced by a country is determined by the kind of corporate governance system available in the country. For example, is it institutional investors' oriented or market oriented type of corporate governance? The difference between the two types, according to Mallin (2004) is that, while the market for corporate control and board incentives are used by market oriented systems to resolve agency problems, the institutional investors' oriented system uses the institutional investors to align the interests of principal to agents.

Furthermore, Turnbull (1997) identifies the internal corporate governance mechanisms as a way of solving the agency problem and optimising firm value, for example, BOD and board incentives. The external corporate governance mechanism includes the market for managers, market for goods and services and market for corporate control (Jensen, 1986).

However, Cuervo (2002) points out the shortcomings of both the institutional investors oriented or market oriented system of corporate governance. The drawback for the institutional investors' oriented system is the limitation of control power by institutional investors which they use to pursue their interest at the expense of diffuse investors which eventually turn to be dispersed small investors (Atkinson and Galaskiewicz, 1988). Whereas, the market oriented system relies

on the market for corporate control which is expensive, and the anti-takeover deficiencies. According to Cuervo (2002) it does not matter, since managers become manipulative using anti-takeover measures to protect their jobs and top management.

Similarly, according to Letza *et al* (2004), the main problem of corporate governance³² is the encouragement of institutions to focus on short term profits and performance measures. This is the common practice of the Anglo-American model of corporate governance. The market exerts pressures on firms to be short term in approach. For example, these areas include management performances, quarterly returns, and expenditures, market prices of stock and evaluation of stock.

Following the collapse of companies and corporate scandals, for example, the Enron scandal in the US (Rediker and Seth, 1995), government and regulatory authorities developed rules and regulations to encourage PLCs to comply with the best practices of corporate governance. One of such rule is the Sarbanes-Oxley Act (2002) in US. In the UK, the set of standards and best practices formed the framework for the Code of Corporate Governance. Specifically, the Code of Corporate Governance contains sets of standards of good practices for PLCs to comply or explain. These sets of recommendations include board remuneration, leadership and effectiveness, accountability and the BOD relationship with shareholders (Combined Code of Corporate Governance, 2006; FSA, 2010).

³²Mallin (2004) defined corporate governance as the rules, policies and structure put in place to govern an organisations and it also deals with the ways in which suppliers of finance to corporations assure themselves of getting their return on investment, while, Katsoulakos and Katsoulacos (2007) defined corporate governance as the ways corporations deal with the legal requirement and responsibility placed upon them by law. This, according to the authors, can lead to corporations adopting CSR practices as part of business responsibility.

Consequently, the collapse of companies has further exposed the weaknesses of the self-regulation or Code of Corporate Governance and the need to improve the internal governance mechanism, such as, the BOD (Cuervo, 2002). Given these weaknesses, this study will attempt to investigate the effect of institutional investors and BOD characteristics on CSR, as a way of understanding their roles in order to strengthen the corporate governance mechanisms in developing countries, in this case, Nigeria.

Generally, the various Codes of Corporate Governance (mainly the 2003 and 2009 codes) have shown gradual improvement aimed at self-regulation towards best practices among PLCs in Nigeria. There are lapses for example, CSR breaches, such as, poor ethical conducts and bad environmental performances (See, Rediker and Seth, 1995; Turnbull, 1997; Cuervo, 2002). Therefore, the effect of the role of investors and BODs on CSR is examined with a view to understanding how the Code of Corporate Governance strengthens the relationships between business and the society.

The next section discusses the ownership structure of companies in Nigeria and how the historical perspectives, the pre and post-independence legislations and business activities helped to determine the foreign, indigenous and government institutional investors activities in Nigeria.

3.3 The Ownership Structure of Companies in Nigeria

After the Nigerian independence in 1960, the pressure for indigenous control of companies grew and these pressures influenced the Nigerian government to promulgate the Foreign Exchange Act of 1962 and Indigenisation Decree of 1972. The laws were aimed at reducing the 100% shareholdings of foreign investors to 40% (Ahunwan, 2002). According to Ahunwan (2002), the aim of the Foreign Exchange Act and Indigenisation Decree was to change the ownership structure of companies, dominated by foreigners (Aburime, 2008). However, Yerokun (1992) disagrees with Ahunwan (2002) that the Foreign Exchange Act and Indigenisation Decree were

responsible for the change in the ownership structure of Nigerian companies. The author argues that the government investors bought most of the shareholding instead of the indigenous investors. Yerokun (1992) reiterates that the lack of availability of funds for indigenous investors made the government acquire shareholdings because of the huge resources at their disposal.

Subsequently, the government became part of the productive process by providing goods and services to booster the Nigerian economy (Okike, 2007). According to Ahunwan (2002) the resultant ownership structure of the Nigerian companies after the effects of the Foreign Exchange Act and Indigenisation Decree comprises, 1) 100% government owned companies as banks, insurance, oil industry, hotels etc., 2) Joint Venture Company, a partnership between the government and foreign investors in oil industry, 3) the Public Listed Companies (PLCs) comprising of foreign investors and indigenous investors operating in the market, 4) Privately Owned Company dominated by family owned businesses operating outside the capital market because the companies are not listed on the stock exchange. The companies are mostly small and medium enterprises (SMEs), while, some are large companies attracting large investors.

According to Ahunwan (2002) the ownership structure of PLCs in Nigeria is mainly diffused shareholders. These diffused shareholders are responsible for the corporate governance problem (insider trading, favouritism, employing family members as directors). The diffuse shareholders because of their small investment hardly show interest in the Annual General Meeting (AGM) or do not have voting rights. These problems allow a few large institutional shareholders to influence the board to pursue their own short term interest. As a result, the institutional shareholders satisfy some groups of stakeholders for selfish interest such as, the shareholders' satisfaction. In support of Ahunwan (2002) the Code of Corporate Governance in Nigeria (2009) notes that the majority of investors in Nigeria have small equity holding (diffuse investors) of less than 5% (NSE fact book, 2009). Consequently, the Code of Corporate Governance (2009: 34) states that *the majority of shareholders control a relatively small part of the issued share.*

Although, public companies generally meet the mandatory 25% public ownership requirement, on the average, about 90% of the shareholders control only 15% of the shares of companies. Thus, the larger percentage of the ownership structure is concentrated in the hands of a few investors. These few investors are the institutional investors, which according to Okike (2007) have caused the imbalance in the ownership structure thereby side-lining and disenfranchising minority shareholders.

Furthermore, the presence of foreign institutional investors in Nigeria did not happen by chance (NSE Fact book, 2008). It is the abolition in 1995 of the Exchange Control Act of 1962 and the Nigerian Enterprise Promotion Degree of 1989 and 1995 that finally attracted foreign institutional investors to invest in Nigeria. Also, the capital market pressure on companies to be transparent and accountable motivated the foreign investors to invest in Nigeria as Joint venture, subsidiaries and takeovers of companies (Yakasai, 2001). This created confidence and stability in the market, thereby encouraging foreigners to invest again in Nigeria. As a result of this, the foreign institutional investors own 40% of the total shareholding in the Nigeria's capital market (NSE Fact book, 2009).

Table 3.2: Shareholdings of Financial Institutions in Nigeria

<i>Ownership Structure</i>	<i>% of Shareholding</i>
Government Institutional Investor	6%
Foreign Institutional Investor	10%
Acquired by CBN	1%
Private Nigerians	83%
Total	100%

Source: Adopted and modified version of Yakasai (2001)

Table 3.2 shows the percentage shareholding of the various institutional investors in Nigerian financial institutions, most especially the banks and insurance companies. Consistent with the

Code of Corporate Governance (2009), the ownership structure of banks in Nigeria is characterised by dispersed owners (Yakasai, 2001). However, one of the limitations of Yakasai (2001) is the grouping of indigenous investors and dispersed investors as private Nigerians. This is illustrated in Table 3.2.

So, the role of institutional investors is noticeable in the AGM where their power over management is exercised. According to CAMA of 1990, the shareholders have the power to hire and fire auditors, to approve or reject the financial reports. Thus, these powers of the shareholders to hire or replace the directors and amend the articles of association are aimed at reducing managerial opportunism thereby curbing the directors' excessive power (Jensen, 1993; Williamson, 1993; Rediker and Seth, 1995; Kirkbride and Letza, 2004), and influence the corporate behaviours (Amao and Amaeshi, 2009).

The ownership concentration of PLCs in Nigeria is illustrated in Table 3.3 showing the percentage of shareholders for all investors. It also illustrates the dispersed ownership structure of shares and the institutional investors as shareholders. In 2009 the percentage of shareholders for the minority shareholders (1 to 10,000) is highest by 95.68%, 2008 is 89.14% and 2007 is 74.97%. Few individuals (4.32%) in 2009 hold more shares in the range of 10,000 and above, compared to (10.86%) in 2008 and (25.03%) in 2007. This indicates that a higher number of the minority shareholders (96%) hold few shareholdings.

Table 3.3: Average Shareholders and Their Percentage Holdings *

Number of Shareholders	% of Shareholders 2009	% of Shareholders 2008	% of Shareholders 2007
1-1000	33.9	23.37	12
1001-5000	26.97	33.13	16
5001-10000	34.81	32.64	46.97
10,001-50,000	3.43	10.38	22.52
50,001-100,000	0.37	0.29	1.94
100,001-500,000	0.34	0.07	0.28
500,001-1,000,000	0.07	0.09	0.18
1,000,001-5,000,000,000	0.11	0.03	0.11
Total	100	100	100

* (196 companies, 2007 - 2009)

Source: Data compiled using Nigeria Stock Exchange Fact book from 2007-2010

In this research, the indigenous institutional investors refer to investors with shareholdings of 5% and above (e.g. Zenith Bank) while the foreign institutional investors own shareholdings of 5% and above (e.g. ExxonMobil); (Earnhart and Lizal, 1999, 2002; Rasic, 2010). The government institutional investors own 5% and above in shareholding of companies (Li and Zhang, 2010; Said *et al*, 2009). However, Ahunwan (2002) argues that the agency problem between management and government ownership arises from the problems between institutional investors and diffuse investors because unlike institutional investors, diffuse investors lack the capacity to monitor management.

3.4 Shareholders' Activism in Nigeria

The shareholders' activism in Nigeria is largely made up of individual small investors (Yakasai, 2001; Ahunwan, 2002). It is relatively new compared to developed countries and it is on the rise

in Nigeria (Amao and Amaeshi, 2008). The authors argue that shareholders' activism in Nigeria is a process where shareholders as represented by institutional investors influence management behaviours using their powers. For example, the Cadbury PLC accounting scandal in Nigeria exposed the failures of corporate governance mechanism as a control tool for limiting false disclosures. Consequently, the Cadbury PLC scandal intensified the shareholders activism in Nigeria. According to Amao and Amaeshi (2008: 120) the aim of shareholders activism in Nigeria states...*that in order to increase participation in the financial market, in an economy such as Nigeria, it would be necessary to gain shareholders' confidence, by demonstrating that their companies are being run and managed efficiently, and that they have a real role to play in the company.* As a result, the significance of the role of shareholders in monitoring the behaviour of managers is very important to guarantee the interests of all stakeholders are satisfied.

Essentially, there have been several significant roles of shareholders' activism in Nigeria. For instance, shareholders' activism has been used to pressure companies into adopting good corporate governance practices (Amao and Amaeshi, 2008). These practices according to the authors include guaranteeing product safety, reducing employment discriminations, curbing environmental pollution, antitakeover and social involvement (Oyefusi, 2007a, 2007b; Amaeshi, 2008). Despite all these efforts of the regulatory institutions to enhance good corporate governance and CSR practices in Nigeria, there is still poor compliance by PLCs. This is evidenced by the recent bailout of five (5) banks in 2009 by the Federal Government of Nigeria through the Central Bank of Nigeria - CBN (Cenbank, 2009).

According to Okike (2007) the shareholders rise in Nigeria can be traced also to the indigenisation policies of the Federal Government (1972) which gave rise to foreigners in corporate bodies to sell their shareholdings to Nigerians in PLCs. However, the NSE fact book (2009) suggests that the shareholders' activism became common as a result of the transparency and reporting standards being recommended by both the SEC and NSE.

On the whole, it is the Nigerian Shareholders Solidarity Association (NSSA)³³ that regulates and ensures that business organisations comply with the Code of Corporate Governance in Nigeria which recommends that the shareholders interest should be protected (Okike, 2007).

3.5 The Structure of the Board of Director (BOD)

In order to enhance the BOD effectiveness, the Nigeria Code of Corporate Governance (2009) recommends the board size of PLCs to be between five (5) and fifteen (15) directors. The BOD should be headed by the chairman who should be a NED. In addition, the Code of Corporate Governance (2009) recommends that the shareholders should be responsible for appointing the members of the BOD. Part of this recommendation, according to Okike (2007), is the diversity of the board involving the mix of executive directors and NEDs. Other recommendations include the separation of position of chair from that of the CEO, to be occupied by separate persons (Sanda *et al*, 2005; Okike, 2007; Code of Corporate Governance, 2009). In other words, the post of the CEO should be occupied by the executive director while that of chair should be occupied by a NED. This is similar to the recommendation in the UK Corporate Governance Code (2010).

Undoubtedly, there has been an increase in the number of directorships in Nigeria's corporate sector. This increase in BOD size is attributed to the compliance of the Code of Corporate Governance (2003). The increase in directorships is illustrated in Table 3-4. Table 3-4 illustrates the directorships holdings of PLCs from 2007 to 2009 in Nigeria. The total number of directors increased from 2007 to 2008 by 7.7%, while the number of directors increased by 16.1% from 2008 to 2009. The other reasons for the rise in the number of directors are traced to the following reasons. First, the effects of bank consolidation implemented by the CBN in 2006 strengthened the financial institutions and investors' confidence (Okike, 2007). The second

³³NSSA was established in 1987 as a result of the lack of trust and confidence by shareholders on auditors. The NSSA is the group of shareholders in Nigeria. NSSA was formed to promote interest of shareholders in Plc, ensure good management of Plc, and enlightenment of shareholders through seminars and workshops (Okike, 2007).

reason could be the compliance to the recommendations of the Code of Corporate Governance (2003) led to the number of NED in the BOD to rise, while stipulating a minimum of two independent directors in the BOD (Code of Corporate Governance, 2009). Nevertheless, Okike (2007) points out that it was the lack of compliance and weaknesses in the Code of Corporate Governance (2003) that motivated the Central Bank of Nigeria (CBN) to develop the Code of Corporate Governance (2006) for the banking sector in 2006.

Table 3.4 Directorships of PLC from 2007 to 2009

	2009	2008	2007
Number of quoted company	176	136	120
Total Number of directorship	765	659	612
Average number of directorship per company	4.34	4.55	5.1
% of directors holding only 1 directorship	91.5	88	73
Number of directors holding 2 or more directorships	30	32	122
% of directorships holding 2 or more directorships	3.9	4.9	20

Source: Data compiled using Nigeria Stock Exchange Fact book (2007-2009).

Furthermore, the Code of Corporate Governance practices for banks' post consolidations were enacted by CBN in 2006 as a result of the inherent weaknesses in the Nigerian Code of Corporate Governance (2003). These weaknesses include boardroom squabbles arising from different business culture and ownership structures which were initially in sole proprietorship or family owned structures, poor internal control weaknesses, poor risk management, inside related lending just to mention a few. These weaknesses confirmed the concern of SEC that acknowledged that only 40% of PLCs plus banks has recognized the Code of Corporate Governance (2003) (NSE Fact book, 2009). The aim of the Code of Corporate Governance Post Consolidation (2006) for banks is the consolidation of the banking sectors, reducing malpractices such as inside lending and enhancing performance and confidence among investors.

However, the Code of Corporate Governance (2003) is a voluntary practice while the compliance to the CBN Post Consolidation Code (2006) for banks remains mandatory (Code of Corporate Governance, 2009). Some of the major improvements of the CBN Code for banks 2006 over the Code of Corporate Governance (2003) in guiding the financial industry in Nigeria (Code of Corporate Governance, 2009: 38) *are its mandatory provisions and compliance mechanisms and the requirements that independent consultants annually review banks' governance processes, issue a report to the CBN and present a copy of the report at the bank's Annual General Meeting (AGM).*

The shortcomings of the CBN Post Consolidation Code (2006) for banks include the concentrated ownership problem as highlighted above, continuing occupation of the post of chairman and CEO by a single person, lack of accountability and lack of proper disclosures³⁴ (Okike, 2007; Code of Corporate Governance, 2009). Also, the ownership of most PLCs in Nigeria is concentrated on a few individuals and family members leading to appointments of unqualified managers as CEO of banks (Okike, 2004; Ehikioya, 2009). According to Okike it is common practice that companies' CEO or chairman employs their family members as members of the BOD in Nigeria.

Moreover, Ogbuozobe (2009) identifies the shortcomings of the corporate governance in Nigeria as lack of language, content, quality, and inadequate for transparency and accountability among PLCs. The author suggests the need for enforceability and the use of legislation to regulate corporate behaviour rather than the use of the voluntary Code of the Corporate Governance in Nigeria. Therefore, according to the author, the need to incorporate the Code of Corporate Governance into Nigerian corporate law is long overdue.

³⁴ Despite the fact that CBN Code emphasised on annual appraisal of BODs of banks, some banks do not comply (Okike, 2007; Code of corporate governance in Nigeria, 2009).

Consequently, the central role of CBN Code of Post Consolidation (2006) could not regulate bank practices because of the problems mentioned above such as insider trading and appointment of family members as CEOs. This led to the Code of Corporate Governance (2009) being developed to replace the Code of Corporate Governance (2003). The Code of Corporate Governance (2009) recommended that investors and BODs enhance their CSR reporting. The shaping of the Corporate Governance systems in Nigeria is aimed at encouraging PLCs to increase their responsiveness to social issues and stakeholders' management. The increase in CSR practices by most PLCs is illustrated in Table 3-5 and Table 3-6. This increase in CSR practices can be traced to the role of BOD in ensuring that companies meet CSR standards, most especially, in CSR reporting. In practice, the Code of Corporate Governance in Nigeria (2009) stipulates that companies should report their social, economic, ethical and environmental sustainability performances (Code of Corporate Governance, 2009).

Given the discussion above, the Code of Corporate Governance in Nigeria alone cannot strengthen the activities of PLCs because of the continuous Corporate Governance and CSR breaches. For instance, the Cadbury PLC accounting scandal in Nigeria and the recent bailout of five (5) banks in 2009 by the Central Bank of Nigeria further highlights the weaknesses of the current corporate governance mechanism. Therefore, other regulatory government agencies involved in the control of companies, such as, the SEC and CAC are significant to the strong Corporate Governance practices in Nigeria. In total, this enhances the understanding of the corporate sector's legal framework in Nigeria.

3.6 The Role of Institutional Investors in CSR

In the case of the role of institutional investors on CSR, Sorensen and Pfeifer (2011) argue that there has been an increased in institutional investors' engagement in CSR in developed countries (UK and US), such as in their investment practices. For instance, the authors state that the issue of climate change must be resolved through an assessment of long term risk and strategies put in

place to address it. Sorensen and Pfeifer observe that many institutional investors have adopted environmental, social and governance (ESG) policies in building their investment portfolios and practices which the BOD have equally accepted at senior management and board level of companies.

According to Sorensen and Pfeifer (2011: 58) *many investors have signed up to the United Nations Principles of Responsible Investment (UN PRI) which were launched in 2006 and provide a voluntary framework by means of which investors can incorporate ESG issues in decision-making and ownership practices.* On the whole, institutional investors are ensuring that mobilised institutional capitals are not only used to support their fiduciary responsibility but also to support policies limiting ESG issues. The reasons for this increased role of investors in ESG issues are wide such as political, financial, regulatory and social factors. The increased public debate that ESG adoption is associated with increased corporate performance cannot be over emphasised. This is also evident with increased Non-Governmental organisations, governmental regulations and media attention on ESG issues (Sorensen and Pfeifer, 2011).

On a similar note, Mallin (2004) noted that institutional investors have adopted socially responsible investment (SRI) policy statement as an integral part of their corporate governance policies. The author mentioned that other areas that institutional investors are becoming aware of importance of CSR are in client demand and corporate citizenship. Mallin also argues that institutional investors expect companies to forego child or prison labour. What this means is that, there has an upward trend in the involvement of institutional investors in CSR, most especially in advanced economies (US and UK). However, these are all happening in developed countries, while there is relatively no literature on the role of institutional investors on CSR in Nigeria. Therefore, this is one of the objectives of this research. The next section discusses CSR practices in Nigeria.

3.7 Corporate Social Responsibility of Public Listed Companies' in Nigeria

Several authors examine CSR practices in Nigeria (Eweje, 2006; Amaeshi *et al*, 2006; Helg, 2007; Amaeshi, 2008; Amaeshi and Amao, 2009), and conclude that CSR practices in Nigeria are discretionary and philanthropic in nature. According to Helg (2007) MNCs perform greater CSR activities than most indigenous companies that are mostly small and medium sized firms. This is because of both their huge resources and firm size, thereby providing slack resources for the MNCs to engage in CSR.

Similarly, Amaeshi and Amao (2009) study the CSR of MNCs in Nigeria and argue that the operational methods of MNCs are a reflection of their home country form of corporate governance practices based on capitalism. These MNCs ignore their host country Code of Corporate Governance practices. Examples are companies not listed on the NSE such as Shell Petroleum Development Company (SPDC). Most MNCs, according to the authors, tend to engage in CSR without noting the socio-cultural and political dynamics of host country. Therefore, CSR practices of the MNCs are a reflection of their capitalism (Amaeshi and Amao, 2009). According to the authors, CSR in Nigeria are common among MNCs in oil and gas industries and their strategies include community development, voluntary social reporting and compliance to Corporate Code of Conducts.

According to Ite (2004) CSR practices by PLCs has emerged as a strategic business practice in Nigeria. Ite (2004) argues that in the absence of governmental socio-economic developments of communities, companies rather than government lead the path of community development projects in the Nigeria. Ite (2004) posited that government from all levels, such as the council, state and federal have failed to offer solutions (such as building infrastructures, roads, medical equipment and schools). This has led to high incidence of poverty in Nigeria because of the following: corruption, weak institutional framework, lack of transparency and accountability

among public officials and bad governance. The failure by government to fulfil its mandatory obligation of providing social amenities for communities has made MNCs to become quasi-government with community depending and targeting MNCs to solve their economic problems. As a result, Ite (2004) concludes that the absence of macroeconomic planning and good governance, strengthened by the availability of resources, and backed by good environmental management determines the nature of CSR practices in Nigeria.

Currently, there is a CSR bill before the Nigerian parliament seeking to mandate companies to engage in CSR. According to Yusuf (2010) of the International Bar Association, 'The CSR bill is aimed at becoming an Act that will create 'Corporate Social Responsibility Commission'³⁵, charged with providing standards, integration of social responsibility, and international trade issues. The bill seeks to establish a supervisory organ that will mandate corporations and companies to spend 3.5% of their profit before tax on CSR activities (Yusuf, 2010). However, the author points out that one of the shortcomings of the CSR bill is to increase corporate tax, which eventually might lead to the exodus of MNCs to neighbouring countries. In contrast, Ehikioya (2009) stated that CSR activities should be voluntary while government should perform its responsibility of providing basic infrastructures for the community. According to Ehikioya, companies should complement the efforts of government on a voluntary basis.

The above discussions reveal the absence of institutional investors on CSR activities in Nigeria. In contrast, the role of institutional investors on CSR by companies in developed countries has been evident (Johnson and Greening, 1999; Mallin, 2004). This is not the case in developing countries, especially Nigeria, where literature are lacking on the role of institutional investors

³⁵The role of the CSR commission include: Publishing the annual report of social and environmental impact of firm's activities and ensuring that firms engage in community development and ensuring firms are accountable to stakeholders (Okike, 2007; Code of corporate governance in Nigeria, 2009; Yusuf, 2010).

and BOD characteristics on CSR practices. Thus, there is the need to examine this role of institutional investors and BOD characteristics on CSR practices within the Nigeria context.

Furthermore, on the nature of CSR practices in Nigeria, Amaeshi *et al* (2006) use unstructured questionnaires to explore the practices and establish that CSR is localised and practised by indigenous companies as corporate philanthropy. Amaeshi *et al* (2006) argue that their findings affirm CSR to be socially embedded and culturally rooted in the operations of indigenous companies.

On a similar note, Wheeler *et al* (2002) explore the challenging issues faced by companies in their stakeholder responses in the oil industries using SPDC and Ogoni community as case studies. Wheeler *et al* (2002) conclude that increasing stakeholder responses at the strategic and corporate level of the companies is important in promoting a peaceful Ogoni community.

In addition, Ana *et al* (2009) investigate CSR breaches in different communities in Nigeria. They find environmental degradation to be higher in oil producing areas with a high incidence of pollution compared with non-oil producing area. Also, health related diseases such as skin disorders, respiratory problems and deformity are prevalent in oil producing areas compared with non-oil producing areas. Another reminder of CSR breaches (See, Wheeler *et al*, 2002) is the degradation of the Ogoni land by SPDC. Some environmentalists, such as Ken Saro-Wiwa protested the activities of SPDC in their land. This led to the hanging of the Ogoni writer, human rights activist and environmentalist, Ken Saro-Wiwa and eight (8) of his colleagues in 1995. According to Wheeler *et al* (2002) the Ogoni land and SPDC complicity are indications of the poor stakeholder welfare management by MNCs in Nigeria.

Historically, CSR practices in Nigeria originated from the western nations through the MNCs' operations in the extraction sectors of the Nigerian economy, especially in the oil sector (Amao and Amaeshi, 2008). The MNCs' investments brought revenue for the government and

employment for the people (Oyefusi, 2007b). However, the operations of the MNCs in these communities resulted in CSR breaches especially in areas of environmental degradation (oil spillage, gas flaring and toxic waste materials dumped in the rivers). According to Bisina (2005) the sources of income for the communities which are mainly farming and fishing are destroyed by the companies. This, according to Bisina, causes widespread poverty and agitation from the communities, thereby, raising further concern about the role of business in society. Consequently, these CSR breaches have further intensified the need to investigate the role of investors and BOD on CSR.

Moreover, CSR in Nigeria tends to be culturally oriented (Helg, 2007). Altogether, the practice blends into other activities which reflect the religious, educational, linguistic, ethnicity and traditions of the people (Amaeshi *et al*, 2006; Amao and Amaeshi, 2008). According to Helg (2007) CSR in Nigeria reflects the communal lifestyle of the people which involves sharing, togetherness and consensus in CSR practices. It follows that these cultural influences help to shape CSR practices in Nigeria. They turn out to look like philanthropic donations embedded into the socio-cultural lives of the people (Amaeshi *et al*, 2006).

Furthermore, Helg (2007) points out that CSR in Nigeria are characterised by the informal CSR as practised by majority of SMEs. For example, donations and charitable works fall under informal CSR activities, while most MNCs practice the formal CSR such as community development, product quality and environmental management (Perrini *et al* (2007). Besides, Helg (2007) adopted Carroll's 1991 CSR model of economic, legal, ethics and philanthropy responsibility in her study and concluded that philanthropic responsibility is ranked second after the economic responsibility in the Nigeria's CSR practices (Amaeshi *et al*, 2006). This differs from the Carroll's pyramid model for developed countries that ranked legal responsibility as second and philanthropy responsibility as fourth on the pyramid. This underlines the importance of donations as a common form of CSR practice in Nigeria. Equally, both Table 3-5 and Table

3-6 illustrate the significance of the CSR practices in Nigeria as mainly philanthropic in nature confirming the argument of Amaeshi *et al* (2006) and Helg (2007) that CSR activities in Nigeria is mainly discretionary.

Table 3-5 explains the mission statements of 168 PLCs in Nigeria from 2006 to 2008 while Table 3-6 illustrates the average CSR investments from 2006 to 2008. Table 3-6 shows that PLCs spent an average of 16.8% of their CSR fund sponsoring the entertainment and music industries. The mission statements further reveal that the entertainment industry is not mentioned in their mission statements as shown in Table 3-6.

Most companies prefer to sponsor sports and in some cases enter into partnership with the communities through various donations and project implementations. Most of these projects are on religious grounds, such as contribution to churches and mosques. According to Obono (2003), religion has a major influence on organisational culture in Nigeria. This fact is evident in Table 3-5 where 12 companies in 2006, 2007 and 2008 had religion in their mission statements. Also, donations made to religious activities accounted for an average of 21.25m Naira, 21m Naira and 13.7m Naira for 2006, 2007 and 2008 respectively as illustrated in Table 3-6.

Table 3.5 Analysis of 168 companies' mission statements in Nigeria

Mission statements of firms	No of firms 2008	No of firms 2007	No of firms 2006
Partnership with society	21	12	12
Youth Empowerment	15	23	18
Education	8	14	14
Health and Safety	8	7	12
Religious organisations	12	9	6
Sports	31	30	26
Environment	12	12	12
Economic Empowerment	12	26	26
Support for SMEs (financial institutions)	12	12	12
Disaster relief	26	11	27
Security	11	12	3
Total number of firms	168	168	168

Source: Data compiled from the annual reports and websites of companies from 2006 to 2008

Figure 1, below, illustrates the different categories of philanthropic activities mentioned in companies' mission statements using the bar chart. The bar chart shows that fewer numbers of companies actually had education, health and safety on their mission statement in 2008. It also points to a decline in the number of companies investing in education, health and safety and this differs for youth and sports empowerment which top the list for most companies. The reasons for this could be that Nigerians are more passionate about sports than education. Furthermore, it supports the argument that some managers are involved in CSR for image building (Joyner and Payne, 2002). However, this contradicts Jensen's (2001) enlightened stakeholder theory that argues that managers should satisfy stakeholders' groups on the long term while Clarkson (1995) acknowledges the support and satisfaction of primary stakeholders groups³⁶ by companies. Consequently, applying the argument of Benson *et al* (2009) to the Nigerian CSR context means

³⁶ These are non-core groups of stakeholders and their influence does not affect the survival of company (Clarkson, 1985).

the marginal cost of social investment is higher than the marginal benefit. This leads to a downturn in the firm value of the companies. For example, the investments of companies in religious activities concerning churches and mosques are shown in Table 3.6. Admittedly, the misallocation of CSR investment in PLCs in Nigeria tends to increase the need to investigate the link between corporate governance and CSR in PLCs.

Figure 3.1: Analysis of Companies' Mission Statements in Nigeria (2006 - 2008)

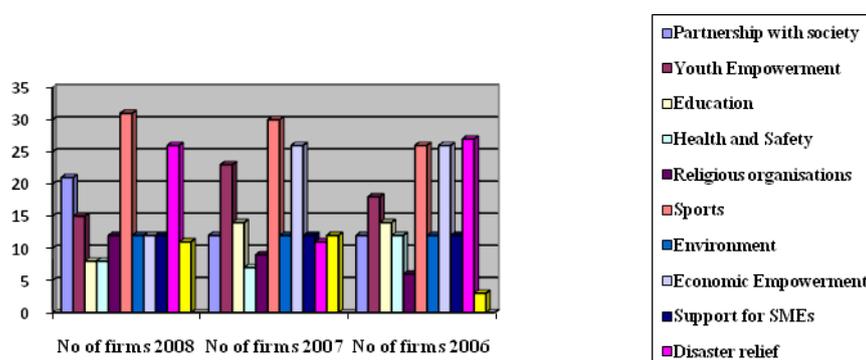


Table 3-6 illustrates the average CSR investments in Nigeria from 2006 to 2008. Table 3-6 findings are consistent with the view of Amaeshi *et al* (2006) and Helg (2007) as earlier mentioned that CSR in Nigeria are heavily philanthropic in nature. Table 3-6 reveals that the entertainment industry in Nigeria got the highest amount of CSR investments in 2006, 2007 and 2008. The entertainment industry had an average of 75 million naira, 99 million naira and 116 million Naira respectively (*i.e.* an equivalent of £300,000, £396,000 and £466,400 respectively). Also discovered, is the fact that most PLCs are donating money to churches, mosques and state government agencies as mentioned above. The state government agencies received an average of 47.5m Naira (£197,917) in 2008, while the churches receive an average of 13.7m (£57,450) in the same year.

Table 3.6: Average CSR Investments of 168 Companies (2006 – 2008)

Donations	2008	2007	2006
Government agencies	19.35	11.23	4.9
Schools	27.5	35.82	12.67
Hospitals	6.5	32	0.3
Health Foundations	9.5	0.5	1.95
Sports	74	42.5	32
Education/talent	23	12	1.745
Private agencies	3	2.2	1.2
Natural disaster victims	30	10	0.6
Roads construction	34	32	34
Waste management	14	5.6	1.7
Beautification	43	34	23
Churches/Mosques	13.7	21	21.25
Summit/seminars	16	12	11
Media	5.5	5.6	6.8
Institutes	55	30.1	31.5
Music /entertainments	116.6	99	75
Health institutes	14	12	0.6
Charitable Gifts	32	13	4
State government agencies	47.5	0.5	5
World summit	8.8	7.3	6.4
Business foundations	30	23	12.6
International NGOs	50	11	23
Local NGOs	12	37.5	0.5
Companies	0.6	4.4	4
Orphanages	6.4	0.5	1.3
Total	691.95	494.75	317

Source: Data compiled from the annual reports and websites of companies from 2006 to 2008

In the above discussion, it is clear that CSR practices in Nigeria are still largely characterised by donations, charities and community developments. Therefore, some authors argue that CSR practices are unsustainable in Nigeria (Outran, 1994; Ergonomic and Olatumile, 2010). As a result, it is difficult to say that the PLCs are practicing strategic CSR as evidenced by developed countries. To be able to understand the reasons why CSR practices are still philanthropic in Nigeria, this study attempts to uncover not only the effect of the roles of investors and directors on CSR but also understand the factors that influence them to engage in CSR. This forms one of the objectives of this research.

3.8 The Gap in the Literature

Empirical studies did not only reveal the institutional investors as heterogeneous in nature but also their support for CSR. These effects of different institutional investors on CSR were found to be mixed and inconclusive. Some authors found a positive relationship (Graves and Waddock, 1994; Waddock and Graves, 1997; Johnson and Greening, 1999; Cox *et al*, 2004; 2008), while others found negative relationship (Consolandi *et al*, 2008) or sometimes inconclusive results (Coffey and Fryxell, 1991; Cox *et al*, 2008; Andayani *et al*, 2008; Wahba, 2010). Similarly, these mixed results are the same for the relationship between BOD characteristics and CSR, resulting in a positive relationship (Coffey and Wang, 1998; Johnson and Greening, 1999; Post *et al*, 2011), negative relationship (Rodriguez-Dominguez *et al*, 2009) or neutral effects (Consolandi *et al*, 2008; Said *et al*, 2009). These confusing results open up further questions and also raise the demand for more empirical studies to be conducted to provide understanding in the corporate governance and CSR literature.

Furthermore, studies that examine the role of institutional investors and BOD characteristics were done using single methodological approach. For example, some studies employ interpretive paradigm (interview method), such as, Hendry *et al* (2006), while others employ the positivist paradigm (OLS) in understanding these relationships (Earnhart and Lizal, 1999). This study aims to provide a more robust methodology by arguing for a pragmatic approach. This is achieved by combining the qualitative method (case study) and quantitative method (panel data of 174PLCs). This approach not only provides for better understanding, but also provides a means of validating the findings. Finally, the pragmatic approach enables the researcher to extrapolate the findings beyond the samples, industry, and finally the country of study (Nigeria).

Besides, most past studies are focused on developed countries (Johnson and Greening, 1999; Aguilera *et al*, 2006), with few or scanty literature in developing countries (Cole *et al*, 2008).

Based on previous studies, and the underpinning theories, this thesis aims to explore the relationship between corporate governance and CSR. Eventually, this can lend support to the few findings on developing countries, particularly the West Africa countries and further confirm previous findings on developed countries.

Most PLCs are plagued with CSR breaches such as unethical practices, oil spillages, gas flaring, dumping of toxic wastes in rivers and environmental degradation in Nigeria. Once again, these problems highlight the unresolved dilemma of poor corporate governance practices in developing countries. These CSR issues have led many authors to point out the need to examine the role of BODs and investors on CSR (Johnson and Greening, 1999; Webb, 2004; Aguilera *et al*, 2006). In essence, this study seeks to examine the role of BODs and investors on CSR.

In fact, while previous studies have concentrated on the relationship between CSR and corporate performance, others focus on the effect of different institutional investors and BOD characteristics on CSR. Most studies as mentioned earlier are centred on developed countries (Dulewicz and Herbert; 1999; Webb, 2004; Aguilera *et al*, 2006; Hung, 2011). Therefore, this study intends to fill that gap in the literature by examining the relationship between corporate governance and CSR in Nigeria.

3.9 Conclusion

In providing a detailed discussion of both CSR and corporate governance regulatory framework in Nigeria, this chapter highlights five points. First, there is the acknowledgement of the existence of PLCs in Nigeria because of the presence of a developing capital market, represented by the presence of SEC and NSE. Also, the corporate culture illustrates the low level of acceptance of Non-regulatory Codes of Corporate Governance (40%). The Code of Corporate Governance in Nigeria (2009) is a major improvement from the revised Code of Corporate Governance (2003), even though we are yet to see the high level of compliance to the new

changes in the Code of Corporate Governance (2009) by PLCs, such as in the areas of CSR disclosures.

Second, the Code of Corporate Governance in Nigeria (2009) is encouraging companies to engage in CSR because of the addition of the triple bottom line reporting (economic, social and environmental). Consequently, companies are expected to report apart from their economic activities their social, environmental and ethical issues and how they complied or to explain if they did not. This is a major departure from the Code of Corporate Governance (2003) because the revised Code of Corporate Governance (2009) ensures that companies are held accountable to other stakeholders.

Third, the shareholders' activism in Nigeria has shaped the role of institutional investors on CSR practices. Consequently, there has been a constant rise of shareholders' activism in Nigeria because of government policies that remove barriers, such as abolishing the Exchange Control Act of 1962 and the Nigerian Enterprise Promotion Degree of 1989. This encouraged the institutional investors to invest in PLCs in Nigeria. Another encouraging factor is the development and role of the capital market in enhancing best reporting practices and transparency among companies, thereby enhancing investors' confidence.

Fourth, the role of BOD is not only aimed towards compliance to the Code of Corporate Governance (2009), but towards making the board effective and independent. These Practices have ensured that the BOD becomes more responsible and accountable. Moreover, companies have been required to strengthen the BOD by being more effective and independent in their monitoring function and accountability to stakeholders. This is done by employing a minimum of two independent directors and raising the number of NED to equal the number of executive directors. Also, companies are encouraged through the Code of Corporate Governance (2009) recommendations to separate the post of chairman and CEO to be occupied by separate

individuals.

Fifth, CSR practices in Nigeria are still evolving. They are largely philanthropic and culturally embedded (Amaeshi *et al*, 2006; Helg, 2007). Philanthropic investments accounted for 90% of the total CSR investments by companies. Also, a larger part of the philanthropic investment are made to churches, mosques, youth's empowerment and entertainment as shown in Table 3-5 and Table 3-6.

Therefore, the review of literature on CSR and corporate governance regulatory framework in Nigeria provides the opportunity to investigate the research objectives. These provide a holistic view and understanding on CSR, role of institutional investors and role of the board in Plus in Nigeria. Also, how company's CSR practices in Nigeria are being influenced by the regulatory framework illustrates the link between corporate governance and CSR and the need for this research study.

The next chapter discusses the research methodologies used in examining the link between corporate governance and CSR.

CHAPTER 4

4.0 RESEARCH METHODOLOGY

4.1 Introduction

The review of literature in chapters 2 and 3 suggest that Corporate Social Responsibility (CSR) is influenced mainly by different institutional investors (indigenous, foreign and government) and Board of Director (BOD) characteristics (board composition, board size and board diversity) (See, Waddock and Graves, 1997; Johnson and Greening, 1999; Huse and Rindova, 2001, Kruger, 2010). This assertion forms the main argument of this study. This chapter presents the methodology used to achieve the aims and objectives of this research.

This chapter discusses the following: research philosophy, formation of hypotheses, model specification, model estimation technique, data collection and the case study method. The next section discusses the research philosophy underpinning this study.

4.2 Research Philosophy

This section focuses on the philosophical approach, the beliefs and assumptions underpinning this research work. The research paradigm³⁷ for this study is the pragmatist philosophy that combined both the positivism and realism research philosophy. The positivist paradigm is rooted in the natural science with emphasis on experimental scientific observations to explain and test

³⁷ Kuhn (1970) and Guba and Lincoln (1994) defined a paradigm as a set of beliefs, new philosophical assumptions or worldviews that guides the researcher. There are four (4) paradigms namely the positivism, realism, critical theory and constructivism (Sobh and Perry, 2006). Paradigms are made up of the ontology, epistemology and methodology (Guba and Lincoln, 1994; Sobh and Perry, 2006). The ontology is the reality, epistemology is that relationship between the investigator and reality, and methodology is the technique that the investigator employ to discover that reality (Guba and Lincoln, 1994; Denzin and Lincoln, 2005; Sobh and Perry, 2006).

the cause–effect relationships of an event (Creswell 2003; Babbie, 2001). The positivists³⁸ believe that human life is governed by generic laws (Denzin and Lincoln, 2005); therefore the society and the people can be studied in a natural scientific manner. Subsequently, this research is based on the positivist approach (Healy and Perry, 2000). The positivist paradigm tests the cause and effect relationship between dependent and independent variables. This study uses CSR as the dependent variable, while the different institutional investors and BOD characteristics are used as the independent variables.

However, the criticism against the positivist paradigm is that it excludes the discovery of new dimensions of empirical inquiry and undermines the determination of a new theory (Denzin and Lincoln, 2005; Sobh and Perry, 2006; Gaffikin, 2008). However, there are increasing concerns about the assumption of *easily apprehensible reality* (Sobh and Perry, 2006: 1197) which do not always yield the same results as the previous research. Also, Petersen and Vredenburg (2009a) argue that the positivist approach lacks depth and robustness in understanding the link between different institutional investors and BOD characteristics on CSR.

On a similar note, Aguilera *et al* (2006) argue for multi-method approaches for studies on corporate governance and CSR. Aguilera *et al* (2006: 156) state that: *as for future research, it would be very important to have more data, both quantitative and qualitative, on institutional investors*. They further argue that the multi-method approaches will provide more insights into the different institutional investors and offer a deeper understanding of engagement practices and investment goals of different institutional investors. As a result, in this study, in addition to the econometric method, the case study method will be used to give an in-depth understanding of the effect of different institutional investors and BOD characteristics on CSR of PLCs in Nigeria. In essence, the multi-method approaches yield better results, with the advantages and strengths of

³⁸ Positivism is based on assumptions (Blaike, 1994; Guba and Lincoln, 1994; 2005) and these assumptions assume that universal laws govern social events, and uncovering these laws enables researchers to describe, predict, and control phenomena (Patton, 1990; Drisko, 1997).

one method, replacing the disadvantages of the other method (Creswell, 2003). For instance, the quantitative method provides generalisation and breadth, while the qualitative method provides depth and deeper understanding of the phenomenon, which the quantitative method lacks (Stock and Watson, 2007).

In line with the aims and objectives of this study, the case study method and Pooled ordinary least square (Pooled OLS), fixed and random effect models are used to estimate the impact of different institutional investors and BOD characteristics on CSR in Nigeria. The following aims and objectives of this study are presented.

4.3 Aims and Objectives of the Study

The research tools (methods) for this study will use both the balanced panel data of 174 PLCs from Nigeria between 2003 and 2009. In addition, the case study method involves the use of eighteen interviews and documentary data to determine the impact of different institutional investors and BOD characteristics on CSR of PLCs in Nigeria. The empirical data will be used to address the following objectives:

- To investigate and identify the effects of indigenous, foreign and government institutional investors on CSR.
- To investigate and identify the effects of the non-executive directors, executive directors, board size and board diversity on CSR.
- To reduce the specification biases and inconsistencies in variables revealed in the study.
- To determine why the different institutional investors and BOD characteristics influence CSR in Nigeria.

Given the research objectives concerning the different institutional investors and the BOD characteristics on CSR of PLCs in Nigeria, the following hypotheses are formulated for the statistical/ econometric analyses.

4.4 Formation of Hypotheses

The formation of the research hypotheses have been aided by the review of prior works from the literature, some of which are grounded in theoretical relationships, the following hypotheses would allow the examination of these relationships in light of the data collected for this study. It would also enable the researcher to explore the relationship between the construct of interest, and some of the identified explanatory variables. Apparently, this allow for comparison of the results obtained in this study and those found in previous research.

This section focuses on the formation of hypotheses which analyse the relationship between the impact of different institutional investors and BOD characteristics on CSR in Nigeria. A hypothesis is a proposed explanation of a phenomenon. Also, the hypothesis formation demonstrates the cause and effect relationship between two variables, that is the dependent and independent variables. In this study, the relationship between the different institutional investors (indigenous, foreign and government) and the BOD characteristics (non-executive directors, executive directors, board size and board diversity) on CSR in Nigeria are been explored.

4.4.1 Different Institutional Investors and CSR

The stakeholder theory states that investors and corporations should implement policies that satisfy the interests of a wider group of stakeholders who have stakes in the corporation (Johnson and Greening, 1999; and Freeman and McVea, 2001). The stakeholder theory according to Freeman (1984) is a person or group that can affect or is affected by the achievement of the organisation's objectives. Though, Freeman identifies only 4 stakeholders, other researchers have expanded the stakeholders (Agle *et al*, 1999). The stakeholders include the shareholders, employees, suppliers, customers, environment, communities, government and the media (Freeman, 1984; Carroll, 1999; Jensen, 2001). In fact, Freeman and McVea (2001)

argue that the stakeholder theory expects managers to have a balanced view of all groups that have a stake in the company.

Essentially, the stakeholder theory suggests that for long term survival interest of the firm, investors must engage in CSR (Johnson and Greening, 1999; Chai, 2010). By satisfying all stakeholders the corporation benefits from enhanced corporate image, high employee morale, reduced implicit cost, high competitive advantage and increased financial performance (Agle *et al*, 1999; Jawahar and McLaughlin, 2001).

More recently, Prado-Lorenzo *et al* (2009) test the stakeholder theory in examining the relationship between types of institutional investors (financial institutions and government) and CSR in Spanish companies. The authors find government institutional investors and financial institutions (indigenous and foreign) to be positively related to CSR. In addition, Thomson and Cowton (2004) argue that indigenous and foreign investors, apart from interest on recovering their loan debt, should encourage CSR by pressuring their debtors to engage in sustainable CSR activities.

Earnhart and Lizal (1999) find a positive relationship between indigenous institutional investors and CSR. Also, Nazli and Ghazali (2007) established a positive relationship between government institutional investors and CSR. Similarly, Chai (2010) finds a positive relationship between foreign institutional investors and CSR. Based on the stakeholder theory and empirical findings, the following hypotheses are proposed.

Hypothesis 1a: There is a positive relationship between indigenous institutional investors and the amount invested in CSR by the PLCs in Nigeria.

Hypothesis 1b: There is a positive relationship between foreign institutional investors and the amount invested in CSR by the PLCs in Nigeria.

Hypothesis 1c: There is a positive relationship between government institutional investors and the amount invested in CSR by the PLCs in Nigeria.

4.4.2 Board of Director Characteristics and Corporate Social Responsibility

The board of directors (BOD) is involved in formulating CSR policies (Baysinger and Hoskisson, 1990; Coffey and Wang, 1998). McGuire *et al* (1988; 2003) argue that active BOD not only invest in CSR, but also encourage managers to engage in CSR. On a similar note, Pfeffer (1972) and Goodstein *et al* (1994) argue that stakeholder theory suggests that BOD should implement CSR policies that satisfy a wider group of stakeholders.

Huse and Rindova (2001) tested the stakeholder theory on the BOD roles and responsibilities using ANOVA and correlation analyses and they find that the stakeholder theory favours long term relationship of the companies. Huse and Rindova (2001) concluded that different stakeholders expect different roles and responsibilities from the BOD. The findings indicate that the BOD favour long term relationship of the companies. In support of the above arguments on stakeholder theory, Buck and Wright (1998) tested the stakeholder theory, using the interview method. They find that the stakeholder theory favours long term relationship of companies.

Moreover, the BOD is able to check managerial entrenchment through the inclusion of NED in the BOD (Kassinis and Vafeas, 2002). As a result, Dalton *et al* (1998); Filatotchev and Bishop (2002) argue that the NEDs are efficient in enhancing both BOD independence and board effectiveness. Previous empirical studies support the presence of NED in the BOD (Coffey and Wang, 1998; Johnson and Greening, 1999). Johnson and Greening (1999) find the inclusions of NED in BOD to be positively related to CSR.

Furthermore, those that support the inside directors³⁹ dominated BOD (such as, Baysinger and Hoskisson, 1990; Schaffer, 2002) argue that the executive directors have more access to information about the day to day affairs of corporation and information of senior managers' performance. Donaldson (1990) argues that the stewardship theory assumes executive directors to be true stewards and servants of the corporation. They operate as team players and motivator to other employees. In line with this theory is the study of Baysinger and Hoskisson (1990) that find a positive relationship between executive directors' skills and top managers' evaluations. Also, Kruger (2010) reports the executive directors to be positively related to CSR. According to Kruger (2010) the result suggests that a higher number of experienced executive directors in the BOD influence the decision making process of the BOD, prevent the BOD from pursuing short term interest, but engage in CSR and stakeholder satisfaction. Therefore, the executive director's presence in the BOD reduces the amount of lawsuits that could harm the company. In other words, Kruger (2010) argues that the inclusion of executive directors in the BOD reduces occurrence of negative events such as litigations against the company.

Besides, resource dependence and stakeholder theories advocate larger board size by emphasising that increase in board size assists the BOD to connect the corporation to its external stakeholders and gather resources, reputation and good corporate brand (Pfeffer, 1972; Goodstein *et al*, 1994). Resource dependence theory views BOD as providing a pool of potentially valuable resources for the firm (Pfeffer, 1972; Goodstein *et al*, 1994; Hillman *et al*, 2000). Pfeffer (1972) and Goodstein *et al* (1994) argue that increased resources could enhance the chances of corporation's boards adopting CSR. Also, expert skills and advice are vital to the BOD to help reduce law suits against the corporation due to environmental and human rights violations (Kassinis and Vafeas, 2002; McKendall and Wagner, 1997). Accordingly, Pfeffer

³⁹The inside dominated BOD refers to the executive directors dominated boards with a higher proportion of inside directors compared to NEDs (Baysinger and Hoskisson, 1990; Schaffer, 2002).

(1973) finds a positive relationship between BOD size and CSR. Also, Kruger (2010) finds that BOD size is positively related to CSR suggesting that BOD size, especially with higher fraction of experienced directors, has less negative events.

In addition, the stakeholder theory advocates for BOD diversity because, the minority group as members of BOD, brings their personal experiences, interests and commitments to the BOD (Baysinger and Butler, 1985; Johnson and Greening, 1999). The stakeholder theory suggests that the BOD is able to reach quick decisions concerning environmental issues when the BOD is diverse. So, ethnic minorities have more knowledge of their communities and are more likely to encourage the company to invest in CSR as a way of improving their relationship with the communities (Huse *et al*, 2009). In support of the arguments, Coffey and Wang (1998) find CSR to be positively associated with increase in the number of women in the BOD. This is because charities and donations are in line with long-term goal of the company. Furthermore, Johnson and Greening (1999) find the inclusion of women, ethnic minorities and people of different racial background in the BOD to be positively related to CSR.

Based on the stakeholder, resource dependence, stewardship theories and empirical findings, the following hypotheses are proposed.

Hypothesis 2a: There is a positive relationship between board composition and the amount invested in CSR by the PLCs in Nigeria.

Hypothesis 2b: There is a positive relationship between board size and the amount invested in CSR by the PLCs in Nigeria.

Hypothesis 2c: There is a positive relationship between board diversity and the amount invested in CSR by the PLCs in Nigeria.

Thus, the present study presumes there is a relationship between different institutional investors, BOD characteristics and CSR. Theoretically and empirically, the stakeholder theory advocates

that institutional investors and BOD engage in CSR because of the long term interest of the company (such as, Pfeffer, 1973; Goodstein *et al*, 1994; Thomson and Cowton, 2004; Prado-Lorenzo *et al*, 2009).

In view of the hypothesis formation for this study, the next section discusses the research design employed in examining the effect of different institutional investors and BOD characteristics on CSR of PLCs in Nigeria, starting with the research design.

4.4.3 Research Design

This is the triangulation approach employed in the collection and analyses of data. This involves a combination of both the quantitative and qualitative methods. The motivation for this approach arises from the need to have a primary and secondary data set that plays both a supportive and complementary role to each other. This ensures the testing of the hypotheses and providing answers to the research questions. Through the formulation of hypotheses quantitatively, indicating the cause and effect relationships and also taking into consideration that this study is qualitative, the research questions provided are also addressed.

There are two variants in this approach, sequential triangulation and simultaneous triangulation (Morse, 1991). However for the purpose of this research, the sequential triangulation approach was used, with the quantitative data playing a principal role, and the qualitative data playing a subordinate role. This allows for the answering of some of the research questions and hypotheses, which requires further investigation through qualitative approach. The secondary data were collected and tested first (See chapter 5), then followed by the qualitative data analyses using case study method (See chapter 6).

4.4.4 The Sample

In order to achieve the research objectives, the population samples and units of analyses were selected in order to test the hypotheses and answer the research questions respectively. While it is occasionally possible to collect data from all members of a population, it is in most cases practically impossible, due to constraints of time, money, and accessibility to the units of analyses. For these reasons, sampling provides an alternative way of accessing the intended subjects. The results of data collected are used to generalise to the overall population, depending on the method of sampling adopted, and the kind of inferences intended. As in a single method design, the question of data collection method and the sampling strategies used in selecting participants for the qualitative and quantitative aspects of a study (Teddlie and Yu, 2007) must be addressed with utmost importance and rigour. Irrespective of the method employed, it is important that clear inferences are capable of being drawn from both the qualitative and quantitative data (Teddlie and Yu, 2007); otherwise the time and resources committed into the research would amount to efforts in futility. For a qualitative study, sampling techniques that yield information-rich cases is usually utilised, which when added to those utilised by the quantitative sampling techniques results in depth and breadth in relation to the phenomena being investigated (Teddlie and Yu, 2007). Given that sampling in a multi-method research requires some compromise between the requirements of quantitative and qualitative sampling; termed - representativeness/saturation trade-off (Teddlie and Yu, 2007), the current work uses sequential convenience/probability sampling, for the two strands of the study. The sampling strategy, it must be pointed out, addresses the three questions that must be answered in a representativeness/saturation trade-off of the multi-methods (Teddlie and Yu, 2007) discussed above:

Is the overall sampling strategy sufficiently focused to allow researchers to actually gather the necessary data to answer the research questions?

Will the purposive/convenience sampling techniques utilised in the study generate saturated information on the qualitative research questions?

Will the probability sampling techniques utilised in the study generate a representative sample related to the quantitative research questions?

The overall research strategy is well focused on answering the research questions and hypotheses. This study develops a balanced panel data of 174 PLCs for the quantitative strand. The balanced panel data was intended to capture the dynamics and changes over a period of time. This explores the cause and effect relationship of the roles of institutional investors and BOD characteristics on CSR over a period of time from 2003 to 2009. The first Code of Corporate Governance was established in 2003 and later revised in 2009. Expectedly, this increased the transparency and accountability of PLCs to their stakeholders. The Code of Corporate Governance (2009) expects PLCs to be stakeholders' oriented in approach rather than focusing on shareholders' interest alone (Okike, 2007). This offers insight into the phenomena being investigated. Also, it attempts to provide answers to the research questions and hypotheses. For instance, the 174 PLCs utilised in this study generated a representative sample of the population. There are 264 PLCs listed on the NSE (See appendix E for the classification of industries).

In selecting the 174 PLCs, the researcher ensure that the data were representatives of the different institutional investors being investigated. For examples, the main features of all 174 PLCs are that they have the presence of indigenious, foreign or government institutional investors in terms of their major shareholding (having 5% of shareholding and above). See appendix H for details. Also, that all the 174 PLCs engage in CSR. Companies not involved in CSR activities were removed or dropped from the panel data.

Furthermore, the survey questionnaire was designed by the researcher to understand the

behavioural aspects of institutional investors and BOD characteristics as they affect CSR. The survey questionnaire was developed along the social issues to capture the four concepts of CSR principles namely economic, legal, ethical and discretionary components as illustrated by Carroll (1991; 1999). The sampling of the questionnaire was based on several guidelines, particularly in answering the research questions. First, the PLCs are listed on the NSE market. Second, the PLCs information must be available and accessible. In total, 333 postal questionnaires were distributed by the mailing method to all the PLCs. The respondents were reminded twice by telephone and personal contacts. A total of 102 completed questionnaires were returned resulting in a response rate of 38.6%. This is used to complement and validate the secondary data. The survey provides insights into why the institutional investors and BOD characteristics engage in CSR (See Table 4.1 for profiles of respondents in survey and their relationship with the interviewees). Also see appendix H for details of the respondents' profiles.

In line with Stiles (2001), convenient sampling method was adopted because of the need to have interviews with the CEOs and senior managers from the PLCs. This is because of the difficulty in having access to the CEOs. Earlier, the CEOs were asked in the questionnaires if they would be prepared to provide an opportunity for interviews. Those top managers that provided an affirmative response were treated as respondents for the interview method.

In respect of the qualitative strand, this study uses the convenience sampling technique (Teddlie and Yu, 2007). This study interviewed 18 participants who willingly made themselves available for the interview out of those that were contacted. As with Aaron (2005), the selection of the 18 interviewees is considered sufficient to generate reliable and trustworthy results for the qualitative strand of the study. The employees interviewed are from different levels of the companies so as to generate a wide variety of information for this study. Top management and CEOs were involved among those interviewed because as a top executive officer who is a member of the BODs, their views are very critical and significant to this study since we are

interested in gathering information about the BOD characteristics, investors' behaviours on CSR policies and implementations. The Public Relations Officers, CSR managers and Communication managers were also interviewed because they act as mediator between the companies and communities. Also, the investment managers were interviewed so as to get information concerning institutional investors' viewpoint on CSR strategic investments and directions.

Moreover, the case study chooses four (4) PLCs namely ExxonMobil PLC (dominated by foreign investors), Industrial Gas Insurance (IGI) company (has the presence of female directors), Zenith bank (dominated by indigenous investors) and Wema bank (dominated by government investors). Part of the criteria for chosen the PLCs are representativeness. For instance, the PLCs not only engage in CSR but also have the presence of institutional investors. Table 4.1 shows the profiles of the survey respondents and their relationship with the interviewees, with respect to age classification. Other profiles of the respondents such as gender, ownership and Nigerian and Non-Nigerian classification are found in Appendix H.

	Survey					Interviewees	
Age Classifications	26-30 (30%)	31-65 (55%)	65 above (15%)	Total (102)	Per cent (%)	Total (18)	Per cent (%)
CEOs	3	9	4	16	15.69	3	16.67
Deputy CEOs	0	7	0	7	6.86	2	11.11
CSR Managers	2	11		13	5.88	2	11.11
P.R.O	7	12	2	21	20.59	1	5.56
Director of Operations	0	3	0	3	2.94	1	5.56
Safety and Environmental Managers	3	4	5	12	11.76	1	5.56
Communication Managers	2	4	2	8	7.84	1	5.56
Administrative Managers	2	2	0	4	3.92	1	5.56
Finance Managers	4	1	0	5	4.90	1	5.56
Secretaries	2	5	0	7	6.86	1	5.56
Investment Managers	3	3	0	6	5.88	3	16.67
Total				102	100	18	100

4.5 Model Specification

This study uses balanced panel data of 174 PLCs in Nigeria between 2003 and 2009. The panel data regression is expressed as follows:

$$Y_{it} = \alpha + X_{it} \beta + E_{it} \dots \dots \dots (i)$$

$$i = 1 \dots \dots \dots N; t = 1 \dots \dots \dots T$$

Where i denotes PLC and t denotes time. α is the scalar (constant), β is coefficient of determination and X_{it} is the observation on the independent variables. E_{it} is the error term. Expanding model on equation (i) to include the control variables (Z), the following model is specified as:

$$Y_{it} = \alpha_i + \beta_1 X_{it} + \beta_2 Z_{it} + E_{it} \dots \dots \dots (ii)$$

Where:

Y = CSR Investment (as amount spent on CSR practices per year)

X = Different types of institutional investors and BOD characteristics

Z = Control variables

β_1 = the coefficient that gives the impact of X_{it} on Y_{it}

i = Public Listed Companies (PLCs) observations

t = Time period observation

E = Error or disturbance term

4.5.1 The Error Components Term (E)

$$E_{it} = v_i + u_{it} \dots \dots \dots (iii)$$

The error term E_{it} comprises two parts, namely, the time invariant unobserved variable that does not change with time (Greene, 1993). This time invariant firm specific error term is denoted as v_i (See equation iii). The second part of the error term, u_{it} , is the time variant unobserved variable that varies with time and across firms. For example, factors such as general confidence in the

company, directors' ability, BOD ability, BOD culture, perception of managers and social capital may have an effect on market valuation, and influence managers to engage in CSR. Failure to control this correlation within the model would yield biased results that will be unreliable (Del Brio *et al*, 2006; Ramasamy *et al*, 2007).

More importantly, the panel data studies the dynamics of change and help to investigate the behavioural model over a time period. The panel data takes a closer look at the evolution of CSR in Nigeria as it varies from 2003 to 2009. Besides, the panel data enables the researcher to gain insights into the BOD structure, role of BOD and various forms of institutional investors as it affects CSR investments among 174 PLCs in Nigeria from 2003 to 2009 (Baltagi, 2009, Goss and Roberts, 2009).

Therefore, adding the time invariant firm specific error term (v_i) in the next equation. The panel data regression is expressed as follows:

$$Y_{it} = \alpha_i + \beta_1 X_{it} + \beta_2 Z_{it} + v_i + u_{it} \dots \dots \dots (3)$$

4.5.2 The Effects of Types of Institutional Investors on Corporate Social Responsibility (Model 1)

This study uses Model 1 to test hypothesis 1, to capture the effect of the indigenous, foreign and government institutional investors on CSR when all the control variables are held constant. In this study, Model 1 is illustrated below as:

$$\begin{aligned} \ln CSR_{it} = & \alpha + \beta_1 \text{Indigenous}_{it} + \beta_2 \text{Foreign}_{it} + \beta_3 \text{Govt}_{it} + \\ & \beta_4 \ln \text{compage}_{it} + \beta_5 \ln \text{Noemployee}_{it} + \beta_6 \text{Industry}_{it} + \\ & \beta_7 \text{beta}_{it} + \beta_8 \text{ROA}_{it} + \beta_9 \ln \text{Debt}_{it} + \beta_{10} \ln \text{EPS}_{it} + E_{it} \text{-----} (1) \end{aligned}$$

Where:

Table 4.2 Lists of Variables

Variable	Explanation
$\ln CSR_{it}$	Log of corporate social responsibility investment for ith firm and time t
$Indigenous_{it}$	Indigenous institutional investors for ith firm and time t
$Foreign_{it}$	Foreign institutional investors for ith firm and time t
$Govt_{it}$	Government institutional investors for ith firm and time t
$\ln COMPAGE_{it}$	Log of company age for ith firm and time t
$\ln Noemployee_{it}$	Log of number of employees for firm size for ith firm and time t
$Industry_{it}$	Industry effect or type for ith firm and time t
$Beta_{it}$	Firm beta or risk for ith firm and time t
ROA_{it}	Return on assets for ith firm and time t
$\ln Debt_{it}$	Log of debt for ith firm and time t
$\ln EPS$	Log of earnings per share for ith firm and time t
α	Alpha for ith firm and time t
E_{it}	Error term or disturbance term
\ln	Natural logarithm of variables

The control variables (Z) = $\ln compage_{it} + \ln Noemployee_{it} + Industry_{it} + Beta_{it} + ROA_{it} + \ln Debt_{it} + \ln EPS_{it}$

The regression instruments (Pooled OLS, fixed effect and random effect estimators) are used to capture the effect of the institutional investors on CSR investment, if the P-value of the coefficient of indigenous institutional investors (β_1), foreign institutional investors (β_2), government institutional investors (β_3) are positively statistically significant, then we cannot reject the null hypotheses. Therefore, this research expects the coefficients of the following; indigenous institutional investors ($\beta_1 > 0$), foreign institutional investors ($\beta_2 > 0$), government institutional investors ($\beta_3 > 0$), and all to be statistically significant.

Using the aforementioned variables in model 1, the (β_1) estimates the impact of the indigenous institutional investors on CSR. β_2 measures the impact of foreign institutional investors on CSR. β_3 measures the impact of government institutional investors on CSR. β_4 to β_{10}

measures the impact of the control variables, company age β_4 , number of employees β_5 , industry effects β_6 , risk (Beta= β_7), return on assets β_8 , debt β_9 and earnings per share β_{10} , on CSR.

4.5.3 The Effects of Board of Director Characteristics on Corporate Social Responsibility (Model 2)

Model 2 test hypothesis 2. Model 2 estimates the effect of the non-executive directors, executive directors, BOD size and BOD diversity on CSR investments when all the control variables are held constant. In this study, Model 2 is illustrated below as:

$$\ln CSR_{it} = \alpha + \beta_1 NED_{it} + \beta_2 ED_{it} + \beta_3 \ln Bsize_{it} + \beta_4 Div_{it} + \beta_5 \ln compage_{it} + \beta_6 \ln Noemployee_{it} + \beta_7 Industry_{it} + \beta_8 Beta_{it} + \beta_9 ROA_{it} + \beta_{10} \ln Debt_{it} + \beta_{11} \ln EPS_{it} + E_{it} \text{-----}(2)$$

Where:

Table 4.3: List of Variables

Variables	Meaning
$\ln Bsize_{it}$	Log of board size for ith firm and time t
ED_{it}	Executive Director for ith firm and time t
NED_{it}	Non-Executive Director for ith firm and time t
Div_{it}	Board Diversity for ith firm and time t
All other variables definitions are given as in Model 1	

Additionally, this study uses regression instruments (Pooled OLS, fixed effect and random effect estimators) to capture the effect of the BOD composition, BOD size and BOD diversity on CSR investments, if the P-value of the coefficient of BOD size is positively, statistically significant, then we cannot reject the null hypotheses. Therefore, this research expects the coefficients of the

following; non-executive directors (β_1)>0, executive directors (β_2)>0, BOD size (β_3)> 0, BOD diversity (β_4)> 0, and all to be statistically significant.

Using the aforementioned variables in model 2, the non-executive directors (β_1) estimate the impact of non-executive directors on CSR. β_2 estimates the effect of executive directors on CSR. β_3 measures the impact of board size on CSR. β_4 measures the impact of board diversity on CSR. β_5 to β_{11} measures the impact of the control variables, company age β_5 , number of employees β_6 , industry effects β_7 , risk (Beta= β_8), return on assets β_9 , debt β_{10} and earnings per share β_{11} , on CSR.

Table 4.4 Hypotheses, dependent variables, explanatory variables, and model assumptions (A Priori Assumption)

Hypotheses	Dependent Variables	Explanatory Variables	Model	Model Assumption	Expected Sign
H1a	CSR investments	Indigenous investors	Model 1	$B1 > 1$	+Ve
H1b	CSR investments	Foreign investors	Model 1	$B2 > 1$	+Ve
H1c	CSR investments	Government investors	Model 1	$B3 > 1$	+Ve
H2a	CSR investments	Non-Executive Directors	Model 2	$B1 > 1$	+Ve
H2b	CSR investments	Executive Directors	Model 2	$B2 > 1$	+Ve
H2c	CSR investments	BOD Size	Model 2	$B3 > 1$	+Ve
H2d	CSR investments	BOD Diversity	Model 2	$B4 > 1$	+Ve

Table 4.5 shows the relationship between other variables identified from the literature as having an effect on CSR investments (See section 4.6.1). These variables include other financial performance variables such as total sales, return on equity, CEO incentives, managerial ownership just to name a few.

Table 4.5 Other Variables and Model Assumptions

CSR investment	Return on Equity	+Ve
CSR investment	Return on Total Sales	+Ve
CSR investment	Market capitalisation	+Ve
CSR investment	Total sales	+Ve
CSR investment	Return of capital employed	-Ve
CSR investment	Managerial ownership	+Ve
CSR investment	Reputation (R& D)	+Ve
CSR investment	CEO Duality	-Ve
CSR investment	CEO Type	+ Ve
CSR investment	CEO Type	+ Ve
CSR investment	Firm value (Tobin q)	+ Ve
CSR investment	CEO incentive	+ Ve

In view of the discussion concerning the model specification and a-priori assumptions, that there is a positive and statistically significant relationship between different institutional investors, BOD characteristics and CSR, the next section discusses model estimation techniques used in this study in examining the effects of different institutional investors and BOD characteristics on CSR of PLCs in Nigeria.

4.5.4 Model Estimation Techniques

In this study, model 1, the control variables were tested. Following the test of the control variables, each of the independent variables (indigenous, foreign and government institutional investors) are added to the model and tested⁴⁰ alongside the control variables and results reported (See, chapter 5). The same process was repeated for model 2; non-executive directors, executive directors, BOD size and BOD diversity added to the control variables as in Model 1 to investigate the effect of each independent variable on CSR.

⁴⁰The Stata 11 software is used for the test and econometric analyses of the panel data (Gujarati, 2003).

Moreover, the Pooled OLS, Fixed effect and Random effect estimators are used to test the fixed effect of different institutional investors and BOD characteristics on CSR. The Pooled OLS regression absorbed the individual effect of each variable in the error term thereby causing biased, inconsistent and unreliable coefficient estimates. As a result, it does not capture the unobserved (within) differences or heterogeneity across groups. In contrast, the fixed effect and random effect estimators measure the effects of the unobserved variables (Stock and Watson, 2007). In other words, the fixed effect reduces the omitted variable bias, that is, time invariant characteristics in the model. For example, culture, religion, gender and race. Also, the fixed effect estimator is designed to study the causes of changes within the PLCs. As a result, the role of institutional investors and BOD on CSR between 2003 and 2009 is explored. While the fixed effect estimator assumed the unobserved variables to be correlated with the error term in each time period, the random effect estimator assumes the unobserved effect to be random and uncorrelated with the error term in each time period. Therefore, the main differences between fixed effect and random effect estimators are if, the unobserved individual effect is correlated with the independent variables in the model, and not if these unobserved individual effect are stochastic (non-deterministic) or not.

However, in this study the random effect estimator captures model 1 and 2. This is because it reports the effects of all the independent variables on CSR, whereas the fixed effect estimator absorbs the independent variables measured with binary numbers such as the industry effect. Also, the random effect estimator captures the individual level differences among corporate bodies over time leading to a better finding for the regression coefficients (Gujarati, 2003).

In this study, all results of the Pooled OLS, Fixed effect and Random effect estimators are reported to enhance comparison among the results. However, several diagnostic tests are carried out to enhance the robustness of the findings.

4.5.5 Diagnostics Tests

This section examines the assumptions in the models. These assumptions include Hausman, normality, multicollinearity, heteroscedasticity and serial correlation. These tests are carried out in this study to enhance the reliability and validity of the findings (Greene, 1993). Also, diagnostic tests are carried out to verify whether the panel data of 174 PLCs from 2003-2009 could meet the assumption of OLS. This test is to ensure that the assumption for the regression analysis in determining the coefficient of determination and predicting the dependent variable (CSR investment). For instance, if the assumption of multicollinearity is violated, it could have impact on the regression coefficient and the value of other explanatory variables. The robust standard error was used to correct the biasness, thereby making the fixed and random estimators to be consistent.

4.5.6 Hausman Test

The Hausman (1978) test is formulated to assist in making a choice between the fixed effect and random effect estimators. In other words, the Hausman test is used to differentiate between fixed and random effect estimators. This test is useful in determining which of the estimators (Baltagi, 2009) is biased and effective in capturing the effects of the different institutional investors and BOD characteristics on CSR. The test checks if the X 's and the random effects (E_{it}) are uncorrelated. More importantly, the Hausman (1978) assumes that there are two estimators of $\hat{\beta}_0$ (FEM) and $\hat{\beta}_1$ (REM) of the parameter vector β and the author added two hypotheses testing. In the H_0 both estimators are consistent but $\hat{\beta}_0$ (FEM) is inefficient, and under H_1 $\hat{\beta}_0$ (FEM) is consistent and efficient while $\hat{\beta}_1$ (REM) is inconsistent.

The Hausman test statistics is:

$$W(\beta_{\text{REM}} - \beta_{\text{FEM}})' \pi^{-1} (\beta_{\text{REM}} - \beta_{\text{FEM}})$$

Where

$$\pi = \text{var}(\beta_{\text{REM}} - \beta_{\text{FEM}})$$

W represents a chi-square distribution with $(k-1)$ degrees of freedom, where k is the number of explanatory variables. The FEM represents the fixed effect model while REM is the random effect model. If the value of the statistic is large, then the difference between the estimates is significant and the null hypothesis is rejected meaning that the fixed effect model is more appropriate. Conversely, a small value of Hausman statistic implies that the difference between the estimates is small, which indicates that the random effect model is consistent and more suitable (Stock and Watson, 2007).

4.5.7 Hausman Test Choses Fixed Effect Estimator

Moreover, fixed effect estimators are used to test the fixed effect of the different institutional investors and BOD characteristics on CSR. The fixed effect method not only absorbed the individual effect of each variable in the model, but also has the ability to control for all stable characteristics of the variables in the model, thereby eliminating potentially sources of bias.

The comparisons within PLCs have also been popular in designed experiments known as changeover or crossover designs. The fixed effect reduces the omitted variable bias, that is, the time invariant characteristics in the model. For example, culture, religion, gender and race. Also, the fixed effect estimator is designed to study the causes of changes within the PLCs, as a result of the role of institutional investors and BOD when they adopt CSR between the periods 2003 to 2009. While the crossover designs reduce sampling variability and hence produce better hypothesis. The fixed effect estimator differentiates the individual variability across subjects; by

this the error variance is eliminated. Below are the Hausman test results. All Hausman test result chooses fixed effect estimator instead of the random effect estimator.

Table 4. 6 Hausman Test		
	Variables	Fixed Effect Results
1	Indigenous Investors	34.93
2	Foreign Investors	35.67
3	Government Investors	33.51
4	Non-Executive Directors	30.55
5	Executive Director	30.88
6	BOD Size	36.06
7	BOD Diversity	36.97
Source: Compiled from this study		

4.5.8 Test for Normality

The skewed data or presence of outliers is tested using the Kdensity in Stata 11. The presence of these outliers causes poor results and lack of robustness of findings. This test is carried out to determine the normality of each other. Consequently, the fourteen variables (indigenous, foreign and government institutional investors, NEDs, executive directors, BOD size and BOD diversity, ROA, company age, number of employees, debt, industry effect, EPS and risk) are tested for the presence of normal distribution.

The natural logarithm of CSR, number of employees and company age were used. Logged values are used to reduce the effect of outliers and extreme values (See Appendix E1 for some of the normality test). The reasons for transforming data (logging variables) should be determined by the statistical analyses (Gujarati, 2003). The Kdensity was used to determine if the samples

have normal distribution (Bell-shaped) or not. The whole idea of data transformation is to ensure that the sample mean varies normally. However, if the population is skewed, the resulting approximation from the sample size can be poor. Therefore, any evidence of skewed data makes it important to transform the data to symmetric distribution before constructing a confidence interval. In this study, there was evidence of skewed data, hence the reasons some of the variables were logged. Examples of the logged variables are CSR investments, number of employees, company age and BOD size. The normality test helps to reveal the presence of outliers and lacked of bell shaped data, while the logged variables reduce the presence of outliers as mentioned earlier.

Nonetheless, when the statistical analyses were carried out using Kdensity to test for normality, it was observed that some of the variables passed the normality test. The normality results show a normal distribution indicating absence of skewed data. Therefore, it was unnecessary to log these variables since they have a bell-shaped distribution. Examples of the variables not logged include the different institutional variables (indigenous, foreign and government), executive directors and NEDs. Hence, the reasons some of the variables were logged, while others are not.

4.5.9 Test for Multicollinearity

The presence of multicollinearity (two or more independent variables are correlated) is tested using Variance Inflation Factor (VIF). The VIF measures the extent to which the variance of the output regression is affected by the collinearity. In addition, the VIF checks how severe the multicollinearity problem is. The General Assumption of VIF used in this study is, if mean VIF value > 10 , then it means that the multicollinearity is high and if mean VIF value < 10 , means low multicollinearity and results are accepted (Gujarati, 2003; Wooldridge, 2003).

4.5.10 Test for Heteroscedasticity

In this study the Breusch-Pagan estimator is used to test for the presence of heteroscedasticity (residual error term variance not constant) in the model. The General Assumption is that the null hypothesis (Ho) assumes that the model has a constant variance. If the findings have value lower than 5% where the t statistics calculated is less than the t-tabulated, Ho is rejected. The Stata syntax command 'hettest' is used for the test of heteroscedasticity. To resolve the problem of heteroscedasticity, the robust standard error tests are carried out. Stata 11 command 'vce (robust)' normalises the standard error of the model, thereby reducing the variance of the error term.

4.5.11 Serial Correlation

The time series components of the panel data is mostly affected by serial correlation or autocorrelation. The Wooldridge test for autocorrelation is used to test for the presence of autocorrelation in the models using the Stata command 'xtserial'. The null hypothesis (Ho) assumes that there is no autocorrelation. When the value of the Wooldridge test is less than 5% reject null hypothesis.

In this study, to resolve problem of heteroscedasticity and autocorrelation, the robust standard error test was carried out for the model using the Stata 11 command 'vce (robust)' which normalises the standard error of the model, thereby making the variance of the error term to be constant (homoscedasticity). Also, the logarithmic transformations of data are carried out to minimise the problem of heteroscedasticity and autocorrelation (Greene, 2003). The logarithmic transformation of data helps to compress the scales used in measuring variables by reducing a tenfold difference between two values to a twofold difference thereby avoiding the presence of outliers in the sample (Wooldridge, 2003). Hence, the use of logarithmic transformation of the data into ideal data is employed in this study.

4.5.12 The Issue of Omitted Variables bias

Several factors such as general confidence, social capital, image and reputation may affect both the likelihood of an organisation being socially responsible and their performance. Due to unavailability of data these variables mentioned above were not included. These time-invariant variables may correlate with the explanatory variables or the amount invested in CSR causing omitted variable bias. Ignoring omitted variable bias or unobservable heterogeneity can produce biased results. In this study, the extent to which unobservable heterogeneity problem occurs were investigated and corrective action were taken to resolve it. This is done by using fixed effect and random effect estimators.

Studies in corporate finance and corporate governance uses fixed effect estimator to resolve the problem of unobservable heterogeneity across firms, by removing the time-invariant variable through a transformation process of using either de-meaned or dummy variables (Wintoki *et al*, 2011). Thus, this study employs fixed effect estimator to resolve the problem of unobservable heterogeneity across firms (See Chapter 5).

In this study, the issue of collinearity of NEDs, executive directors and female directors with the error term E was not only resolved by the robust standard error test, but also through testing each explanatory variable. These variables are indigenous investors, foreign investors, government investors, NEDs, executive directors, board size and female directors. These explanatory variables are tested with the dependent variable (that is, CSR investment) to determine their individual impact on the dependent variable.

The selection of independent variables in this study is based on not only the literature, but on the availability of consistent data for all the PLCs under study. However, the PLCs with incomplete dataset concerning the seven year period under review could not be included because some of the data for some years are missing. Also, the corporate governance variables such as board

ability, board culture, and perception of managers' influence on CSR could not be measured. In certain cases, for instance the BOD age was removed because of unavailability of data.

In order to generate large sample data and avoid problem of selection bias due to attrition, a balanced panel data of company-year matrix was created from 2003 to 2009. The number of firms was 174 PLCs from 2003 to 2009 amounting to 1,218 observations. Therefore, the total aggregated observation is 174 PLCs over 7 years and 14 variables, resulting in 17,052 observations. This dataset gives 1,218 CSR investments relationships (observations).

The next section focuses on how the variables are measured. The dependent and independent variables used in this study in examining the effects of different institutional investors and BOD characteristics on CSR of PLCs in Nigeria are discussed.

4.6 Variable Measurements

The dependent variables are the observed variables. In other words, the dependent variable is the event or phenomenon that is being investigated and expected to vary when the independent variable changes. In this study, CSR investments are the dependent variables. Mathematically, the dependent variables are denoted by 'y' function because its value is dependent on the value of the independent variable denoted by 'x'.

The measurement of variables (that is independent and dependent variables) and their subsequent selection were guided by the literature review. Most of the control variables were captured during the survey and use of secondary data. These variables include firm size, age, profitability, risk, debt, etc. All these variables have been included in previous studies by several authors relating to the roles of institutional investors, BOD characteristics and CSR (Coffey and Fryxell, 1991; Graves and Waddock, 1994; Johnson and Greening, 1999; Goergen and Ronneboog, 2002; Bartkus *et al*, 2002; Neubaum and Zahra, 2006; Wahba, 2010; Rasic, 2010).

4.6.1 CSR Investments

The CSR investments are the amount spent by the company on CSR activities per year. These amounts invested in CSR are measured in the Nigerian currency, the Naira. In this study, CSR investment data is obtained from the audited annual financial statements and annual reports of companies and complemented by survey data. This is the pre-tax earnings donated to charities, philanthropic activities and community development projects (Coffey and Fryxell, 1991), partly referred to as, CSR practices. Therefore, the CSR investment and practices are used interchangeably in this study. This method of data collection is in line with Chai (2010) who study the relationship between types of institutional investors and CSR. Chai (2010) uses the corporate philanthropy data as a proxy for CSR. The author argues that the data has more reliability because it measures the actual amount spent on CSR. Also, this is in line with Bartkus *et al* (2002) who uses CSR investments as a proxy for CSR. The CSR investments for 174 PLCs from 2003 to 2009 period are generated. One of the statistical criteria of normal distribution is fulfilled by natural logarithmic of CSR investments (lnCSR). See Appendix E.1

4.6.2 Independent Variables

The independent variables represent the variables that influence the dependent variables. In this study, the independent variables are the corporate governance variables influencing the CSR investments (dependent variables). The data on corporate governance variables such as indigenous institutional investors, foreign institutional investors, government institutional investors, NEDs, executive directors, BOD size and female directors (used as proxy for BOD diversity) are obtained from the Nigerian Stock Exchange (NSE) fact book from 2003-2009, and complemented from company's annual report and survey data. However, other information such as BOD age was dropped because of unavailability of data.

The NSE transactions are regulated by the Security and Exchange Commission (SEC) which

administers the Investment and Securities Act of 1999. All PLCs submit their audited annual financial statements to the NSE, which is a mandatory requirement by NSE and SEC. In other words, NSE collates historical information and extracts from balance sheets, profit and loss accounts and financial ratios of PLCs. Similarly, the NSE's fact book publishes both the management and financial information of PLCs such as directorship shareholdings, BOD characteristics and financial statements. The company reports are prepared according to SAS 30 and IAS 34 guidelines. The SAS 30 and IAS 34 are financial reporting standards and part of the SEC rule. This involves the publication of the quarterly annual report in one national daily newspaper as a sign of transparency to investors.

The listed companies comply with the accounting standards and information as recommended by Code of Corporate Governance (2009). Also, all PLCs' accounts are audited by the external auditors. This statement includes institutional holdings, total assets, debt, market capitalisation, BOD size, BOD composition, number of directors and NEDs, number of women on the board etc. The NSE transactions are published and documented in NSE Fact book annually.

4.6.2.1 The Types of Institutional Investors

In this study, indigenous, foreign and government institutional investors provide the exploration of diversity and disparities in behaviour between the various institutional investors (Cox *et al*, 2004; Li and Zhang, 2010). In other words, the role of different institutional investors is used because their interests are different from the investors' types but similar within a particular investor group.

The indigenous, foreign and government institutional investors are measured using percentage shareholdings for indigenous investors, foreign investors and government investors. Institutional investors are measured as investors with equity holdings of 5% and above (Johnson and Greening, 1999). This approach is similar to Bartkus *et al* (2002) who used 5% of firm's stock as

a measure for institutional investors. Foreign investors are measured as a percentage of equity held by foreigners (Non-Nigerians). The government investments are measured as a percentage of equity holdings held by state and federal governments or their agencies. The indigenous institutional investors are measured as a percentage of equity holdings (5% and above) held by Nigerians. This is in line with Chai (2010). The study expects a positive relationship between different institutional investors and CSR of PLCs in Nigeria, when all the control variables are held constant.

4.6.2.2 Board Composition

The BOD composition is the total number of executive directors in relation to the NED (Coffey and Wang, 1998). The NEDs are measured as the percentage of NEDs to total number of directors on the board, while the executive directors are measured as the percentage of executive directors to total number of directors (Berrone and Gomez-Mejia, 2009). The executive directors and NEDs' information are obtained from NSE fact book 2003-2009. This study expects a positive relationship between BOD composition and CSR of PLCs in Nigeria, when all the control variables are held constant.

4.6.2.3 Board Size

The BOD size is the total sum of all directors at the end of the last fiscal years, in this case 2003-2009 (Kassinis and Vafeas, 2002). The data on BOD size is derived from NSE fact book from 2003-2009. The normal distribution of BOD size is determined. The natural logarithm for the BOD size ($\ln Bsize$) had a similar distribution close to normal. The study expects a positive relationship between BOD size and CSR of PLCs in Nigeria, when all the control variables are held constant.

4.6.2.4 Board Diversity

The BOD diversity refers to the presence of women and ethnic minorities in the board (Johnson and Greening, 1999). In this study, due to unavailability of data, the BOD diversity is measured as the percentage of women (female directors) on the board compared to total board members (Coffey and Wang, 1998). Therefore, the number of women on the BOD is used as a proxy for BOD diversity (Wang and Coffey, 1992). The BOD diversity (number of women) information is obtained from the NSE's fact book between 2003 and 2009. This study expects a positive relationship between BOD diversity and CSR of PLCs in Nigeria, when all the control variables are held constant.

4.6.3 Control Variables

The control variables are those explanatory variables that influence CSR, but they are not part of the research objectives or variables of interest in this study. It is necessary to include control variables so as to avoid and reduce any bias in the results. These are variables derived from the review of literature. Therefore, based on the following empirical evidence from the literature, availability of data and the need to prevent multicollinearity, seven control variables were chosen carefully (Prado-Lorenzo, 2010). The following are the control variables; financial performance, risk, firm size, company age, industry effect, and debt.

4.6.3.1 Financial Performance

The financial performance is the overall picture of the financial health of the PLC. Also, it is how the PLC uses its assets and resources (Balabanis *et al*, 1998). Balabanis *et al* (1998) categorise the measures of financial performance into two groups, namely, the accounting and capital market measures. The accounting measures are quantified using accounting values in monetary units or other units such as volumes. Also, accounting measures are expressed based

on historical cost while the capital market measures could be previous, current or forward looking, which can be used for estimates.

In this study, the accounting measure used is Return on Asset (ROA). A high ROA value signifies efficient management, while low ROA means inefficient management. The ROA information is obtained from the NSE's fact book from 2003 to 2009. The ROA measures how companies utilize the assets at their disposal. The shortcomings of the accounting measures include inflation on their nominal value; these figures are subjected to manipulation using different accounting procedures (Balabanis *et al*, 1998).

The capital market measures used is the earnings per share (EPS). The EPS are the earnings generated from the investment funds (Balabanis *et al*, 1998). Balabanis *et al* (1998) measure EPS by earnings divided by the number of outstanding shares. The capital market could give an indication of how investors perceive the company that contributes to the society (Griffin and Mahon, 1997). The EPS information is obtained from the NSE fact book 2003 to 2009.

4.6.3.2 Risk (beta)

The market risk is represented by beta which is the covariance of the expected return on the firm's share of the market (Kim *et al*, 1993). This follows the findings of Orlitzky and Benjamin (2001) who argue that CSR is more strongly correlated with measures of market risk, than measures of accounting risk. However, the firm's risk is measured by the standard deviation of accounting measures employed on returns (Kim *et al*, 1993). The disadvantage of stock market returns adjusted for risk (Anand and Singh, 1993) is that the announcement of great events leads to high fluctuations and abnormality on stock returns.

Nevertheless, due to unavailability of data for the measure of beta, accounting risks are used as a proxy for beta and this is in line with Kim *et al* (1993). In this study, gearing is used as a

measure of risk. This is measured as the ratio of Debt/Equity ratio (Kim *et al*, 1993). The data for total assets and debt are obtained from the NSE fact book (2003) to (2009).

4.6.3.4 Firm Size

The firm size is measured using the number of full time employees (Berrone and Gomez-Mejia, 2009). The number of employees' information is obtained from the NSE fact book (2003) to (2009). It is assumed that firms with large assets have slack resources that will be used for CSR practices. The natural logarithm of number of employees is used ($\ln\text{Noemployees}$) because its distribution (log form - $\ln\text{Noemployees}$) is close to normal (Berrone and Gomez-Mejia, 2009). Most studies (Waddock and Graves, 1997; McGuire *et al*, 1988; Mckendal *et al*, 1999; McWilliams and Siegel, 2001) find firm size to be related to financial performance and CSR, this study adopts firm size as one of the control variables.

4.6.3.5 Company Age

Company age is measured as the current year used for this study, that is (2009) less year of company incorporation (that is, year of company's registration in Nigeria). Some authors (See, Agle *et al*, 1999; Campbell and Minguez-Vera, 2008) argue that older companies are more likely to perform better than new companies and have better financial performance, by engaging in CSR (Buchholtz *et al*, 1999). Buchholtz *et al* (1999) argue that older firms could be motivated to get involved in CSR activities. To control company age, the value for age of company is derived from the NSE fact book (Campbell and Minguez-Vera, 2008).

4.6.3.6 Industry Effects

Industry effects refer to the terms of sector, product, competition, barriers to entry and business cycles that have impact on the performance of the firm (Aupperle *et al*, 1985) and amount invested in CSR (Johnson and Greening, 1999). The industry effects information is obtained

from NSE fact book (2003-2009). The companies are classified based on the Gross Domestic Product (GDP) contribution to the Nigerian economy as oil companies, that is extractive oil companies coded as (1), while the remaining 174 PLCs are grouped as other sectors and coded as (0) (Perrini *et al*, 2007). (See appendix E for the NSE classification of Nigerian PLCs into 33 sectors).

4.6.3.7 Debt

The data for debt is derived from the NSE fact book 2003 to 2009. The natural logarithm for the debt is used and it has a normal distribution. Debt is the amount owed by a company (Mallin, 2004). Neubaum and Zahra (2006) argue that debt affects the level of investments in CSR. They argue that as the level of debt rises, companies are under more pressure to repay its loan and this approach affects the resources needed for CSR practices. Goss and Roberts (2009) find the impact of cost of debt financing to be high and low levels on CSR. This means that at a low level of debt, a company invests in CSR but as the debt increases the company is forced to repay its loans and this makes it difficult for the firm to invest in CSR practices.

Following the discussion concerning the variable measurements, the next section discusses data collection (survey questionnaire) uses the effects of different institutional investors and BOD characteristics on CSR of PLCs in Nigeria.

4.7 Survey Questionnaire

Survey questionnaire is used by designing a questionnaire and delivered to respondents by post (postal questionnaire), email, by hand just to mention few. The questionnaires are designed to capture board characteristics, institutional investors and CSR practices of PLCs in Nigeria. Previously, the pilot study carried out, highlighted some issues such as the need for a ticking box system which improves the clarity and chances of getting higher numbers of answered questions. These issues from the pilot survey were noted when designing the postal questionnaires for the

main study. The intention is to make the questionnaires clear, simple and easy to answer by respondents who were required to tick the appropriate box indicating the answer to the questions as illustrated in appendix A. If they wished, respondents were encouraged to add detailed information by commenting on the questionnaires in the spaces provided.

Furthermore, the research was conducted in Nigeria, while the researcher is based in the UK thereby making the sending of the questionnaires internationally more expensive. This is because international postage is very costly. Also, it was very difficult for people in Nigeria to return questionnaires by post to another country during the survey exercise. More worrying, when it is a western nation, especially in a situation where researchers' comments on MNCs are viewed with suspicion and scepticism because of crises in the Niger Delta region of Nigeria. In essence, it was better and necessary for the researcher to travel to Nigeria to conduct the survey after getting clearance from the research ethics committee (See Appendix F). By travelling to Nigeria the cost of sending and returning the questionnaires by post was largely reduced because local postage in Nigeria is relatively cheaper than the UK by approximately 50%. In addition, the questionnaires were reviewed in Nigeria before conducting the in-depth interviews. By visiting Nigeria, the researcher was also able to collect other published materials, annual reports of PLCs necessary for the case study.

Meanwhile, prior to the researcher's departure from the UK to Nigeria, four (4) bases for data collections were set up in Nigeria. These acted as centres for distribution points of questionnaires. This is done because of the huge size and population of the country as it will be extremely difficult for the researcher to travel across the thirty-six (36) states of Nigeria. Also, it was important to seek contact, social ties and networking if you really want things to be done quickly in Nigeria.

First base was Port Harcourt, the capital of River state, one of the 36 states that make up Nigeria.

River state was made up of 80% of the oil MNCs and oil servicing companies because of its abundant oil deposits. The state is home to many westerners and foreigners who are either suppliers or employees of the oil MNCs. More importantly, the consent and assistance of a senior manager in Shell Petroleum Development Company (SPDC) who is a family friend of the researcher is sought to assist the researchers in dealing with the respondents. Also, the senior managers assist in soliciting other senior managers and CEO contacts that may be willing to grant interviews.

The second base was in Bayelsa state, another oil producing state in the Niger Delta region. Historically, Bayelsa state is where the first oil deposits in Nigeria was discovered in 1958 in a town called Oloibiri (Oyefusi, 2007a). There are few MNCs operating in Bayelsa state as most of them are operating offshore, escravos and rivers using badges. It is in this state that most of the environmental degradation is common (Bisina, 2005). This is because of the oil exploration activities of the MNCs leading to recurring problems such as, gas flaring causing air pollution and climate change, oil spillages and dumping of waste in waters (Watts, 2004). Both, Bayelsa and River state form part of the Niger Delta community where the agitation for improved CSR practice is most visible. The consequences of these agitations have led to kidnapping of foreigners, employees of the oil MNCs by youths in the communities. An indigene adviser was set up here (Bayelsa state) to collate respondents' information and questionnaires especially through the Non-Governmental Organisations (NGOs) and community representatives.

The third base was in Lagos, the commercial nerve centre of Nigeria. Most of the PLCs in the NSE market are either located in Lagos or have their head office in Lagos. This is because Lagos state has huge market and labour force in Nigeria. Also, the state was originally the capital of Nigeria before the government re-located the capital to Abuja in 1991. Lagos state has huge economic potentials and this made most companies open offices and branches in Lagos state. A former friend of the researcher was set up in the state to assist in data collection.

Finally, the fourth base was Abuja, now the capital city of Nigeria where some PLCs' offices are located. Most offices in Abuja include government ministries such as the Central Bank of Nigeria, Ministry of National Statistics and Planning. These offices have valuable data that assisted the researcher in this study were gathered from Abuja. A friend who is also a banker was in Abuja to collect the completed questionnaires from colleagues. This approach motivated most reluctant respondents to participate and respond.

The postal questionnaires focus on two major aspects; first, the various components of CSR (philanthropy, product quality, environmental issues, ethical issues, employee welfare and the communities). Second, is the role of institutional investors (indigenous, foreign and government), and BOD characteristics (board size, board diversity, and board composition). The survey questionnaires are designed to understand the behavioural aspects of institutional investors and BOD characteristics as they affect CSR investments.

Also, the roles of institutional investors are captured by the questionnaires through questions on ownership concentration in Section D. The postal questionnaires were developed along the social issues to capture the four concepts of CSR principles namely economic, legal, ethical and discretionary components as illustrated by Carroll (1991; 1999). However, the shortcomings of survey methods include being prone to over reporting or under reporting (Goss and Roberts, 2009).

Furthermore, the sampling of the questionnaires was based on several guidelines. First, the PLCs comprising foreign owned MNCs, indigenous companies and government owned companies. Second, the PLCs are listed on the NSE market. In line with Stiles (2001) convenient sampling method is adopted because of the need to have an interview with the CEOs and senior managers from the PLCs. The CEOs were asked in the questionnaires if they would be prepared to provide an opportunity for interviews.

4.7.1 Sample Size

The NSE has a good coverage of the listed companies operating in Nigeria. There are 264 companies listed in the NSE as at March 2009. These companies constituted the sampling frame which, according to Creswell (2003), explains the objective list of the population size. Despite operating in Nigeria for over 100 years, some of the MNCs are not listed in the NSE, for example, SPDC. However, Okike (2007) points out the lack of the desire on the part of SPDC to disclose its financial accounts to constituted authorities, further mask and illustrates its oppressive and corrupt practices in Nigeria.

In selecting the convenient sampling method for the survey, three factors were considered. First, the budget concerning the cost of labour, postage stamps, envelopes, cost of transportation and accommodation because the researcher used four (4) bases as central collating points for the survey. Second, the percentage of returned questionnaires was considered as valid in this study. Third, the availability of postal addresses, websites and email addresses and telephone numbers, while previous research has voiced concern of poor response rate in postal questionnaires in Nigeria (Amaeshi *et al*, 2006).

Meanwhile, one month before the researcher travelled to Nigeria, a total of 250 email addresses were collated. 333 questionnaires (see Appendix A) were sent to the PLCs through the internet as attached copies. The response rate was very poor. Two companies completed their questionnaires and returned them by email. Five companies sent auto replies and did not respond again despite two reminders sent to them through email by the researcher. Three companies replied and mentioned that they do not attend to unsolicited emails. The remaining respondents did not reply until the day the researcher travelled to Nigeria. It was this poor response of the emails that made the researcher to adopt postal survey.

In total, 333 postal questionnaires were distributed by the mailing method. The respondents were reminded twice by telephone and personal contacts. For some companies, social ties network, that is, friends were used. The use of social ties was done to enhance commitment of respondents and achieve a high response rate in completing the questionnaires whilst ensuring validity and reliability of data. Ojo (2009) noted that the use of friends in developing countries like Nigeria in questionnaire distribution increases the response rate.

A total of 102 completed questionnaires were returned resulting in a response rate of 38.6%. This is used to complement and validate the secondary data. The response rate is slightly lower than that of Ibrahim *et al* (2003) that had a response rate of 32.5% in their postal survey.

4.7.2 Nature of the Respondents

The postal questionnaires sent to companies included the foreign-MNCs, government and indigenous companies. These companies practice CSR. The NSE classifications of PLCs in Nigeria are presented in appendix E. Most MNCs are western conglomerates listed in NSE. The western countries mainly include US, UK, Italy, Netherlands, and Germany. British investors are targeted as their head office could be contacted for information when the researcher returned to London.

4.7.3 Response Rate of Returned Questionnaires

The 38.6% response rate achieved was attributed to both the use of social ties in Nigeria that assisted in distributing and collecting the questionnaires. More frustrating, is complaints from the respondents of their inability to complete the questionnaires because of lack of time. Incidentally, it is a general belief that Nigerians hardly respond to questionnaires especially if you are not known to them on personal basis. However, they feel honoured and committed if someone approaches them for assistance believing that one day you might help them too. To

counter this negative attitude, friends and social ties were heavily engaged throughout the duration of the fieldwork which lasted for eight (8) weeks.

The survey questionnaires are more efficient than observation, more economic than in-depth interviews (Ritchie and Lewis, 2006). Oftentimes, postal questionnaires generate much information through some questions which would have taken much time, efforts and resources through observation. Further, postal questionnaires as a medium of communication and data gathering can help by expanding the geographic coverage at a lower cost than an in-depth interview (Creswell, 2006). Besides, there is no bias in a postal survey, unlike interviews.

However, the shortcomings of postal questionnaires are: firstly, the possibility of generating quality information is difficult and secondly, is the poor percentage of completed and returned postal questionnaires that is always common (Emory, 1985). Similarly, since survey questionnaires are activities that occur after events have taken place, respondents may forget important issues or the events that actually occurred. By doing this, survey questionnaires may not give a vivid account of what happened. Moreover, respondents are tempted to give superficial answers in situations where the questionnaires take a long time to complete. Also, some respondents, especially students, may not be willing to give sensitive information for reasons ranging from lack of benefits to fear of victimisation.

Given that the present study uses the multi-method approach, for instance, the statistical analysis including the use of Pooled OLS, Fixed and Random effect estimators to measure the impact of types of institutional investors and BOD characteristics on CSR in Nigeria, it is good to note that the case study method will be employed as complement. However, it has to be recalled that in such cases, Petersen and Vredenburg (2009a) argue that the quantitative method lack depth. The authors emphasised the importance of understanding *Why* CSR and institutional investors are related. This is because of the need to explore and examine the factors that influence investors

and BOD to invest in CSR. Therefore, the use of the case study method becomes more appropriate for this study.

In view of the discussion above concerning the positivist approach, the next section discusses the validity and reliability of research instruments used to examine *why* and *how* different institutional investors and BOD characteristics affect CSR of PLCs in Nigeria?

4.7.4 Validity and Reliability of Instruments (Reducing Sampling Error and Bias)

According to de Vaus (2002), validity is concerned with determining whether a measuring instrument actually measured what a researcher contended it was measuring, while reliability measures the consistency of such an instrument in terms of responses collected at different times. With regards to the survey questionnaire, validity could be assessed by different methods, such as content validity, criterion-related validity, and construct validity. Face validity measures the extent to which an instrument is viewed by experts as representing the concept purporting to be measured. Content validity is similar to face validity, but goes beyond representation to include adequacy by measuring the extent to which the instrument covers all the generally accepted meanings of the concept (Sirkin, 2006). Whilst face and content validity are regarded as subjective measures, criterion and construct validity are considered less subjective and more empirical (Sirkin, 2006). In measuring criterion validity, attempt is made to relate the results of the survey instrument to another one external to it by measuring the extent to which it is able to predict the external criterion. Despite these various ways of establishing validity, validity is usually argued for, and not proven, as no single way provides clear evidence of validity in social science (de Vaus, 2002).

Furthermore, the sampling error is an inherent weakness of any research sample. It is caused by observing a sample survey instead of a whole population. While sampling bias is a possible source of sampling errors in previous studies, this study tends to minimize that error so as to

enhance the validity. The researcher try to get a sample mean that represent the population parameter of (μ). Therefore, in order to ensure that the result from sample survey is consistent with the population so as to guarantee generalization, a large sample size (264) and high response rate of completed questionnaire was aimed at. All listed PLCs in the NSE amounted to 264. The researcher sent questionnaire to all of them. 102 completed questionnaires were collected.

While the response modes and questions in a questionnaire can come in different types, the questions for the questionnaire described above were in Semi-structured format. This type of response format offers the advantages of generating frequencies of response, and enhances statistical analysis (Cohen *et al.*, 2007). This leads to higher comparisons among groups within the sample (Oppenheim, 1992); easier and quicker to code and analyse (Bailey, 1994); direct to the point and more focused (Cohen *et al.*, 2007); and not biased towards respondents in terms of how articulate they are in completing the questionnaires (Wilson and McLean, 1994). In order to minimize social response bias, and ensure that the respondents read each question carefully (Cohen *et al.*, 2007; Saunders *et al.*, 2007), some of the questionnaire items were simple and directly worded. The tick box system was employed to increase response rate.

According to Chai (2010) previous research concerning types of institutional investors and CSR suffer from sampling and methodological error as a result of accounting disclosures in CSR practices. Consequently, results from rigorous and robust empirical analysis based on reliable longitudinal and cross sectional data are limited. Therefore, this study uses panel data (combining both longitudinal and cross sectional data) to generate large sample data and avoid problem of selection bias due to attrition. The balanced panel of 174 PLCs from 2003 to 2009 generated 1,218 observations or relationships thereby reducing the sampling error and bias.

In addition, the study employed mixed method approach which provided more insights into the different institutional investors and offers a deeper understanding of engagement practices and

investment goals of different institutional investors. In the quantitative approach, the thesis adopted a more robust approach for cross validation of findings, by using econometric method and in the qualitative approach, use the case study method. This combined approach was aimed at reducing the sample error, since the multi-method approaches yield better results, with the advantages and strengths of one method, replacing the disadvantages of the other method. For instance, the quantitative method provides generalisation and breadth, while the qualitative method provides depth and deeper understanding of the phenomenon, which the quantitative method lacks.

In view of the discussion above concerning the positivist approach, the next section discusses the realist approach using the multi-sector case study method to examine *why* and *how* different institutional investors and BOD characteristics affect CSR of PLCs in Nigeria?

4.8 The Case Study Method

Following the empirical and statistical finding's lack of depth and robustness, the case study method is adopted to understand the perception and behavioural perspectives concerning what influences institutional investors and BOD to engage in CSR. In other words, the reasons behind their investments and strategic decisions will provide the understanding between the institutional investors, BOD characteristics and CSR. This provides the reasons *why* and *how* BOD characteristics, institutional investors engage in CSR (Petersen and Vredenburg, 2009a). Therefore, the case study method is employed to provide an in-depth understanding concerning the relationship between different institutional investors, BOD characteristics and CSR. The case study method combines information from the in-depth interviews, survey and documentary evidences to achieve the stated objectives and answer the research questions in this study (see Research question section 4.9.1).

The case materials (Yin, 2005; 2009) is developed using four sources to derive relevant information. These sources are: the primary data which includes the in-depth interviews and survey questionnaire, while the secondary data includes the company websites, mission statements, NSE fact book and annual reports by companies. These multiple data (Eisenhardt, 1989; Ritchie and Lewis, 2003; Yin, 2005) are to ensure triangulation, reliability, construct and hypotheses validation and diversity of opinions (Yin, 2005). In order to answer the research questions concerning the factors that affect the board characteristics and the institutional investors on CSR practices, diversity of the PLCs, nature of business and type of industry were considered.

The case study spans a period of 2003 to 2009 because the period witnessed the introduction and development of the Code of Corporate Governance (2003), Code of Bank Consolidation (2006) and the revised Code of Corporate Governance (2009) in Nigeria. This provides information concerning the policy differences about CSR and corporate governance of PLCs in Nigeria over time. The case study method follows the Yin (2009) road map to theory building as supported by Eisenhardt (1989) and Creswell (2003).

The case study was based on the Werther and Chandler (2006) model. According to the Werther and Chandler (2006) model of the strategic CSR, CSR indicators can be used as a guide. This study uses the CSR indicators as the framework/model for discussion. These strategic CSR indicators are: the CSR planning (including vision, mission), strategy and implementation. Werther and Chandler (2006: 45) state that *a sustainable effort to attain a firm's mission and vision depends on a strategy and tactics that are evaluated through the CSR filter within the organisation policy and external environmental constraints under which the firm must operate.* Comprehensively, Werther and Chandler (2006: 44) explain the meaning of the CSR planning to include vision, mission, strategy and implementation: 1) *the vision answers why the organisation exists. It identifies the needs the firm aspires to solve for others.* 2) *The mission states what the*

organisation is going to do to achieve its vision. It addresses the types of activities performed for others. 3) The strategy determines how the organisation is going to undertake its mission. It set forth the ways it will negotiate in its competitive environment. 4) The tactics determine when and where the strategy will be implemented and by whom. They are the actions necessary for success.

Furthermore, Hess *et al* (2002) illustrates the importance of aligning CSR practices to the core business philosophy of the corporation. According to Hess *et al* (2002) the top managers incorporate the CSR programmes into strategic planning. Linking CSR programmes to core values helps to bridge the rhetoric reality gap. By so doing helps to achieve the long term interest of the company. The involvement of top management is an indicator of strategic CSR. Werther and Chandler (2006) argue that the core competencies enable the company to compete from its strengths within the context of its external environment. The institutional investors and directors' ideological perspectives of CSR are very important in determining the support and form of CSR policy (Polonsky and Jevons, 2009; Galbreath, 2009).

Given the use of the primary data (such as in-depth interviews and survey questionnaires) and alongside secondary data (documents from annual reports, websites and CSR reports), the data and information are coded to develop patterns (Yin, 2005; 2009). These patterns show the linkages between CSR and the BOD characteristics and institutional investors. Sometimes these linkages are assembled to form the conceptual model that captures how the role of BOD characteristics and institutional investors influence CSR in Nigeria (Petersen and Vredenburg, 2009).

Data analysis or discussion in this research includes comparing the field notes and interview to match the theories and concepts relevant to this study. The questions in the interview provide a broad parameter for assessment and comparison (Yin, 2005). The coded and transcribed

interviews are categorised under themes (as derived from the literature on CSR) to see if the questions are addressed in line with the research aims and objectives.

The transcribed and coded interviews are analysed and categorised in three (3) phases. The first phase is the CSR planning phase that indicates the alignment of CSR policies with the corporate philosophy of the organisation. Also, the CSR planning phase signifies, how and why, CSR policy is aligned to the vision, mission and values statements of the companies which will indicate whether CSR is strategic or not. The second phase is the CSR strategy. The CSR strategy refers to the tactics, approaches and policies of CSR activities. In other words, it measures how important and significant CSR is to the company. Consequently, the CSR strategy indicates the level of involvements of different institutional investors and BODs on CSR. Also, it signifies the level of compliance to national and international Codes of Conduct of Best Practices highlighting the reasons for compliance. This includes formation of corporate governance structure such as Code of Ethics and Business Conduct.

Galbreath (2009: 110) stated that strategy is conceptualised as what the firm intends to achieve in the long term (mission); what internal and external issues impact on the firm's ability to achieve its mission (strategic issues). Hence, Galbreath (2009) suggests the development of Codes of Ethics, preparing CSR reports and communication of CSR as the signal for strategic CSR. CSR strategy enables the company to become a more responsible, competitive and better performing company. While according to Polonsky and Jevons (2009), the organisational and communication tactics are the prerequisite for strategic CSR and global branding. The authors argue that companies should try to maximise the CSR values by recognising CSR as the central core of the business activities and treating CSR practices as strategic.

The third phase is the CSR implementation and performance evaluation phase. This phase involves the launching of formal CSR practices and strategy documents, the process of getting

feedback and evaluating performances. The CSR implementation phase comprises CEO/management briefings and meetings on CSR, community development projects, donations and charitable activities (Werther and Chandler, 2006).

4.8.1 Advantages of Case Study

The case study provides in-depth insight into the roles of different institutional investors and BOD characteristics on CSR. This helps to provide rich and robust findings that supplement the statistical findings in this study. Also, it helps to understand the phenomenon from the natural context. In this case, the board, institutional investors and CSR practices constitute the phenomenon, while the PLCs and communities is the natural context. Therefore, it enables the researcher to understand CSR practices from the organisation's perspectives.

4.8.2 Limitations of Case Study

On the contrary, the shortcomings of case study include lack of representations and as such cannot be generalised (Creswell, 2003). However, Yin (2005) argues that lack of representation and generalisation of case study results can be resolved and rectified by employing multiple case study approach. Yin (2009) argues that multiple case studies can be used for analytical generalisation. Hence, in this study, the use of multi-sector case studies of four (4) PLCs are adopted with the aim of resolving the above shortcomings which is in line with the recommendation of Yin (2005; 2009).

Another criticism of the case study method is its inability to differentiate between the case and the unit of analysis (Grunbaum, 2007). Grunbaum (2007) offers a solution by separating the case into the inner case micro and outer case macro. By extension, the unit of analysis becomes the link between the effect of different institutional investors and BOD characteristics on CSR. On the other hand, the inner case micro, refers to the link between the company and the environment, and the outer case macro, refers to both the existing theoretical and the empirical

knowledge in accounting and finance (Mahmood and Riaz, 2008; Yin, 2009). Yin (2009) noted that the clear assessment of unit of analysis can help in the generalisation of case study results.

4.8.3 Selection of the Unit of Analysis (4 PLCs)

The selection of a unit of analysis is a very crucial step in case studies. According to Yin (2005; 2009) once a unit of analysis (case) is defined, it provides stability to the case study designed. Yin (2009) stated that the criteria for selecting multiple case studies depended on whether they are topical, critical and feasible. That is, the four (4) PLCs namely ExxonMobil PLC are dominated by foreign investors. The Industrial Gas Insurance (IGI) Company are not only dominated by indigenous investors but has the presence of female directors which is considered in this study as a proxy for board diversity. The Zenith bank is dominated by indigenous investors and Wema bank dominated by government investors. These PLCs are selected for the case studies because of their critical and unique position in the socio-economic development in Nigeria.

In addition, the most important criteria for the selection of the four (4) companies are because of the availability of data and the involvement of the PLCs in CSR activities. Also, it signifies the CSR practices are spreading across sectors because of the increased awareness regarding compliance to the recommendation of the Code of Corporate Governance in Nigeria (2003; 2009). Also, the increased pressures from NGOs, government, the media and parent companies have increased the CSR practices across sectors in Nigeria. Other criteria's are also satisfied by all four PLCs in that the phenomenon is contemporary and topically relevant because of the role of companies in society. This role has come under close investigation today as investors, stakeholders and NGOs are demanding that companies become more socially responsible. Therefore, all four companies practice CSR and have the presence of institutional investors.

- a) ExxonMobil PLC is a foreign owned company operating in Nigeria. The company engages in CSR activities (www.exxonmobil.com).
- b) Industrial Gas Insurance (IGI) Company. The company's geographical location spreads across all the 36 states in Nigeria. This is unique as its interaction to local communities all over Nigeria is complex. It has two (2) female directors on the board (www.iginigeria.com).
- c) Zenith Bank is an indigenous bank with branches all over the 36 states of Nigeria. Zenith Bank has a corporate philanthropy department responsible for CSR activities. (**Zenith Bank Annual Report, 2009**).
- d) Wema bank is a government owned bank with branches in Nigeria and other Africa countries. Wema bank's CSR practices are philanthropic in nature with lots of charities, donations and community development activities (www.wemabank.com). The company profile of the four (4) PLCs and their corporate governance structure are illustrated in Appendix D.

In line with the main aims and objectives of this study, the case study method is used as a supplement to the econometric method that uses the pooled OLS, fixed and random effect models to estimate the impact of types of institutional investors and BOD characteristics on CSR in Nigeria. Next, the following subsection presents the objectives of this study that guides the formulation of the research question for the case study. By doing this, the personal, behavioural, situational and motivational factors that affect institutional investors and directors' perceived role in CSR activities are explored.

4.9 Aims and Objectives

The aim of this study is to use the case study method involving eighteen (18) interviews, documentary and survey data to determine the impact of the types of institutional investors and

the BOD characteristics on CSR of PLCs in Nigeria. Based on the research aims and objectives, the following research questions are formulated.

4.9.1 Research Questions

- What are the roles of indigenous, foreign and government institutional investors on CSR?
- What are the roles of NEDs, executive directors, board size and board diversity on CSR?
- Why do indigenous, foreign and government institutional investors influence CSR in Nigeria?
- Why do NEDs, executive directors, board size and board diversity influence CSR practices in Nigeria?

4.9.2 Reliability and Validity of Case Studies

In case study, the reliability and validity of findings are measured using the following: construct validity, external validity, internal validity and reliability (Yin, 2005) and they were all taken into consideration in this case study. The research questions demonstrate the construct validity while adopting multi-sector case studies to ensure generalisations and external validity (Yin, 2009). Also, the various theories are to ensure internal validity. The case study protocol is developed to ensure accuracy, reliability and validity. The processes involve linking the CSR practices to the company's vision, mission, values, implementation and performance evaluation. Consequently, these linkages are to determine the strategic importance of CSR and to confirm that the process of the case study protocol has been followed.

According to Yin (2009) multiple sources of evidence are among the processes of ensuring construct validity. This study employed interviews, company documents, annual reports and company websites to enable the researcher to gain insights from different perspectives that could converge on the same themes of the case study to ensure construct validity. The theories (that is,

the stakeholders, legitimacy and institutional – See section 2.5) are to ensure internal validity (Eisenhardt, 1989).

4.9.3 Data Sources

Both primary and secondary data were used in this study. First, the primary research data consists of in-depth interviews. Secondly, the secondary data are the documentary data, some from annual reports, companies' websites and NSE fact books. This is the mixed method approach (Geringer *et al*, 2000)⁴¹. Next, the in-depth interviews are discussed below.

4.9.3.1 In-depth Interview

In the in-depth interview method there is a conversation between two persons namely the interviewer and interviewee. In this case, the interviewer asks questions with the goal of obtaining information that is of importance to the researcher (Creswell, 2003). Following the review of the survey questionnaires, eighteen (18) in-depth interviews were conducted. The interviews were conducted among the PLCs. The people interviewed include the CEOs, departmental heads, senior managers and employees. See Appendix C for the interviewee participants.

Furthermore, the interview method is one of the most important primary data collection methods involving communication (Ghauri and Gronhaug, 2002; Engle, 2007). Unlike the postal questionnaires, the in-depth interviews are not restricted to managers, but extended to other employees. The interview lasted for an average of one hour. The pre-interview stage involved a brief introduction about the topic, issue of confidentiality, advantages of the research to respondent, company, community and country in line with the studies (Such as, Ghauri and

⁴¹According to Geringer *et al* (2000) multiple measures are beneficial when using economic performances such as Return on Asset (ROA), return on equity (ROE), Gross profit margin, Turnover, P/E and Tobin q.

Gronhaug, 2002; Jankowicz, 2005; Ritchie and Lewis, 2006 and Engle, 2007).

Generally, the interviews are based on the perceptions and behavioural role of managers, factors that encouraged them to practice CSR and the effect of CSR on the efficiency and performance of their firm. Semi structured interviews were adopted in this research study (See Appendix B for details of interview questions). The use of both note-taking and tape recording was employed as suggested by Ghauri and Gronhaug (2002) as very useful techniques in in-depth interviews while being aware of the disadvantages, such as, the respondents not wanting to answer sensitive questions (Ritchie and Lewis, 2006). In addition, the explanatory and exploratory probes are used for the in-depth interviews (Bryman and Bell, 2003). This is done to probe and understand the facts relating to the behaviours, views and feelings of the BODs and investors. Finally, the interviews were more successful than the postal questionnaires because respondents told the truth and were very passionate about the CSR problem during the discussion with the researcher (Creswell, 2003).

The employees interviewed are from different levels of the companies so as to generate a wide variety of information for this study. Top management and CEOs were involved among those interviewed because as a top executive officer who is a member of the BODs, their views are very critical and significant to this study since we are interested in gathering information about the BOD characteristics, investors' behaviours on CSR policies and implementations. First, the CEOs of some of the companies were interviewed at their head offices. The Public Relations Officers, CSR managers and Communication managers were also interviewed because they act as mediator between the companies and communities. Second, the investment managers and investment analysts were interviewed so as to get information concerning institutional investors' viewpoint on CSR strategic investments and directions.

4.9.3.2 Coding of Interviewees Response

The coding of interviewees from the four (4) PLCs was done to protect the identity of those interviewed as agreed prior to commencement of the exercise as shown in the covering letter sent to them. The codes assigned to the interviewees are related to the names of the companies, the Industrial and General Insurance (IGI) Company are assigned the prefix ‘IG’, ‘E’ for ExxonMobil, ‘W’ for Wema Bank and ‘Z’ for Zenith Bank.

Table 4.1: Summaries of Field Interviews

Interviews	Industrial General Insurance PLC	ExxonMobil	Wema Bank PLC	Zenith Bank PLC
Number of interviews	5	4	4	5
Code of interviewees	IG1, IG2, IG3, IG4 and IG5	E1, E2, E3 and E4	W1, W2, W3 and W4	Z1, Z2, Z3, Z4 and Z5

4.9.3.3 Analysis of Data

The data analysis is a process by which interview and documentary data are broken down, reorganized and categorised. During interpretation of data, there is a constant iterative moving back and forth data to the theoretical concepts, involving the process of building theory (Ritchie and Lewis, 2006).

The first stage of the analyses involves starting the analyses with a small portion of the data, formulating an initial set of categories. For instance, looking at the data to see if it falls into categories, such as partnership, long-term value, ethics or stakeholder oriented, while at the same time taking into considerations, the vision, mission and values of the company. This forms the basis for comparative approach, where data analyses start with a small portion of data, moving back forth between data and theoretical model of Werther and Chandler (2006). According to Ritchie and Lewis (2006) this method of data analysis is appropriate for both the interview and

case study methods, because data collection and data analysis are interrelated; until all data have been explained in the emerging theory or to fit into the theoretical model as mentioned above. For example, that the emerging data analyses construct (See Chapter 6) fits into the narrative that institutional investors support strategic CSR in the case study.

Furthermore, the pattern of processes of formulating CSR policies and the attitudes of investors and directors were considered and listed. All data were identified that relate to the already classified pattern of partnership, ethical, implementation, stakeholders oriented. Next, all related patterns were joined and classified into sub-themes. Finally, the themes are categorised and matched with the theoretical model.

In this study, an excel spread sheet was set up with five worksheets, one for each topics (partnership, ethical, implementation, long-term value, stakeholders oriented) and the transcripts were broken into three different cohorts. These themes were labelled according to the language used by the respondents (Bryman and Bell, 2003), and the statement made by the respondents and related to the theme were pasted into the spread sheet, along with the respondent code, position, nationality and company of respondent. The theme names and where they were located in the spread sheet were written on the side of the transcript to provide a record of the progression of the themes and analysis. Subsequently, additional transcript with a similar theme was recorded in the same way as above, where the previous text was pasted and the label name adjusted accordingly. This form of categorisation continued for all three cohorts of data.

Figure 1: Role of Institutional Investor in CSR Planning Phase

<p>Partnership</p> <p>Explain key areas of roles of investor in CSR</p>	<p>E3, ExxonMobil, Safety and Environmental Manager, Nigerian</p>	<p>The CSR is linked with our values of integrity, partnership and need to satisfy our stakeholder especially protecting the environment. Our investors are putting pressure on management to build good community relations with the community.</p> <p>Uh hum I think that if you look at the CSR format, they have been developed.</p>
<p>Stakeholder oriented</p>	<p>Z1, Zenith Bank, Investment manager</p>	<p>In fact, personally I think that the institutional investors are interested in short term investments. The institutional investors do not show interest in the CSR agenda at all stages. So it is the directors that make sure the CSR policies are in line with our culture which is to satisfy our customers and other stakeholders. The level of awareness of CSR by institutional investors is poor because of lack of effective communication between the board and investors.</p>

Another technique employed was the charting technique (Ritchie and Lewis, 2006) with each central theme and sub-themes (determined from the data). The charting technique involves the classification of CSR into (planning, strategy and implementation phase), while institutional investors (indigenous, foreign and government) and BOD characteristics (NEDs, executive, board size and board diversity). Here, respondents' quotes were categorised as positive comments or negative comments, if they talked positively or negatively respectively, about the theme. The central themes were the CSR planning-policy phase, strategy and implementation phase (See Appendix G for details). This technique ensures that all outliers and conflicting evidences were captured. On the whole, thematic analysis (identifying themes and patterns) and charting technique were used in this study.

The interview demands direct interactions between the respondents and the researcher. Also, it is flexible and it gives a more detailed, accurate and vivid view of respondents (Ghauri and Gronhaug, 2002; Jankowicz, 2005). The interviews offer the desire to see respondents' reactions and perceptions which survey questionnaires do not reveal. In addition, they provide depth and

challenges. The interviews reveal the best thinking of each participant which may not be possible with group participants in focus group (Bryman and Bell, 2003).

However, the shortcomings of the in-depth interview method include requiring great skill on the part of the researcher and interviewer (Ritchie and Lewis, 2006). In other words, it requires a skilled interviewer (Ritchie and Lewis, 2006).

To address such a shortcoming, in this study once a theme is identified that matches the research objectives, the correct response is categorised to ensure that the appropriate and detailed analyses of the interview is carried out using an analysis sheet (Creswell, 2003). This enables the researcher to scan each theme and issue and identify patterns with the theoretical framework. Therefore, once the theme and pattern identified matches the institutional investors and BOD characteristics with CSR policies, strategy and implementations, then, they are accepted. This acceptance is based on the theoretical framework of strategic CSR approaches by Werther and Chandler (2006). Thus, the conclusion is made that strategic CSR practices as conducted by the company are either being influenced by the institutional investors or BOD characteristics or both. However, if there is no pattern matching, then there is no strategic CSR in that company.

4.9.3.4 Secondary data

The secondary data for statistical analyses include 174 PLCs selected from the NSE fact book, 2003 to 2009. Other sources of secondary data include SEC, NSE, annual reports, and financial statements of PLCs. The following data were derived such as CSR investments, number of executive directors, NEDs, women on board, number of employees, total assets, debt, company age, earnings, and institutional shareholdings. Companies without data or incomplete data were removed from the study. Thirty-five (35) companies in NSE are MNCs (15.5%) of the total records. The MNCs are mainly in oil, extractive and pharmaceutical industries. An average of 40% equity holding is held by foreign investors in MNCs (NSE Fact book, 2009).

The PLCs comprise public and medium sized companies listed on the NSE (Ojo, 2009). According to Ehikioya (2009) listed companies in NSE are mandated to prepare, submit and publish financial information in line with the accounting principles, standards and practices. The author further stated that listed companies adhere to the standards and norms of regulatory authorities compared to non-listed companies.

In the case study method, the secondary data include documents from the four (4) PLCs. These are chosen because they reflect the purpose of the study such as the context, cultural, social and institutional. These documents include the company annual reports, newspaper reports and company websites of four (4) PLCs. This document will enable the researcher to have an understanding about the context and nature of the phenomenon under study. These documents are obtained by the researcher during a preliminary visit to the companies before the interviews. The documents are not only helpful for verification purposes such as for correction of spellings and names of firms, but can be used to corroborate information from other sources (Yin, 2009). Some newspapers reported on the CSR policies and implementations of the four (4) PLCs and therefore the researcher analysed them too.

The study uses secondary data because it enables the researcher to pull together large data because someone else has collected the data and so the researcher does not have to devote time and money collecting the data. Also, the data are cleaned and stored in electronic format. This gives the researcher enough time to interpret and analyse the data. Secondary data are easily quantifiable (Creswell, 2003). The secondary data collection process is informed by expertise and professionalism that may not be available to smaller research study. Consequently, this is why quantitative analysts and positivists prefer secondary data because it is ideal for the analyst who wants to spend their time thinking and testing hypotheses using existing data (Ritchie and Lewis, 2006).

Conversely, secondary data are collected for certain reasons other than that of the researcher. Hence, information that may answer research questions may not be available. Sometimes, it does not meet the purpose of the study. Moreover, the data may be collected from a geographic region different from that of the researcher or from a different population category or different time period (Bryman and Bell, 2003). Also, variables maybe categorised differently from those of the researcher. In certain instances, it is difficult to know how it was done because the researcher does not participate in the planning and execution of data collection. Finally, the researcher may lack the information concerning low response rate or how respondents misunderstand some survey questions.

4.10 Limitations of the Study

The limitations in this study like most other studies are the difficulties in gaining access to information and data. Most managers are sceptical of releasing company information because of competition from other industry and data regulations such as UK Data Protection Acts. Most MNCs in Nigeria are foreign owned, particularly those from the UK (such as Shell Petroleum Development Company, former Cadbury PLC, Lever Brothers PLC) are being influenced by their host country regulations despite the fact that they are operating in Nigeria which is govern by the CAMA 1991 law (See section 3.1.1). Most employees mentioned such laws as hampering them from completing the questionnaire.

Other limitations include bureaucratic bottlenecks in companies limit information flow and access (Ameashi *et al*, 2006; Hegg, 2007 and Amao and Amaeshi, 2008). For instance, most companies requires you to fill forms, make phone calls and report in person if you are to be taken seriously, even after sending the questionnaire and follow up reminder. This study is also limited by the availability of resources, cost and time.

Besides, the postal questionnaires that are characterised by many non-response questionnaires,

for example, most respondents either ignored or filled the questionnaires incorrectly. The non-response rate was reduced through the use of social ties and friends who assisted the researcher in convincing their colleagues to provide interviews and assist in completing the questionnaires. Also, some friends helped in collecting some of the completed questionnaires.

The problem of self-evaluation, self-selection and low response rate arising from the use of questionnaires can be attributed to the highly sensitive nature of the corporate governance variable which most managers are reluctant to disclose. To circumvent this problem secondary data is used to reconfirm the survey data.

Also, the postal survey did not account for country to country perspectives of the role of different investors in CSR practices in the PLCs. This is because the study is centred on Nigeria. As identified from the literature in chapter 2, the link between the role of investors, BOD characteristics and CSR is country, firm and industry specific. This study covers only various firms and industrial sectors but do not cover country to country differences or factors. So there is a need for country to country study in Africa or comparative studies in other developing and emerging economies to be explored.

Moreover, the cost of purchasing data is a limiting factor in Nigeria because it was expensive. The Nigeria Stock Exchange (NSE) fact book for 2003 to 2009 was purchased by the researcher from NSE research office. Each NSE fact book and its Compact Disc cost 100,000 Naira (*i.e.* approximately 400 pounds per copy). A total of seven (7) copies of the book and disc each were used.

The problem of subjectivity in the case study can lead to bias during the interview since the researcher is part of the data collection. Also, bias can occur through establishing friendship and rapport with respondents. However, the presence of the researcher can ensure rich and quality

data through probing of respondents. In this study, the use of note-taking and tape recording was used to minimise these biases.

In addition, the use of other methods such as observation was not carried out as this is one of the three methods for data collection in case study approach. The other two are focus group and interview methods. Instead, the researcher opted for the interview method. The observation of the employees and companies was not carried out due to lack of resources and time.

The problem of causality between institutional investors and CSR is another limitation. The essence was to find out whether it is the good CSR management that attracted investors and directors to the company or if it was the institutional investors' presence that attracted CSR investments.

4.11 Conclusion

This chapter provides a detailed discussion and explanation of the research methods and analytical techniques employed in this research study. The chapter is outlined in six key points: first, the assertion of a relationship between the different institutional investors, BOD characteristics and CSR formed the main argument of this study. Also, the pragmatic research philosophy is used to investigate the research objectives (see sections 4.9) in examining the relationship between institutional investors, BOD characteristics and CSR. By doing this, the study contributes to methodology, knowledge and management research in the areas of corporate governance and CSR, by arguing that the pragmatics philosophy is a better way of understanding the complexities surrounding relationships between the different institutional investors, BOD characteristics and CSR.

Second, the models for testing the hypotheses are specified. The models test hypotheses 1 and 2 in order to capture the effects of the independent variables (types of institutional investors and BOD characteristics) on the dependent variables (CSR investments). The statistical method

involves the use of 174 PLCs from 2003 to 2009. All findings of the Pooled OLS, Fixed and Random effect estimators are reported (See chapter 5). The regression instruments (Pooled OLS, Fixed effect and Random effect estimators) estimate the effects of the independent variables on the dependent variables; if the P-value of the coefficients of independent variables is positively statistically significant, then we cannot reject the null hypotheses. Therefore, this research expects the coefficients of the types of institutional investors, BOD characteristics to be greater than zero (>0), and statistically significant.

Third, several diagnostic tests are carried out in this study to enhance the reliability and validity of the findings. Such diagnostic tests include Hausman, normality, multicollinearity, heteroscedasticity and serial correlation. The Hausman test is used to discriminate between the fixed effect and random effect estimators. The correction of the problem of multicollinearity (when two or more independent variables are correlated) and problem of heteroscedasticity (when residual error term variance not constant) are achieved by using robust standard error test.

Fourth, the use of a case study provides the in-depth explanation concerning the CSR responses to social issues from the corporate governance perspectives using types of institutional investors and BOD characteristics. The case study method is exploratory, inductive and appropriate for explaining the perceptions and link between the roles of institutional investors and BOD characteristics on CSR activities.

Fifth, the eighteen (18) interviews were coded and used to build the case study by forming a pattern that explains the relationship between institutional investors, BOD characteristics and strategic CSR practices. Furthermore, the postal survey conducted, generated a response rate of 38.6%. The 38.6% response rate is consistent with the 30.6% generated by Ibrahim and Angelides (1995) and 32.5% response rate generated by Ibrahim *et al* (2003).

Sixth, the researcher ensures that ethical standards are met in this research by getting

clarification and approval. The clarification and approval for data collection was sought from the research ethics committee of the University of Greenwich before the commencement of the exercise. Other issues include health and safety, interviewees' comfort, safety of researcher and data protection laws. Also, the issue of confidentiality might cause some interviewees to be cautious on account of being employees. In fact, the researcher provided assurances to concerned interviewees of my willingness to adhere to strict confidentiality. See appendix F for details on ethical issues' considerations. Also, a covering letter explaining the research purpose and objectives was sent along with the questionnaires (see appendix A).

The next chapter discusses the overall analysis of the econometric findings involving the use of Pooled OLS, Fixed effect and Random effect estimators of a balanced panel of 174 PLCs from 2003 to 2009 to estimate the effect of different institutional investors and BOD characteristics on CSR.

CHAPTER 5

5.0 DISCUSSION AND ANALYSIS OF ECONOMETRICS/STATISTICAL RESULTS

5.1 Introduction

The previous chapter discussed the research methodology aimed at investigating the effects of the roles of different institutional investors and BOD characteristics on Corporate Social Responsibility (CSR). This chapter discusses the statistical analysis using pooled cross sectional estimator, fixed effect estimator and random effect estimator to determine the impact of different institutional investors and BOD characteristics on CSR of balanced panel of 174 PLCs from 2003 to 2009 in Nigeria. In essence, this chapter allows the results of the quantitative data to be generalised to the entire population, considering the fact that the case study was based on a relatively smaller sample of the population.

This chapter discusses the following: results of the statistical analysis concerning the effects of indigenous institutional investors, foreign institutional investors, government institutional investors, board composition, board size and board diversity on CSR. The next section discusses the descriptive statistical analysis of the variables.

5.1.1 Descriptive Statistics

Table 5.1 presents the descriptive statistics for the 174 PLCs describing the pattern and trend in the dataset. The descriptive statistics analysis reveals that the lowest CSR investment value is 12,423 naira (£50) in 2003 from a start-up company (BCN Plc.), while the highest CSR investment value from Zenith Bank totalled 1.6 billion naira (£8m) in 2009. The first column shows the variable names while the second column is the number of observations indicating the number of companies, 174 PLCs from 2003 to 2009 amounting to 1,218 observations. Therefore, the total aggregated observation is 174 PLCs over 7 years and 14 variables, resulting in 17,052 observations, when the control variables (seven in numbers) are taken into

consideration. This dataset gives 1218 CSR investments relationships (observations). The second column is the mean of the variables, a total of 15 variables were considered in this study. The mean for indigenous investors (32%) is higher than the foreign investors (24%) and government investors (17%). The mean of the non-executive directors (NEDs) is (57%), higher than the mean of the executive directors (43%), while the mean of board size stands at 8 directors per PLC. The mean value for female directors is 33%, compared with male directors that are 67%.

On the company's profitability, mean value of return on assets (11.13) indicating that the majority of companies are profitable, while the mean age for company is 30.5 and mean for number of employees is 850. This suggests that the 174 PLCs are mostly made up of older, medium and larger companies.

Table 5.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
csrinvestm~t	1218	3.88e+07	1.34e+08	12423	1.66e+09
nedpercent	1218	.5735155	.1515204	.125	.875
edpercent	1218	.4267408	.151051	.125	.875
boardsize	1218	8.119048	2.9905	2	20
womenpercent	1218	.3304429	.3403962	0	2
indigenous	1218	32.03041	20.81309	5.5	91
foreign	1218	24.9221	17.00294	5	88.4
govt	1218	16.64934	14.07868	.29	56
risk	1218	.4574467	.9008018	.0001905	26.55637
industry	1218	2.090312	.7745254	1	3
noofemploy~s	1218	850.2775	1728.388	10	16967
companyage	1218	30.48522	16.45896	1	87
debt	1218	5.79e+10	2.04e+11	774000	1.52e+12
roa	1218	11.13376	14.35395	-8.834765	86.88392
eps	1218	3.932277	9.770986	.0004271	98.88797

5.1.2 The Regression Analysis and as it relates to Causality

This section uses Pooled OLS, fixed effect and random effect estimators which are forms of general linear modelling used to examine the relationship between the dependent variables and independent variables, with the intent of examining the predictive ability of sets of the independent variables (cause and effect) on the dependent variable, and further confirm the proposed relationships. Applying the regression analysis is borne out of the fact that relationships and predictions in real-life scenario, as in this case, are best established and made by a combination of factors. By applying this analysis, the relative contribution of each independent variable in explaining variance in the criterion variable can be determined. Specifically, the interest here is the institutional investors and BOD characteristics, the predictor variables that cause and determine the variance in the outcome, the CSR investments.

Another contribution to these cause and effect relationship is the control variables. The control variables are financial performance, risk, firm size, company age, industry effect, and debt. That is, the extent to which institutional investors, BOD characteristics and the control variables might contribute to the prediction of the perceived role of institutional investors and BOD characteristics for achieving and predicting CSR activities. Therefore, this can be interpreted as if it is the institutional investors and BOD characteristics that are leading to the outcome in CSR investments, holding all the control variables constant. The results of these relationships are presented below. This analysis also aims to specify a variable(s) that is (are) most accurate in predicting the outcome of CSR using both fixed effect and random effect estimators. Since human behaviour is complex and could be influenced by many factors, it is expected that certain sets of independent variables might not completely give totally accurate predictions especially that the construct under investigation has been established to be a multidimensional construct. The fixed effect estimator did reduce the multicollinearity problem (See section 4.5.9). The Hausman test did select fixed effect estimator as against random effect estimator as the best fit

for the model to determine the cause and effect relationship. These estimators did resolve the problem of omitted variable bias. However, this study did not go further to determine the extent of causality and endogeneity problem, but it has been recommended, particularly in the area of future studies that generalised method of moments or 2-stage least square can used to determine the extent of causality and endogeneity problem (See section 7.8).

5.2 Presentation of Empirical Results for Model 1

The pooled cross sectional estimator, fixed effect estimator and random effect estimator are used to estimate the effects of the balanced panel of 174 PLCs from 2003 to 2009. Model 1 tested hypotheses 1a, 1b and 1c. The Hausman test indicates that the fixed effect estimator is the preferred estimator compared to the random effect estimator. This is because the fixed effect estimator is consistent and its differencing process eliminates the time-invariant firm specific component variables leaving the residual error term uncorrelated to the dependent variables.

The selection equation uses the same control variables (z), along with one identification variable such as indigenous, foreign and government institutional investors. In other words, each independent variable of interests (indigenous, foreign and government institutional investors) are added to the seven control variables (z) separately and tested using the pooled cross sectional estimator, fixed effect estimator and random effect estimator. This is done in order to capture the specific effect of each variable on CSR investments.

The results of the fixed effects estimator show that the different institutional investors have a negative effect on CSR investments but the effects are statistically insignificant at 1%, 5% and 10% level when all control variables are held constant. The standard error value is in parenthesis. In the next subsection, the findings on the effects of the role of indigenous institutional investors on CSR investments using the pooled cross sectional estimator, fixed effect estimator and random effect estimator are presented.

5.2.1 The Role of Indigenous Investors

The effects of indigenous investors on CSR are presented in Table 5.2. Model 1 tests hypothesis 1a. The fixed effect estimator and random effect estimator produce the same negative and insignificant results between the indigenous institutional investors and CSR investments ($b = -0.136$; $P=0.54$) and ($b = -0.039$; $P=0.81$) respectively. However, the pooled cross sectional estimator shows a positive and insignificant relationship ($b=0.59$; $P=0.089$) between the indigenous institutional investors and CSR. See Table 5.2 for details of results.

In fact, because the pooled cross sectional estimator does not capture the heterogeneity across groups (PLCs), the fixed and random effect estimators' results are more reliable (Greene, 2003). As started earlier, the Hausman test preferred fixed effect model ($\chi^2=34.93$; $\text{Prob} >\chi^2=0.00$) compared to the random effect model.

Furthermore, the fixed effect estimator showed indigenous investors have a negative and non-significant effect on CSR ($b = -0.136$; $P=0.54$). The finding means that 1% increase in indigenous institutional investors' results in 0.13% decrease in CSR investments, holding all the control variables (z) constant. The negative and non-significant results indicate that indigenous investors do not influence CSR among PLCs in Nigeria. In other words, this negative relationship is not relevant from an econometric point of view. However, this finding rejects hypothesis 1a that predicted a positive relationship between indigenous institutional investors and CSR.

Certainly, the findings are similar to that of Rasic (2010) that finds no relationship between indigenous institutional investors and CSR having a value of $\chi^2 = 4.96$; and $P=1.27$. Rasic (2010) identified weak institution, high cost of new technologies as the militating factors against

CSR. Therefore, fixed effect model results ($b = -0.136$; $P=0.54$) which is negative and non-significant results indicate that indigenous institutional investors do not have influence on CSR.

Furthermore, the R square within for the fixed effect estimator is 0.22, implying that the independent variables in the model accounted for 22% variations in CSR investments, signifying a good fit for the model (Benson *et al*, 2009). This means that the explanatory variables in the model explain the CSR investments by 22%. The R-square value is between the R-square for Benson *et al* (2009) which is 0.08 and the R-square of Andayani *et al* (2008) of 0.376.

Nevertheless, in this study the presence of heteroscedasticity was tested ($\chi^2=0.78$; $\text{Prob} > \chi^2=0.38$) indicating the absence of heteroscedasticity. This means that the variance of the error term is approximately constant. Further, the presence of multicollinearity was tested and the result (Mean VIF=1.48), means absence of multicollinearity. The Woodridge tests for autocorrelation results ($F=10.20$; $\text{Prob} > F=0.0017$) means there is autocorrelation. Consequently, the presence of heteroscedasticity, multicollinearity and autocorrelation were corrected using the robust standard error test and the findings reported in Table 5.2.

Moreover, the finding of absence of multicollinearity implies that the explanatory variables such as the indigenous institutional investors do not correlate with the unobserved error term, for example, board age, general confidence and social capital. This may affect market valuation and financial performance of the firm; ultimately, affecting CSR. Further, the absence of heteroscedasticity shows that the variance of the unobserved variables such as managerial skills is constant or homoscedastic. The robustness check did reveal no substantial change in results indicating that the findings are not driven by unobservable firm heterogeneity.

Table 5.2: The Effects of Indigenous Institutional Investors on CSR

Variables	Pooled Cross- Sectional Model	Random Effect Model	Fixed Model	Effect
Indigenous Investors	0.59(0.089)	-0.039(0.115)	-0.136(0.086)	
Number of employees	0.519(0.044)***	0.558(0.786)***	0.528(0.101)***	
Age of Company	-0.351(0.100)***	0.707(0.253)***	0.895(0.323)***	
EPS	-0.079(0.035) *	0.005(0.012) *	0.006(0.012)	
Risk	-0.111(0.051) **	-0.021(0.011) *	-0.019(0.011) *	
Debt	0.047(0.038)	0.006(0.010)	0.006(0.010)	
ROA	-0.004(0.058)	-0.008(0.001)	-0.001(0.001)	
Industry effect	0.684(0.092) ***	0.545(0.222)**	-0.418(0.280)	
Number of groups(n)	174	174	174	
Number of Observation(N)	1218	1218	1218	
Within R2		0.22	0.22	
Between R2		0.08	0.003	
Overall R2		0.09	0.006	
R Square adjusted				0.17
Intercept	10.02(1.08)***	8.04(1.001)***	9.95(0.736)***	
Heteroscedasticity chi²(p-value)	0.78(0.377)			
Multicollinearity (Mean VIF=1.25)	1.48			
Woodridge test for autocorrelation results	10.20(0.002)			
Hausman Test			34.93	

VIF is the Variance Inflation Factor used to test for Multicollinearity. Robust standard error is used for pooled cross sectional, random effect and fixed effect models.

Note: Standard errors are in parentheses. All variables marked ***, **and * are significant at 1%, 5% and 10% level, respectively. The Hausman test refers to the test of the null hypothesis of the random effect against the fixed effect estimators, b represents the coefficient and p is the p-value.

5.2.2 The Role of Foreign Institutional Investors

Table 5.3 shows the result analyses for the effects of foreign institutional investors on CSR investments. Also, Model 1 test hypothesis H1b. The fixed effect estimator and random effect estimator produce negative and insignificant results ($b = -0.238$; $P=0.38$) and ($b = -0.057$; $P=0.76$) respectively, the pooled cross sectional estimator is positive and insignificant ($b = 0.131$; $P=0.095$). See Table 5.3 for details of results.

Expectedly, the Hausman test preferred fixed effect estimator ($\chi^2=35.67$; $\text{Prob} > \chi^2=0.00$) as against random effect estimator. This is because the fixed effect estimator is consistent and its differencing process eliminates the time-invariant firm specific components variables leaving the residual error term uncorrelated to the dependent variables.

Again, the fixed effect estimator showed indigenous investors have a negative and non-significant effect on CSR. These findings means that 1% increase in foreign institutional investors results in 0.24% decrease in CSR investments, holding all the control variables (z) constant. However, this finding rejects hypothesis 1b that predicted a positive relationship between foreign institutional investors and CSR.

The negative but non-significant relationship indicates that foreign institutional investors do not influence CSR among PLCs in Nigeria. This is similar to the findings of Dasgupta *et al* (2000). Dasgupta *et al* (2000) find no effect between foreign ownership and CSR indicating that foreign institutional investors lack experience and knowledge about the local environments; hence foreign investors find it difficult to engage in CSR. Similarly, Rasic (2010) finds no relationship between foreign institutional investors and CSR, having a value of $\chi^2 = 6.27$; $P=0.652$.

Moreover, the R square within for the fixed effect estimator is 0.22, implying that the independent variables in the model accounted for 22% variations in CSR investments signifying

a good fit for the model (Benson *et al*, 2009). This means that the explanatory variables in the model explain the CSR investments by 22%. This is consistent with the findings of Andayani *et al* (2008) that got a slightly higher R-square value of 0.376, while Benson *et al* (2009) find R^2 to be 0.08.

In this study the presence of heteroscedasticity was tested ($\chi^2=0.81$; Prob $>\chi^2=0.37$), indicating the absence of heteroscedasticity. This means that the variance of the error term was constant. Further, the presence of multicollinearity was tested and the result (Mean VIF=1.49) means absence of multicollinearity. The Woodridge tests for autocorrelation results ($F=10.20$; Prob $> F=0.0017$) means there is autocorrelation. The presence of heteroscedasticity, multicollinearity and autocorrelation are corrected using the robust standard error and the findings reported in Table 5.3.

Moreover, the finding of absence of multicollinearity implies that the explanatory variables such as the foreign institutional investors do not correlate with the unobserved error term, for example, board age, general confidence and social capital may affect market valuation and financial performance of the firm. Ultimately, this may affect the CSR practices of the firm. Further, the absence of heteroscedasticity shows that the variance of the unobserved variables such as managerial skills is constant or homoscedastic.

Table 5.3: The Effect of Foreign Institutional Investors on CSR

Variables	Pooled Cross-Sectional Model	Random Effect Model	Fixed Effect Model
Foreign Investors	0.131(0.095)	-0.057(0.170)	-0.238(0.180)
Number of employees	0.520(0.043)***	0.557(0.050)***	0.527(0.101)***
Age of Company	-0.354(0.099)***	0.707(0.254)***	0.896(0.323)***
EPS	0.069(0.035)	0.005(0.010)	0.007(0.012)
Risk	-0.120(0.052) **	-0.021(0.011) *	-0.019(0.011) *
Debt	0.055(0.037)	0.006(0.010)	0.006(0.010)
ROA	-0.004(0.006)	-0.001(0.001)	-0.001(0.001)
Industry effect	0.690(0.092) ***	0.543(0.222)* **	-0.419(0.280)* **
Number of groups(n)	174	174	174
Number of Observation(N)	1218	1218	1218
Within R2		0.22	0.22
Between R2		0.08	0.003
Overall R2		0.09	0.006
R Square adjusted			0.17
Intercept	9.64(1.114)***	8.09(1.05)***	10.22(0.881)***
Heteroscedasticity chi ² =6.11(p-value)	0.81(0.38)		
Multicollinearity (Mean VIF=1.25)	1.49		
Woodridge test for autocorrelation results	10.20(0.002)		
Hausman Test			35.67

VIF is the Variance Inflation Factor used to test for Multicollinearity. Robust standard error is used for pooled cross sectional, random effect and fixed effect models.

Note: Standard errors are in parentheses. All variables marked ***, **and * are significant at 1%, 5% and 10% level, respectively. The Hausman test refers to the test of the null hypothesis of the random effect against the fixed effect estimators, b represents the coefficient and p is the p-value.

5.2.3: The Role of Government Institutional Investors

Table 5.4 shows the result analyses for the effects of government institutional investors on CSR. Also, Model 1 tests hypothesis H1c. The pooled cross sectional estimator, random effect estimator and fixed effect estimator produce the same negative results. While, the pooled cross sectional estimator reveals negative and significant results ($b = -0.307$; $p=0.01$), the random effect estimator and fixed effect estimator produce negative and insignificant results ($b = -0.295$; $p=0.105$) and ($b = -0.145$; $p = 0.62$) respectively. See Table 5.4 for details of results.

The findings mean that 1% increase in government institutional investors results in 0.15% decrease in CSR investments, holding all the control variables (z) constant. These findings indicate that as the government increases its shareholding, the CSR investments decline. However, this finding rejects hypothesis 1c that predicted a positive relationship between government institutional investors and CSR. In addition, the Hausman test preferred fixed effect estimator ($\chi^2=33.51$; $\text{Prob} > \chi^2=0.00$) compared to the random effect estimator.

Furthermore, the R square within for the random and fixed effect estimator is 0.22, implying that the independent variables in the model, accounted for 22% variations in CSR signifying a good fit for the model (Benson *et al*, 2009). This means that the explanatory variables in the model explain the variations of CSR investments by 22%. This is consistent with the findings of Andayani *et al* (2008) that got a slightly higher R-square value of 0.376.

In this model, the presence of heteroscedasticity was tested ($\chi^2=0.73$; $\text{Prob} > \chi^2=0.39$) and this indicates the absence of heteroscedasticity, meaning that the variance of the error term was approximately constant. Further, the presence of multicollinearity was tested and the result (Mean VIF=1.50) means the absence of multicollinearity. The Woodridge tests for autocorrelation results ($F=10.21$, $\text{Prob} > F=0.0017$), means there is autocorrelation. The effect of

control variables on the CSR is tested using the random effect model and fixed effect model. Despite the diagnostics test results above, the robust standard error test was applied to correct for any heteroscedasticity, multicollinearity and autocorrelation, thereby helping to reduce the standard error value.

Table 5.4: The Effect of Government Investors on CSR

Variables	Pooled Cross-Sectional Model	Random Effect Model	Fixed Effect Model
Government Investor	-0.307(0.111)**	-0.296(0.185)	-0.145(0.228)
Number of employees	0.535(0.043)***	0.562(0.079)***	0.529(0.101)***
Age of Company	-0.351(0.997)***	0.709(0.253)***	0.895(0.324)***
EPS	0.071 (0.035)	0.005(0.012)	0.007(0.012)
Risk	-0.098(0.050) *	-0.021(0.011) *	-0.019(0.011) *
Debt	0.041(0.036)	0.006(0.010)	0.006(0.010)
ROA	-0.005(0.006)	-0.001(0.001)	-0.001(0.001)
Industry effect	0.581(0.101)***	0.471(0.220)**	-0.419(0.220)**
Number of groups(n)	174	174	174
Number of Observation(N)	1218	1218	1218
Within R2		0.22	0.22
Between R2		0.09	0.07
Overall R2		0.09	0.010
R Square adjusted	0.18		
Intercept	11.26 (1.08)***	8.78(1.035)***	9.86(0.853)***
Heteroscedasticity $\chi^2=6.11$ (p-value)	0.73(0.393)		
Multicollinearity (Mean VIF=1.25)	1.50		
Woodridge test for autocorrelation results	10.03(0.002)		
Hausman Test			33.51

VIF is the Variance Inflation Factor used to test for Multicollinearity. Robust standard error is used for pooled cross sectional, random effect and fixed effect models.

Note: Standard errors are in parentheses. All variables marked ***, **and * are significant at 1%, 5% and 10% level, respectively. The Hausman test refers to the test of the null hypothesis of the random effect against the fixed effect models, b represents the coefficient and p is the p-value.

Given the above discussion on the effect of the indigenous, foreign and government institutional investors on CSR, it was discovered that the different institutional investors had similar preferences for CSR in Nigeria with the same negative coefficient and statistically insignificant value. The indigenous, foreign and government institutional investors reveal insignificant relationship with CSR. In conclusion, the findings indicate that institutional investors do not influence CSR among PLCs. Similarly, the next section discusses the empirical results in Model 2 using the pooled cross sectional estimator, fixed effect estimator and random effect estimator to estimate the effects of BOD characteristics on CSR investments.

5.2.4 The Role of Board Composition

The board composition is made up of the Non-Executive Directors (NEDs) and executive directors. Table 5.5 presents the findings on the effects of NEDs on CSR and Table 5.6 present the findings on the effect of executive directors on CSR. Model 2 tests hypotheses 2a, 2b, 2c and 2d. Also, the Hausman test indicates that the fixed effect estimator was preferred to random effect estimator in the model.

5.2.5 The Role of Non-Executive Directors (NEDs)

Table 5.5 presents the findings concerning the effects of NEDs on CSR. Model 2 tests hypotheses 2a. The pooled cross sectional estimator, random effect estimator and fixed effect estimator results showed positive and highly significant relationships between NEDs and CSR. The pooled cross sectional estimator ($b = 0.586$; $P=0.01$) is positive and highly significant at 5% and the random effect estimator ($b = 0.386$; $P=0.00$) produces the same positive and significant results at 1% (that is 99% confidence level). Similarly, the fixed effect estimator ($b = 0.370$;

$P=0.00$) produces the same positive and highly significant results at 1% (that is 99% confidence level).

The findings mean that a 1% increase in NED results in a 0.37% increase in CSR investments, holding all the control variables (z) constant. The finding implies that the higher the number of NEDs in the board, the more the CSR investments. This finding is robust as all three different estimators, namely, the pooled cross sectional, random effect and fixed effect produce the same positive and significant results.

Besides, the R square within is 0.24, implying that the independent variables in the model accounted for 24% variations in CSR investments. The R square obtained in this study is higher than the R^2 from Benson *et al* (2009) which is 0.08. This means that the explanatory variables in the model explain the CSR investments by 24%.

Expectedly, the Hausman test preferred the fixed effect estimator ($\chi^2=30.55$; Prob $>\chi^2=0.00$) compared to the random effect estimator. Therefore, the fixed effect estimator results ($b = 0.370$; $p=0.00$) that is positive and highly significant at 1%, means that as the proportion of NED in the corporate board increases, the PLC increases their CSR. Therefore, this finding supports hypothesis 2a that predicted a positive relationship between NED and CSR.

In this study, the presence of heteroscedasticity was tested ($\chi^2=0.58$; Prob $>\chi^2=0.45$) indicating the absence of heteroscedasticity. This means that the variance of the error term was constant. Further, the presence of multicollinearity was tested and the results (Mean VIF=1.48) indicate the absence of multicollinearity. The Woodridge tests for autocorrelation results ($F=9.929$; Prob $>F=0.0019$) means there is autocorrelation. Still, the robust standard error was applied to correct for any heteroscedasticity, multicollinearity and autocorrelation. Hence, this is to correct for the error term variance, collinearity and serial correlation. The robust standard error test reduces the standard error value.

Table 5.5: The Effect of NEDs on CSR Investment

Variables	Pooled Cross-Sectional Model	Random Effect Model	Fixed Effect Model
NEDs	0.586(0.208) **	0.385(0.115) ***	0.370(0.116)* **
Number of employees	0.519(0.043)***	0.487(0.081)***	0.449(0.101)***
Age of Company	- 0.386(0.100)***	0.620(0.234)***	0.810(0.304)***
EPS	0.074(0.035) **	0.007(0.012)	0.007(0.010)
Risk	-0.120(0.051) **	-0.021(0.012) *	-0.0179(0.013) *
Debt	0.053(0.037)	0.006(0.010)	0.005(0.010)
ROA	-0.004(0.006)	-0.008(0.001)	-0.001(0.012)
Industry effect	0.714(0.094) ***	0.561(0.226)* *	-0.430(0.257))* *
Number of groups(n)	174	174	174
Number of Observation(N)	1218	1218	1218
Within R2		0.22	0.24
Between R2		0.08	0.001
Overall R2		0.09	0.004
R Square adjusted			0.17
Intercept	10.47(1.026)***	8.79(0.869)***	10.48(0.683)***
Heteroscedasticity chi ² =6.11(p-value)	0.58(0.448)		
Multicollinearity(Mean VIF=1.25)	1.48		
Woodridge test for autocorrelation results	9.929 (0.002)		
Hausman Test			30.55

VIF is the Variance Inflation Factor used to test for Multicollinearity. Robust standard error is used for pooled cross sectional, random effect and fixed effect model.

Note: Standard errors are in parentheses. All variables marked ***, **and * are significant at 1%, 5% and 10% level, respectively. The Hausman test refers to the test of the null hypothesis of the random effect against the fixed effect models, b represents the coefficient and p is the p-value.

5.2.6 The Role of Executive Directors

Table 5.6 presents the findings on the effect of executive directors on CSR. Model 2 tested hypothesis 2b. The effects of the executive directors on CSR is negatively related and highly statistically significant using all estimators, that is, the pooled cross sectional, random effect and fixed effect estimators. The pooled cross sectional estimator produces the negative and significant results ($b = -0.530$; $P=0.00$) at 1% (that is 99% confidence level); the random effect estimator produces the same negative and highly significant results ($b = -0.331$; $P=0.00$) at 1% (that is 99% confidence level). On a similar note, the fixed effect estimator reveal a negative and significant result ($b = -0.315$; $P=0.00$) at 1%. Subsequently, the findings mean that a 1% increase in executive directors leads to a 0.32% decrease in CSR investments, holding all the control variables (z) constant.

Generally, this finding is robust as all three different estimators namely, the pooled cross sectional, random effect and fixed effect produce the same negative and highly significant results. Also, the Hausman test preferred fixed effect estimator ($\chi^2=30.88$; $\text{Prob} >\chi^2=0.00$) compared to random effect estimator. Therefore, the fixed effect estimator results ($b = -0.315$; $P=0.00$) which is negative and significant at 1%, means that, as the proportion of executive directors in corporate board increases, the CSR investments decrease. However, this finding rejects hypothesis 2b that predicted a positive relationship between executive directors and CSR.

In addition, the R square within for fixed effect is 0.24, implying that the independent variables in the model accounted for 24% variations in CSR investments within the firm. The R square obtained in this study is higher than the findings of Benson *et al* (2009), which is 0.0086, and less than the findings of Andayani *et al* (2008) with an R square of 0.37. This means that the explanatory variables in the model explain the CSR investments by 24%.

Moreover, the presence of heteroscedasticity was tested ($\chi^2=0.78$; Prob $>\chi^2=0.378$) indicating the absence of heteroscedasticity. This means that the variance of the error term was constant. Further, the presence of multicollinearity was tested and the result (Mean VIF=1.48), means the absence of multicollinearity, while, the Woodridge tests for autocorrelation results ($F=9.963$; Prob $> F=0.0019$) means there is autocorrelation. As a result, the presence of heteroscedasticity, multicollinearity and autocorrelation was corrected using the robust standard error test and the findings reported in Table 5.6.

Table 5.6: the Effect of Executive Directors on CSR Investment

Variables	Pooled Cross-Sectional Model	Random Effect Model	Fixed Effect Model
Executive Directors	-0.530(0.175)**	-0.331(0.104)***	-0.315(0.104)** *
Number of employees	0.522(0.043)***	0.485(0.079)***	0.446(0.058)***
Age of Company	-0.391(0.099)***	0.628(0.244)***	0.820(0.314)***
EPS	-0.069(0.035) *	0.005(0.012)	0.007(0.012)
Risk	-0.121(0.051)**	-0.022(0.011) *	-0.020(0.011) *
Debt	0.054(0.037)	0.007(0.010)	0.006(0.010)
ROA	-0.004(0.006)	-0.001(0.001)	-0.001(0.001)
Industry effect	0.710(0.093)***	-0.562(0.227) **	-0.428(0.258)
Number of groups(n)	174	174	174
Number of Observation(N)	1218	1218	1218
Within R2		0.23	0.23
Between R2		0.09	0.001
Overall R2		0.09	0.004
R Square adjusted			0.17
Intercept	9.637(1.06)***	8.23(0.893)***	9.93(0.667)***
Heteroscedasticity chi ² =6.11(p-value)	0.35(0.55)		
Multicollinearity(Mean VIF=1.25)	1.48		
Woodridge test for autocorrelation results	9.963(0.002)		
Hausman Test			30.88

VIF is the Variance Inflation Factor used to test for Multicollinearity. Robust standard error is used for pooled cross sectional, random effect and fixed effect models.

Note: Standard errors are in parentheses. All variables marked ***, **and * are significant at 1%, 5% and 10% level, respectively. The Hausman test refers to the test of the null hypothesis of the random effect against the fixed effect, b represents the coefficient and p represents the p-value.

5.2.7 The Role of Board Size

Table 5.7 presents the findings on the effect of board size on CSR. Model 2 tested hypothesis 2c. The pooled cross sectional estimator produces negative and insignificant results ($b = -0.018$; $P=0.93$). However, the random effect and fixed effect estimators produce positive and highly significant results. While, the random effect estimator reveals ($b = 0.805$; $P=0.00$) at 1% (that is 99% confidence level), the fixed effect estimator results show ($b = 0.819$; $P=0.00$) at 1%.

Subsequently, the finding means that a 1% increase in board size leads to a 0.82 % increase in CSR investments, holding all the control variables (z) constant. The finding implies that the higher the size of the board, the more the CSR investments. This finding is robust as both the random effect and fixed effect estimators produce the same positive and significant results. Therefore, these findings support hypothesis 2c that predicted a positive relationship between board size and CSR. In addition, the Hausman test preferred fixed effect estimator ($\chi^2=36.06$; $\text{Prob} > \chi^2=0.00$) compared to the random effect estimator.

The R square within for fixed effect estimator is 0.24, implying that the independent variables in the model account for 24% variations in CSR investments. The R square obtained in this study is higher than the findings of Benson *et al* (2009), which is 0.0086 and less than the findings of Andayani *et al* (2008) with an R square of 0.37. This means that the explanatory variables in the model explain the CSR investments by 24%.

In this study, the presence of heteroscedasticity was tested, indicating the absence of heteroscedasticity ($\chi^2=0.91$; $\text{Prob} > \chi^2=0.341$). This means that the variance of the error term was constant. Further, the presence of multicollinearity was tested and the result (Mean VIF=1.52), means the absence of multicollinearity, while the Woodridge tests for autocorrelation results ($F=9.67$; $\text{Prob} > F=0.0022$), means there is autocorrelation. The presence

of heteroscedasticity and multicollinearity are corrected using the robust standard error test and the findings reported in Table 5.7.

Table 5.7: The Effect of Board Size on CSR

Variables	Pooled Cross-Sectional Model	Random Effect Model	Fixed Effect Model
Board Size	-0.018(0.195)	0.804(0.238)***	0.819(0.251)***
Number of employees	0.524(0.044)***	0.439(0.083)***	0.402(0.101)***
Age of Company	-0.350(0.100)***	0.587(0.231)***	0.756(0.296)***
EPS	-0.068(0.0355) **	0.004(0.012)	0.005(0.012)
Risk	-0.111(0.051)	-0.021(0.011) *	-0.019(0.011) *
Debt	0.046(0.037)	0.008(0.010)	0.008(0.010)
ROA	-0.004(0.006)	-0.001(0.001)	-0.019(0.001)
Industry effect	0.686(0.095) ***	0.472(0.219)**	-0.422(0.271)
Number of groups(n)	174	174	174
Number of Observation(N)	1218	1218	1218
Within R2		0.24	0.24
Between R2		0.08	0.004
Overall R2		0.09	0.008
R Square adjusted	0.17		
Intercept	10.24(1.057)***	7.46(0.916)***	8.98(0.716)***
Heteroscedasticity chi²=6.11(p-value)	0.91(0.341)		
Multicollinearity (Mean VIF=1.25)	1.52		
Woodridge test for autocorrelation results	9.62(0.003)		
Ramsey Reset test (chi²=38.34; p=0.00 i.e. p< 0.05)			
Hausman Test			36.06

VIF is the Variance Inflation Factor used to test for Multicollinearity. Robust standard error tests are used for pooled cross sectional, random effect and fixed effect model.

Note: Standard errors are in parentheses. All variables marked ***, **and * are significant at 1%, 5% and 10% level, respectively. The Hausman test refers to the test of the null hypothesis of the random effect against the fixed effect models, b represents the coefficient and p is the p-value.

5.2.8 The Role of Board Diversity

Table 5.8 presents the findings on the effects of board diversity on CSR which are negative and significant. The presence of female directors was used as a proxy for board diversity. Model 2 tested hypothesis 2d. While, the pooled cross sectional estimator produces negative and insignificant results ($b = -0.010$; $P=0.92$), the random effect estimator produces negative and highly significant result at 1%, that is, 99% confidence level ($b = -0.414$; $P=0.00$). Likewise, the fixed effect estimator produces negative and significant results ($b = -0.477$; $P=0.00$) at 1%.

Expectedly, the Hausman test chose the fixed effect estimator ($\chi^2=36.97$; $\text{Prob} >\chi^2=0.00$) instead of the random effect estimator. Therefore, the fixed effect estimator results ($b = -0.477$; $P=0.00$) is negative and significant at 1%. Subsequently, the findings mean that a 1% increase in the female directors leads to a 0.48% decrease in CSR investment, holding all the control variables (z) constant. The finding implies that the higher the number of female directors, the less the CSR. This finding is robust as both the random effect and fixed effect estimators produce the same negative and significant result. However, this finding rejects hypothesis 2d that predicted a positive relationship between female directors and CSR. The reason for this relationship could be the characteristics of female directors in the board of PLCs who may be interested in short term returns on investment (profit maximisation) rather engaging in CSR.

The R square within for fixed effect estimator is 0.23, implying that the independent variables in the model account for 23% variation in CSR within the firm. The R square obtained in this study is higher than the findings of Benson *et al* (2009), which is 0.0086 and less than the findings of Andayani *et al* (2008) with an R square of 0.37. This means that the explanatory variables in the model explain the CSR investments by 23%.

Furthermore, the presence of heteroscedasticity was tested ($\chi^2=0.88$; $\text{Prob} >\chi^2=0.349$) indicating the absence of heteroscedasticity. This means the variance of the error term is

constant and homoscedastic. Further, the presence of multicollinearity was tested and the result (Mean VIF=1.48), means the absence of multicollinearity. The Woodridge test for autocorrelation results (F=10.08; Prob > F=0.0018) means there is autocorrelation. The presence of heteroscedasticity, multicollinearity and autocorrelation are corrected using the robust standard error test and the findings reported in Table 5.8.

Table 5.8: The Effects of Board Diversity on CSR Investments

Variables	Pooled Cross-Sectional Model	Random Effect Model	Fixed Effect Model
Board Diversity	0.010(0.104)	-0.414(0.185) ***	-0.477(0.218) ***
Number of employees	0.524(0.044)***	0.492(0.082)***	0.449(0.102)***
Age of Company	-0.350(0.100)***	0.647(0.241)***	0.818(0.308)***
EPS	0.068(0.006) *	0.005(0.012)	0.007(0.012)
Risk	-0.111(0.051) **	-0.022(0.011) *	-0.020(0.011) *
Debt	0.046(0.035)	0.008(0.010)	0.008(0.010)
ROA	-0.004(0.006)	-0.001(0.014)	-0.001(0.001)
Industry effect	0.686(0.093) ***	0.504(0.220)**	-0.402(0.286)
Number of groups(n)	174	174	174
Number of Observation(N)	1218	1218	1218
Within R2		0.23	0.23
Between R2		0.08	0.004
Overall R2		0.08	0.001
Adjusted R Square	0.17		
Intercept	(11.09)***	7.94(0.888)***	9.46(0.708)***
Heteroscedasticity chi ² =(p-value)	0.88(0.349)		
Multicollinearity(Mean VIF)	1.49		
Woodridge test for autocorrelation results	10.08(0.002)		
Hausman Test			36.97

VIF is the Variance Inflation Factor used to test for Multicollinearity. Robust standard error is used for pooled cross sectional, random effect and fixed effect models.

Note: Standard errors are in parentheses. All variables marked ***, **and * are significant at 1%, 5% and 10% level, respectively. The Hausman test refers to the test of the null hypothesis of the random effect against the fixed effect models, b represents the coefficient and p is the p-value.

Table 5.9 shows the independent variables relationship with CSR (dependent variable) and the R square adjusted. The R square adjusted measures the goodness of fit of the models. Incidentally, this result indicates that the model is fitted accordingly as it is able to demonstrate that the independent variables are able to predict the outcome values (that is the CSR).

Table 5.9: The Relationship Between Independent Variables and CSR, and Adjusted R Squared

Nos.	Variables	R Square adjusted	CSR relationship with independent variables
1	Indigenous Investors	0.17	Insignificant result
2	Foreign Investors	0.17	Insignificant result
3	Government Investors	0.18	Insignificant result
4	Non-Executive Directors	0.17	Positive relationship
5	Executive Director	0.17	Negative relationship
6	Board Size	0.17	Positive relationship
7	Board Diversity	0.17	Negative relationship

Sources: Compilation of the findings from this study

5.3 The Role of the Control Variables

The effect of the control variables on CSR is illustrated in Table 5.10. The number of employees is positive and significant ($b=0.45$; $p<0.00$), the company age is significant at ($b=0.82$; $p<0.00$). Also, the industry effect is positive and significant ($b = 0.40$; $p<0.00$). However, the ROA is insignificant at ($b=0.41$; $p<0.10$).

The control variables from previous research findings point to a reduction in firm risk as favouring CSR activities (McGuire *et al*, 1988). However, in model 2, the firm risk is found to be negative and not significant with CSR. The coefficient for firm risk is -0.02 and non-significant. This is in line with the findings of Orlitzky and Benjamin (2001) that find financial risk to be negatively related to CSR (that is, most especially with the result of the Pooled OLS

and Random effect estimator, that produced a negative and significant results at 5% and 10% respectively). This finding implies that the higher the risk faced by companies the lower the CSR investments, though the result is not significant.

Furthermore, the control variables show the firm size to be positive and significant with CSR implying that the larger the firm, the more they invest in CSR (Waddock and Graves, 1997). Similarly, the industry effect is positive and significantly correlated with CSR. On the other hand, the company age is negative and significant with CSR. This means that the older companies invest less in CSR.

Table 5.10: The Effect of Control Variables on CSR investments

Variables	Pooled Cross-Sectional Model	Random Effect Model	Fixed Effect Model
Number of employees	0.524(0.044)***	0.492(0.054)***	0.449(0.057)***
Age of Company	-0.350(0.100)***	0.647(0.090)***	0.818(0.097)***
EPS	0.068(0.006) *	0.005(0.010)	0.007(0.010)
Risk	-0.111(0.051) **	-0.022(0.013) *	-0.020(0.013)
Debt	0.046(0.035)	0.008(0.010)	0.008(0.010)
ROA	-0.004(0.006)	-0.001(0.014)	-0.001(0.001)
Industry effect	0.686(0.093) ***	0.504(0.201)**	-0.402(0.401)

The next section discusses the empirical results comparing them with previous findings (See Table 5-12 for comparison of results to previous findings). Also, several theories such as the stakeholder, stewardship, resource dependence and agency (See section 2.5) will be employed in explaining the effect of the different institutional investors and BOD characteristics on CSR.

5.4 Discussion of Empirical Results

This chapter provides detailed discussion and analyses of the statistical method of balanced panel of 174 PLCs from 2003 to 2009. This is aimed at examining the role of different institutional investors (indigenous, foreign and government); BOD characteristics (NEDs, executive directors, board size and board diversity) on CSR in Nigeria's listed companies.

The study finds that the indigenous, foreign and government institutional investors are negative and insignificantly correlated with CSR investments. These findings imply that the role of indigenous, foreign and government institutional investors in a company do not affect CSR. However, the role of NEDs and board size on CSR investments is positive and significant, whereas, the effects of the role of executive directors and board diversity on CSR are negative and significant.

5.5 The Role of different Institutional Investors

The study extends previous studies on the development of corporate governance and CSR in the literature. The pooled cross sectional estimator, fixed effect estimator and random effect estimator are used to investigate the balanced panel of 174 PLCs from 2003 to 2009. Generally, the study reveals an insignificant effect of indigenous, foreign and government institutional investors on CSR. In other words, the findings show little or no difference between institutional investors' preferences for CSR. Consequently, the results imply that the indigenous, foreign and government shareholding in a company do not affect CSR. Put in another way, there are no differences in support for CSR among the different institutional investors of PLCs.

In terms of how CSR investment is measured (the amount or pre-tax earnings donated to charities, philanthropic activities and community development projects per year), signifies that the interpretation of findings should be done cautiously considering the fact that CSR

measurement is varied and inconsistent, as revealed from the literature. This is because CSR is a multi-dimensional construct (See section 2.5). Measuring CSR investments as the amount spent on philanthropic and community development could be restrictive of the meaning of CSR, excluding other CSR practices such as CSR reporting. In other words, this study did not account for CSR reporting. It accounted for the amount spent on CSR only which captures the philanthropy responsibility of CSR. This is the actual amount spent on donations or community development projects. Therefore, these findings do recommend that future findings should take into consideration how to correctly account for both CSR investments and CSR reporting activities at the same time.

5.5.1 The Role of Indigenous Investors

Specifically, the indigenous institutional investors are negative and insignificantly correlated with CSR. As mentioned earlier, this finding indicates that indigenous investors do not influence CSR among PLCs in Nigeria. The finding does not support hypothesis 1a. The finding is similar to that of Rasic (2010) which finds no relationship between indigenous institutional investors and CSR, having a value of $\text{Chi}^2 = 4.96$; and $P=1.27$. Rasic (2010) identified weak institution and high cost of new technologies as the militating factors for indigenous investors investing in CSR.

Theoretically, the finding contradicts the stakeholder theory that argues that the investors as part of the company should satisfy all stakeholders for the long term survival of the company. Instead, the indigenous investors are more concerned with the satisfaction of shareholders' interests rather than the other stakeholders. The other reason could be that the indigenous institutional investors are more interested in compliance to the fiduciary role of the company, by engaging in defensible investments' decisions that satisfies the interest of the shareholders.

5.5.2 The Role of Foreign Institutional Investors

Similarly, the effect of foreign investors on CSR produces negative and non-significant findings. This finding indicates that foreign institutional investors do not influence CSR among PLCs in Nigeria. The finding do not support hypothesis 1b. This is similar to the findings of Dasgupta *et al* (2000). Dasgupta *et al* (2000) find no effect between foreign ownership and CSR indicating that foreign institutional investors lack experience and knowledge about the local environment; hence foreign investors find it difficult to engage in CSR. Likewise, Rasic (2010) finds no relationship between foreign institutional investors and CSR having a value of $\text{Chi}^2 = 6.27$; $P=0.652$.

Similar to the indigenous institutional investors' findings, the result concerning the foreign institutional investors contradicts the stakeholder theory too, because of the foreign investors' lack of information and understanding about the host communities. They do not invest in CSR. Instead the foreign institutional investors, just like the indigenous institutional investors, are more concerned with the satisfaction of shareholders interest alone (Dasgupta *et al*, 2000).

5.5.3 The Role of Government Investors

Besides, the effect of government institutional investors on CSR is negative and non-significant. This finding implies that the government investors do not influence CSR among PLCs in Nigeria. The finding does not support hypothesis 1c. These findings are similar to the findings from Dam and Scholtens (2010). The authors find negative and no significant relationship between government institutional investors and CSR ($b= -0.0118$; $t\text{-statistics} = -1.73$). Also, Zhang *et al* (2009) find government institutional investors to be negatively related to CSR. This suggests that government institutional investors do not favour CSR.

In the same way as indigenous and foreign institutional investors, the government investor's findings contradict the stakeholder theory too because, according to Zhang *et al* (2009), the government investors are poor in monitoring managers. It is the managers who manage company assets, thereby making loss because of political interference. Zhang *et al* (2009) argue that, given poor corporate performance, government institutional investors will not engage in CSR. This finding contradicts Li and Zhang (2010). The authors find government institutional investors to be positively related to CSR. In addition, in developing countries like Nigeria with weak institutions and legal framework, the government investors will not be held accountable to anyone if company resources are diverted to personal use instead of CSR. This could be due to corruption rather than carrying out community development projects.

On the same line, Earnhart and Lizal (2002) study the effect of privatisation policy from 1996-1998 and find that government institutional investors are negatively related to CSR; as a result, the government investors invest less in pro-environmental companies (environmentally friendly companies).

The implication of the findings is that institutional investors are capitalist in nature and hence, concentrate on short term return on investment, by ignoring the long-term interest of the company. By doing this, they pursue profit and do not influence the company to invest in CSR. This is supported by the agency theory that assumes the sole interest of owners (Investors) as profit maximisation.

5.5.4 The Role of Non-Executive Directors (NEDs)

The effect of NED on CSR is positive and significantly correlated with CSR. This finding supports hypothesis 2a. This finding is similar to Johnson and Greening (1999) that find the NED's representation to be positive and significantly associated with CSR. This finding means that the BOD with higher NED will pursue CSR policies.

Theoretically, the stakeholder, the resource dependence and stewardship theories support this finding. Also, Mackenzie (2007) proposed a positive relationship between financial performance and the proportion of NED sitting on the board. Mackenzie (2007) stated that NEDs are getting involved in social and environmental practices, which is backed by the Combined Code of Corporate Governance which mandates boards to formulate policies and values for corporations to meet their social and environmental obligations. In line with the above findings, Baysinger and Butler (1985) find that the NEDs are positively correlated with higher equity returns. Therefore, Baysinger and Butler (1985) argue that the direct influence of NED on financial performance will motivate them to pursue CSR. As a result, the BODs with higher NED may be more likely to pursue CSR (Webb, 2004). The resource dependence theory suggests that NED on the board can help develop strategies for the corporations to combat the environment because of their experience and skills which they bring to the board room (Pfeffer, 1972; Bergh, 1995).

5.5.5 The Role of Executive Directors

This study shows that the effect of executive directors on CSR is negative and significant. The findings do not support hypothesis 2b. This finding supports the studies of Vance (1964) and Rose (2007). Vance (1964) finds executive directors help to improve financial performance when they are in majority on the board. Therefore, given the need to satisfy shareholders interest on the short run and protect their job, the executive directors may not invest in CSR. On a similar note, Rose (2007) finds that executive directors do not invest in CSR when faced with legal compliance to federal or state laws. Therefore, executive directors may prefer not to invest in CSR such as harming the society (dumping of toxic materials on rivers) and making legally defensible decisions because of the need to satisfy the shareholders. In addition, Rose (2007) argues that the pressure from the stock exchange regulations and corporate laws forces the executive directors to place shareholders higher and above other stakeholders. The negative and

significant relationship between the executive directors influence on CSR is explained by the agency and stewardship theories.

This negative relationship between executive directors and CSR contradicts the stewardship theory which suggests that executive directors are not self-interested but do have a broader motivation that is pro-organisations (such as supporting the organisation). However, the agency theory does not support the executive directors dominated board as it will lead to managers' entrenchments and misappropriation of company resources. In fact, the reason for the negative relationship according to Atkinson and Galaskiewicz (1988) is that if managers are not institutional investors, firms engage in CSR. Atkinson and Galaskiewicz argue that executive directors will only support CSR if they are not investors because they have no investment interest or motives, unlike the institutional investors that have a fiduciary responsibility to protect the shareholders' interest.

Nonetheless, this study finding that executive directors are negatively correlated with CSR contradicts the stakeholder theory. The stakeholder theory expects executive directors to satisfy multiple stakeholders. In contrast, Kruger (2010) finds executive directors to be positively related to CSR. According to Kruger (2010) the higher the number of experienced executive directors on the board, the more the executive directors influence the decision-making process of the BODs. Therefore, the BODs are influenced to pursue short term interests rather than focusing on CSR and stakeholders' satisfaction. According to Baysinger and Hoskisson (1990) there is a positive relationship between executive directors' skills and top managers' evaluations. Therefore, according to Kruger (2010) the executive director's presence on the board reduces the amount of law suits that could harm the company. In other words, the author argues that the inclusion of executive directors in the BOD reduces the occurrence of negative events such as litigations against the company.

In contrast, the negative assertion suggests that the interest of shareholders and executive directors converge evidencing support for the agency theory (See session 2.5.1). The agency theory expects managers to allocate firm resources in such a way as to maximise shareholders value. In addition, the agency theory expects the interests of managers to be aligned to the shareholders' interests so the BOD can carry out their monitoring role on managers. Therefore, the board effectiveness will increase thereby hindering the managers from diverting company's resources to CSR.

5.5.6 The Role of Board Size

Furthermore, the role of board size on CSR reveals positive and significant correlation with CSR. This means that the higher the size of the board, the more the directors invest in CSR. The finding supports hypothesis 2c. Empirically, Pfeffer (1972) and Kassinis and Vafeas (2002) find board size to be positively and significantly related to CSR. The positive and significant relationship between the board size and CSR are supported by the stakeholder and the resource dependence theories.

According to Pfeffer (1972; 1973) the stakeholder and the resource dependence theories support a positive and significant correlation between the board size and CSR. Some authors (See, Daily and Dalton, 1994a, 1994b) argue that larger boards bring contact and connection to the board by gathering resources. Likewise, the resource dependence theory views large board size as providing a pool of potentially valuable resources for the firm through the addition of NEDs (Pfeffer, 1972; Goodstein *et al*, 1994; Hillman *et al*, 2000). Therefore, the resource dependence theory supports larger board size by emphasising that increase in board size assists the board to connect the corporation to its external stakeholders and gather resources, reputation and good corporate brand (Pfeffer, 1972; Goodstein *et al*, 1994). Pfeffer (1972) argues that increased resources could enhance the chances of corporations' boards adopting CSR policies and

practices. Also, expert skills and advice are vital to the BOD to help reduce lawsuits against the corporation due to environmental and human rights violations (Kassinis and Vafeas, 2002; McKendall and Wagner, 1997).

5.5.7 The Role of Board Diversity

The role of board diversity on CSR shows negative and significant results. This finding means that the higher the inclusion of women in the board, the lower the amount invested in CSR. This finding does not support hypothesis 2d. This finding is similar to Prado-Lorenzo *et al* (2009b) that finds a negative relationship between board diversity (inclusion of women) and CSR. So many authors (Rose 2007; Prado-Lorenzo *et al*, 2009b) have suggested reasons for the negative relationship between board diversity and CSR. One of the reasons could be that the characteristics of female directors that become board members are such that they do not favour CSR engagement. It could be that female directors are influenced by the company objectives especially if they pursue short term profit at all cost. Also, it could be that the perception of the female directors of CSR is negative and therefore are not encouraged to support CSR. They perceive CSR as not adding economic value to the company, particularly, if that is the feelings among the dominant male directors in the board. However, one should interpret this result with caution considering the way board diversity was measured (See section 4.6.2.4). Board diversity was measured using the presence of women in BOD. Other determinants of board diversity from the literature include ethnic minorities, education, age; culture and religion. These determinants were not measured due to unavailability of data and resources.

There are other explanations about the negative assertion of female directors' lack of support for CSR. This can be explained by the low number of women on the board. This is the glass ceiling effect (Rose, 2007). That is the invisible barrier that limits the level to which a woman or another member of a demographic minority can advance within the hierarchy in an organization. This discrimination of women find support in the descriptive statistics where the mean

percentage for women is very low (0.33), less than half, while then men is about 0.67 (See section 5.1). The boards of PLCs in Nigeria are dominated by male directors. It could be that the characteristics of male directors favour profit maximisation which might influence the few female directors to support their approach which is short term in nature.

In listing the factors that limit female managers from attaining directorship position, Burke (1997) mentions a number of barriers that could hamper women from becoming members of the BOD. These factors include lack of experience, lack of commitment; lack of ambition, CEO duality, less qualified women, presence of social ties, as male CEOs value each other's friendship. This is in line with the findings of Post *et al* (2011). Post *et al* (2011) argue that having one or two women on the board is not enough for the female directors to make impact on the male dominated BOD. The authors stated that female directors can only make impact if the number of female directors exceeds three (3) women on the BODs. Consequently, this finding indicates lack of impact of women on the board on CSR. The characteristics of the few female directors on the board could also be career oriented, which influence the negative effect on CSR. This might cause the female directors not to support CSR.

Conversely, the negative and significant findings between board diversity and CSR investments contradict the stakeholder, stewardship and agency theories. All theories favour diverse boards with the inclusion of women on the board. Though, the agency theory does favour board diversity through inclusion of female directors, it does not support the influence of their engagement in CSR. Generally, diverse boards help the BOD to reach decisions quickly concerning environmental and other CSR issues because the minority groups as members of boards bring their personal experience, interests and commitments to the BOD (Baysinger and Butler, 1985). However, in contrast to the belief that women are generally considered to be cautious, conservative, altruistic and support CSR (Werbel and Carter, 2002; Williams, 2003), this study finds that women do not support CSR.

5.6 The Role of the Control Variables

The relationship between the financial performance of the firm and CSR is negative and insignificant. This is measured by ROA which produced a negative and insignificant relationship with CSR. This finding is supported by McWilliams and Siegel (2000) that find no significant relation between CSR and financial performance. Similarly, Dam and Scholtens (2010) find a negative relationship between ROA and CSR, but it is not significant ($b = -0.00555$; t statistics = -0.51). The findings imply that CSR investment does not lead to improve ROA. Also, another financial performance measure is the earnings per share (EPS) which is negative and insignificant with CSR. The findings imply that CSR does not lead to improve financial performance or not related to financial performance.

The company size is very important in determining the level of CSR investments and it is measured by the number of employees. The number of employees is positive and significant with CSR investments. This means that the higher the company size, the more it invests in CSR because of the huge asset and slack resources at its disposal. This is similar to Waddock and Graves (1997) that finds firm size to be related to CSR. According to Waddock and Graves (1997) large firms have slack resources that are channelled to CSR practices. Moreover, according to Dasgupta *et al* (1997) firm size does matter because of the huge resources at their disposal as larger firms are more likely to adopt CSR policies that improve environmental performances.

Moreover, this study reveals that CSR investment is industry specific. This finding implies that CSR investments increase with companies in the oil and extractive sectors. This is because CSR helps companies to reduce social issues and irresponsible behaviours in the host community. Also, banks follow the oil MNCs in terms of CSR investments because of their exposure and the need to improve their reputation (Brammer and Millington, 2005). This is in line with Brammer and Millington (2005) who argue that CSR is mostly used to avoid social externalities and

reduce negative reputation and its consequences such as environmental damage and avoidance of lawsuits.

5.7 Validating the Results of the Regression Models 1 and 2

Since the concern of this study goes beyond showing that the results obtained are true for both the samples used for estimation and also for managers as respondents in the entire 174 PLCs (i.e. generalising to the population). This section attempts to cross-validate the regression models to achieve this aim. While the direct approach of doing this is to take another sample from the population and compare the two results (Hair *et al.*, 1998, Field, 2005), the obvious constraints of doing this is in terms of time and money. This led to alternative approaches of examining the adjusted R square and splitting the sample of the study. The first method involves comparing the R squared with the adjusted R squared to find out if the model is over fitted to the sample (Hair *et al.*, 1998). As observed by Field (2005), the adjusted R square tells how much variance in Y would be explained if the model had been derived from the population from which the samples have been selected, as opposed to R square which only relates to the sample of the study.

The comparison of the R square and the adjusted R square for **Models 1a, 1b, 1c, 2a, 2b,2c,** and 2d as shown in Table 5.11 did not show much difference in the two values for each model, indicating that the models have not been over fitted to the samples. Also, the R square adjusted for all the variables are between 0.17 to 0.18, while the R square within for all variables lies between 0.22 and 0.24. These numbers are close implying that the models are not over fitted too (Gujarati, 2003).

In this study, the Hausman test prefers the fixed effect model which produces three (3) R squares and an adjusted R square. The 3 R squares are namely, the within R square, between R square and overall R square. The preferred R square is the **R Square within** which measures the mean-

deviated regression, i.e. the ordinary **R** square from running OLS on the transformed data. On the other hand, the **R square between** computes the fitted values using the fixed effect parameter vector and the within-individual means of the independent variables. It then calculates the **R** square as the squared correlation between those predicted values and the within-individual means of the original y variable. Finally the **R square overall** measures the fitted values using the fixed effect parameter vector and the original, untransformed independent variables. It then calculates the **R** square as the squared correlation between those predicted values and the original, untransformed y variable (CSR investment).

Models	Variables	R square adjusted	R square Within	R square Between	R Square Overall
1a	Indigenous Investors	0.17	0.22	0.003	0.006
1b	Foreign Investors	0.17	0.22	0.003	0.006
1c	Government Investors	0.18	0.22	0.07	0.09
2a	Non-Executive Directors	0.17	0.24	0.001	0.004
2b	Executive Director	0.17	0.23	0.001	0.004
2c	Board Size	0.17	0.24	0.004	0.008
2d	Board Diversity	0.17	0.23	0.004	0.001

Sources: Compilation of the findings from this study

5.8 Comparison of Statistical Findings with Existing Literature

In comparing the results of this study with previous findings, it is important to mention that comparison will be difficult since CSR is a multidimensional construct (Carroll, 1991, 1999) and has been measured differently by several authors; some use pollution, philanthropy, environment

management, content analysis of annual reports. This makes comparison across boards difficult. However, previous findings that support this study results are presented in Table 5.12 below.

Table 5.12: Comparison of Results with Previous Studies

Previous Study	Findings	Differences and Similarities
Dam and Scholtens (2010) find significant relationship between indigenous investors and CSR. However, they find that employees, individuals and firms are linked to poor CSR.	In this study there is no significant relationship between indigenous investors and CSR	Dam and Scholtens use firm-level data for more than 600 European firms from 16 countries and 35 industries for 2005. While, in this study, a balanced panel of 174 companies were used from 2003 to 2009. Only one country (Nigeria) is used.
Rasic (2010) finds no relationship between foreign institutional investors and CSR	In this study there is no effect between foreign ownership and CSR	While Rasic used environmental performance as proxy for CSR and chi-square test and ANOVA analyses. This study in addition to using the case study method, use the fixed and random effect estimator for testing the hypotheses and panel data.
Rasic (2010) finds an insignificant relationship between government institutional investors and CSR.	No significant relationship between government investors and CSR	Just as above
Johnson and Greening (1999)	NEDs is positive and significantly correlated with CSR	The finding in this study supports that of Johnson and Greening (1999). The authors use product quality and environment as product dimension and women and minorities, employee relations and community as people dimension. The product and people dimensions were used by the authors as a measure for CSR. In this, study CSR was measured by the actual amount of money spent on philanthropic activities. But the measurement of NEDs as the number of NEDs compared to total numbers of BODs are same for both studies.
Rose (2007)	Executive directors do not invest in CSR	The finding in this study supports that of Rose (2007).
Pfeffer (1972; 1973)	Board size is positively related to CSR	The finding in this study supports that of Johnson and Greening (1999).
Prado Lorenzo et al (2009b)	Negative relationship between inclusion of foreigners and women in the board and CSR	This differs from that of Tsalikis and Ortiz-Buonafina (1990) but agrees with Prado Lorenzo <i>et al</i> (2009b)

Following the discussion above, it is clear that all the different institutional investors (indigenous, foreign and government) have the same preferences for CSR in Nigeria. This suggests that investors have insignificant relationship with CSR investments. This is because the investors have similar negative and insignificant values, but, unlike the different institutional investors, the BOD characteristics produced mixed findings. The NEDs and board size produced positive and significant relationship with CSR, while executive directors and female directors produced a negative and significant correlation with CSR. The next section is the conclusion of this chapter.

5.9 Conclusion

This chapter provides a detailed discussion and analysis of the empirical findings in this study. This chapter is spread over five key points. First, the effects of indigenous institutional investors, foreign institutional investors and government institutional investors on CSR investments are negative and insignificant. This result means that the different institutional investors do not influence CSR. These findings imply that the different institutional investors (indigenous, foreign and government) have the same preferences for CSR which contradicts Earnhart and Lizal (1999; 2002), which produced mixed results. Earnhart and Lizal (1999; 2002) find that the government institutional investors do not influence CSR, while the indigenous institutional investors show positive and significant relationships with CSR. Similarly, Rasic (2010) finds no relationship between foreign institutional investors and CSR.

Second, the negative and insignificant findings for the different institutional investors contradict the stakeholder theory that argues for the satisfaction of all stakeholders. Therefore, this did not support hypothesis 1a, 1b and 1c. The different institutional investors are interested in the satisfaction of shareholders' interests alone, rather than stakeholders.

Third, the effects of NED and board size on CSR investments are positive and significant. This means that the higher the number of NEDs and board size, the more the CSR investments. The findings support hypotheses 2a and 2c. These findings support the stakeholders, stewardship and resource dependence theories (Pfeffer, 1972; Goodstein *et al*, 1994).

Fourth, contrary to the positive and significant findings of NEDs and board size, the role of executive directors in CSR investments was negative and significant. This implies that the higher the numbers of executive directors in the BODs, the less the company engages in CSR. This does not support hypothesis 2b. This finding contradicts stakeholders' theory (Johnson and Greening, 1999).

Fifth, the effect of board diversity on CSR is negative and significantly correlated with CSR. The findings indicate lack of impact of women on CSR. Also, the reason for the negative relationship could be that the presence of women in the BODs is too small to influence the male dominated BODs to engage in CSR (Tsalikis and Ortiz-Buonafina, 1990; Rodriguez-Dominguez *et al*, 2009). This does not support hypothesis 2d. This finding contradicts the stewardship theory, resource dependence theory and stakeholders' theory that support the diversification of the board through inclusion of female directors which helps to increase CSR investments.

CHAPTER 6

6.0 THE CASE STUDY

6.1 Introduction

This chapter presents the case study findings with the aim of providing a comprehensive and in-depth explanation of the role of institutional investors and Board of Director (BOD) characteristics on Corporate Social Responsibility (CSR), aimed at complementing the statistical findings in chapter five (5). The need for this emerges from the quantitative analysis in chapter five. The statistical analyses lack the model of enquiry to provide deeper and actual practices in real social settings. In essence, this chapter allows for the results of the quantitative method to be extended through the case study approach. To this effect, the chapter further shows the significance of the case study method in management research and how it can be used to strengthen the quantitative study.

Consequently, this study uses multi-sector⁴² case study approach to provide explanations concerning the role of institutional investors and BOD characteristics on CSR. This comprises the use of in-depth interviews, documentary analysis and survey questionnaires. Eighteen (18) semi-structured interviews were conducted⁴³. The interview data was derived from the top management team, BODs such as the Chief Executive Officer (CEO), CSR managers, Public Relation Officer (PRO) and investor analysts. The documentary data includes the company annual reports, company websites and newspaper reports on CSR. In addition, the survey

⁴²The multi-sector companies are 4 Public Liability Companies (PLCs) the oil, banks and insurance sectors. These companies are used as case studies, and they include ExxonMobil Nigeria, Industrial Gas Insurance (IGI), Zenith bank, and Wema bank. These four (4) PLCs are selected for the case studies because of their critical and unique position in the socio-economic development in Nigeria. For instance, ExxonMobil is dominated by foreign investors, Zenith bank dominated by indigenous investors, Wema bank dominated by government investors and Industrial Gas Insurance (IGI) Company has the presence of female directors in the board (board diversity). Yin (1994) stated that this meets the criteria for a robust case study research because the four (4) PLCs in this case study are critical, topical and feasible. See Appendix D for a brief history of the four (4) PLCs' profile.

⁴³See Appendix C for the details of the list of interviewees (respondents).

questionnaires' results are used in this case study when necessary to support and explain the factors affecting the different institutional investors and BOD characteristics to engage in CSR.

Werther and Chandler (2006) develop a theoretical framework of strategic CSR comprising three (3) phases, namely, the CSR planning phase, CSR strategy phase and CSR implementation phase⁴⁴ (See section 4.8 for details). Accordingly, the discussion and analyses in this study will be based on the theoretical framework of Werther and Chandler (2006). The emerging themes from the interviews and documentary data are analysed and discussed using respondents' quotes from interviews and supplemented with documentary information. As a result, the emerging pattern that matches the Werther and Chandler (2006) theoretical framework of CSR planning, strategy and implementation, shows whether the company practices strategic CSR or not. On the whole, Creswell (2006) suggests that the interviews, documentary information and survey questionnaires discussion provide vivid description and in-depth knowledge of the true phenomenon studied in a true life environment.

This chapter discusses the following: the role of indigenous institutional investors, foreign institutional investors, government institutional investors, non-executive directors (NEDs), executive directors, and board size and board diversity on CSR planning, strategy, implementation and evaluation. The next section discusses the role of indigenous institutional investors on CSR planning, strategy, implementation and evaluation using Zenith Bank PLC as a case study (See Appendix D for the company profile). Also, a brief discussion of the findings on

⁴⁴Werther and Chandler (2006) model of strategic CSR comprises: first phase, which is the CSR planning phase that indicates the alignment of the CSR policies with the corporate philosophy (vision, mission and values statements) of the organisation. The second phase is the CSR strategy indicates the tactics; signify the level of compliance to national and international Code of Conduct of Best Practices. This includes formation of corporate governance structure such as Code of Ethics and Business Conduct. The third phase is the CSR implementation and performance evaluation phase. This phase involve the lunching of formal CSR practices and strategy documents, CEO/management briefings and meetings on CSR, community development projects, donations and charitable activities, the process of getting feedback and evaluating performances.

the role of indigenous institutional investors and CSR, followed by a sample of comments from respondents is presented.

6.2 Role of Indigenous Institutional Investors

From the literature the following institutional investors, namely, indigenous, foreign and government are used in this empirical study as follows, CSR planning, strategy, implementation and evaluation stages.

6.2.1 Role of Indigenous Institutional Investors (CSR Planning Phase)

The majority of the respondents do appear to show preferences that the indigenous institutional investors⁴⁵ revealed lack of interest in the CSR planning phase. This answers the research question one, concerning the effects of indigenous institutional investors on CSR. For instance, when (Z1) was asked if indigenous institutional investors influence CSR policies at the planning phase. Z1 said.

I think that our investors are not very serious about our CSR policy even at the planning stage. They seem to be more concerned with company performance. The investors hardly influence the board on CSR policies **(Investor analyst, Interview date: 19th June, 2009).**

Z2 also responded: In fact, personally I think that the institutional investors are interested in short term investments. The institutional investors do not show interest in the CSR agenda at all stages. So it is the directors that make sure the CSR policies are in line with our culture which is to satisfy our customers and other stakeholders. The level of awareness of CSR by institutional investors is poor because of lack of effective communication between the board and investors **(Investment manager; Interview date: 15th June, 2009).**

Clearly, the evidence available from the interview comments suggests that the indigenous institutional investors show little or no interest on CSR policies at the planning stage. One of the

⁴⁵The indigenous institutional investors are institutional investors with equity holdings of 5% and above (Johnson and Greening, 1999; Bartkus *et al*, 2002; Chai, 2010). In other words, the indigenous institutional investors represent Nigerians' investors.

reasons given was poor communication between BOD and investors. However, the respondents' comments indicate that the board is in charge of the strategic CSR policies of the bank at the planning stage. However, the indigenous institutional investors do not get involved in these decisions because of lack of awareness and engagement between the BOD, top management and investors.

In the document analysis, the company's annual report (2009:09) and websites ([www.zenithbank.com/about us](http://www.zenithbank.com/about-us)) do not reveal any role played by the indigenous investors in CSR planning stage (this answer research question one). However, there is evidence to indicate that CSR is strategic from the annual reports, as shown in the values and mission statement of the bank as mentioned below.

Zenith Bank Corporate Values states: To surpass superior performance so as to sustain brand equity and long-term interest through maintaining high integrity, honesty, trust and transparency (Annual report, 2009:09, titled 'Corporate Strategy')

Vision: To build the Zenith brand into a reputable international financial institution recognised for innovation, superior customer service and performance while creating premium value for all stakeholders ([www.zenithbank.com/about us](http://www.zenithbank.com/about-us), titled 'Vision').

The annual report (2009: 09) provides evidence that illustrates the corporate values and mission statements of the bank are aimed at satisfying the long term interest of the stakeholders. Therefore, this finding indicates that Zenith bank's CSR is strategic and stakeholder oriented.

On the other hand, Zenith bank's CSR contrasts with Wema bank's CSR, because Zenith bank's CSR is strategic while that of Wema bank is not (See Table 6.3 for Wema bank, which is the 2nd bank considered in this case study). Incidentally, the corporate values, vision and mission statements of Wema bank does not reveal commitment to stakeholders and CSR.

Furthermore, the websites (www.zenithbank.com) and Annual report (2009) of Zenith Bank did not reveal any role of the institutional investors on CSR at planning stage (this answers research

question one). However, it reveals that the CSR department is known as Zenith philanthropy department charged with CSR at the planning phase. This is because under the CSR section on the websites, it reads:

Zenith Bank has instituted a full-blown corporate social responsibility organ. "Zenith Philanthropy", through which it reaches out to touch its host communities and the larger society....This has informed our focus on key need areas, including healthcare, education, information technology and youth empowerment, sports and public infrastructure development ([www.zenithbank.com/about us](http://www.zenithbank.com/about-us), titled 'Corporate Social Responsibility').

Table 6.1: Strategic Lens of CSR Practices of Zenith Bank Plc.

Corporate Philosophies	Statements
Corporate Values	To surpass superior performance so as to sustain brand equity and long-term interest through maintaining high integrity, honesty, trust and transparency.
Vision	To build the Zenith brand into a reputable international financial institution recognised for innovation, superior customer service and performance while creating premium value for all stakeholders.
Mission	To establish a presence in all major economic and financial centres in Nigeria, Africa and indeed all over the world; creating premium value for all stakeholders.
Strategy	Use of Information and Communication Technology (ICT) to improve services to customers. Creation of CSR department known as Zenith philanthropy (founded in 2001) and Zenith Foundation. Creation of Ethics and Code of Conduct.
Implementation	Cash donations, charities, road beautification and construction, waste management practices.
Performance Evaluation	Social audits, review and monitoring.

Source: Derived from annual report (2009: pg. 9, titled 'Corporate Strategy') and website of Zenith Bank ([www.zenithbank.com/about us](http://www.zenithbank.com/about-us), titled 'Corporate Social Responsibility').

Given the evidence above, indigenous institutional investors do show little or no interest in CSR at the planning stage. The interview comments show that indigenous institutional investors are interested in the return on their investments and do not show any interest in the CSR policy.

Empirically, this provides answers to research question one (1) (What are the effects of indigenous institutional investors on CSR? See chapter 4.9 for details). The poor communication and engagement has been responsible for the lack of participation of investors in CSR planning of the bank. Hence, the next subsection discusses the role of indigenous institutional investors on CSR strategy regarding the formation of corporate governance structure such as the Code of Ethics and Business Conduct.

6.2.2 Role of Indigenous Institutional Investors (CSR Strategy Phase)

One of the major themes revealed by the interview comments and documentary data is the support by the indigenous institutional investors for CSR strategy encouraging the board to strengthened corporate governance structure of the firm. In responding to the question concerning the role of indigenous institutional investors on CSR strategy, Z1 responds:

Yes, the investors are supportive of our ethical record. The investors believed that good corporate governance practices are essential to guaranteeing their return on investment and long term survival of the company.....The investors believe that good corporate governance practices improve the image of company and reduce the risk to the bank.....the investors' influence the directors to form internal governance structures that can act as a check to management and all other employees (**Investor analyst; interview date: 19th June, 2009**).

Z2 also responded: I think investors personal belief, traditions, morals, values, experiences and characteristics do play a role in defining how investors view CSR. These values could be the propelling thing that motivates investors to support the company's internal CSR strategy (**Investment manager; interview date: 15th June, 2009**).

Z4 further response: I do think the institutional investors have much influence on CSR strategy by encouraging the board to look at CSR. There seems to be a new trend towards CSR since 2003 following the introduction of the SEC Code and CBN Code for more ethical compliances by banks (**CSR manager; interview date: 16th June, 2009**).

The interviewees' comments above demonstrate that the institutional investors do support internal CSR strategy because of recognition of the long term interest of the company. The other reason could be that the investors believe internal corporate governance system, such as Code of

Ethics could help monitor managers and encourage them to pursue their shareholders interest. For instance, investors support the formation of Code of Ethics Policy and Risk Management Committee. The institutional investors understand the importance of internal governance structures that act as a check to managers' excesses on companies, hence their support. Empirically, this provides answers to research question one (1) (what are the effects of indigenous institutional investors on CSR?).

Also, the personal values and characteristics do play a role in forming the company's CSR strategy. In Zenith bank, according to the interviewee Z2, it is the institutional investor's strength of character, personal and industry experiences that caused the investors to support increased engagement of companies in CSR.

Additionally, documentary data does show that the investors support the CSR strategy as shown in the annual report (2009: 08, 15) and websites ([www.zenithbank.com/corporate governance](http://www.zenithbank.com/corporate_governance), investors' relation section) of Zenith bank stating that:

At Zenith Bank, investors and management... are conscious of our enviable place in the industry and judging from the global interest in the banking industry at large and our bank in particular, the management have put in place a robust system of corporate governance, bearing in mind the key elements of honesty, trust, integrity, openness and accountability as well as commitment to the organization's goal as illustrated on the investors relation section of the bank's websites ([www.zenithbank.com/ investors relation](http://www.zenithbank.com/investors_relation)).

The bank did suggest in their **Annual Report (2009: 08)** that the practice of good corporate governance in the bank has enhanced returns to stakeholder and it is the management that put the governance structure in place, investors were mentioned, however that their role remains unclear. This further reinforces the banks claim in their annual report that they invest in CSR by satisfying their stakeholders. The Bank's corporate governance strategy shows the presence of CSR strategy, most especially towards the compliance with global best practices. Also, the long

history of corporate culture demonstrate institutionalised norms and rules for best practices which has help ensure consistent returns to stakeholders.

...For Zenith Bank excellent service delivery and development of superior asset quality, strong capital base, professionalism and corporate governance have provided the grounds for consistently high returns to stakeholders. The bank maintains sound corporate governance culture in line with global best practices (Zenith Bank Annual Report, 2009:08, titled 'Corporate Profile').

Together with other forward thinking financial institutions, Zenith Bank contributed to the reshaping of Nigeria's banking landscape, redefining customer service and branding whilst playing a role in contributing towards the improvement of the environment through strategic corporate social responsibility (Zenith Bank Annual Report, 2009:15; title 'letters to the shareholders' by the Chief Executive Officer- CEO).

There is regular communication between the management and institutional investors. In these forums the investors are briefed about the Bank's operations thereby reducing information asymmetry.

The Bank also, from time to time, holds briefing sessions with market operators (stockbrokers, dealers, institutional investors, issuing houses, stock analysts, etc.) to update them with the state of our business. These professionals, as advisers and purveyors of information, relate with and relay to the shareholders useful information about us. We also regularly brief the regulatory authorities, and file statutory returns which are usually accessible to the shareholders (www.zenithbank.com/ corporate governance, titled 'relationship with stakeholders').

The documentary analyses of Zenith bank annual report do reveal that the investors and board do support CSR. It is evident that the Bank placed more emphasis on customers above other stakeholders. The reason may be due to their focus on long term interest which they think satisfying the customers will result in achieving the long term interest of the firm. Though caring for the environment by the firm was mentioned as a way of achieving good corporate governance practice that improved the Bank brand.

The strategy of the Bank says....Delivering superior service experience to all our customers at all times.....As a bank; we are monitoring developments both in the

local and global economy, and applying pragmatism and dynamism. Obviously, we are not unmindful of the demands and obligations inherent in our environment; but this is why we have entrenched global best practices in every facet of our operations. We also ensure that all these are anchored on good corporate governance (Zenith Bank Annual Report, 2009:18; the chairman's statement to investors, titled 'the Nigerian economy').

The annual reports (2009) show that the BODs are responsible for most of the CSR strategies, corporate governance challenges such as managing risk, through their various committees. This following statement in the annual report supports this by stating:

They use the various committees to achieve this, establishing the various committees of the bank including the Terms of Reference, review of reports of such Committees to address key areas of the Bank's business (Zenith Bank Annual Report, 2009:28; titled 'Responsibilities of the board')

...Bank discharges its oversight functions through various committees such as risk management, audit, remuneration and nomination (Zenith Bank Annual Report, 2009:29; titled 'Committees').

The committees are set up in line with statutory and regulatory requirements and consistent with global best practices. Memberships of the committees of the BODs are intended to make the best use of the skills and experiences of NEDs.

The next subsection discusses the role of indigenous institutional investors on CSR implementations and performance evaluations such as the presence of CSR activities, for example, donations, charities, community developments and product qualities. Also, the presence of social audits and feedback mechanisms to ensure project performance and evaluation from the community is also discussed.

6.2.3 Role of Indigenous Institutional Investors (CSR Implementation and Performance Evaluation)

The interviewees' comments show that the indigenous institutional investors play little or no significant role in CSR implementation, performance and evaluation. Empirically, this provides answers to research question one (1). In responding to the role of the indigenous institutional

investors in CSR implementation and performance evaluation, the CSR manager (Z4) responds that:

The investors do not get involved with CSR implementation and social audit as they only tell the board of their intention and consider the firm values when they plan and invest. It is the CSR department that is in charge of CSR evaluation and auditing. We report our findings to the board (**Interview Date: 16th June, 2009**).

The reason for the lack of interest by investors could be they assume that the board should be capable of implementing CSR, resulting in lack of effective monitoring, and this may have contributed to increase in CSR breaches at the implementation stage. Similarly, the documentary data analyses reveal that the CSR implementation of Zenith bank is carried out by a separate department, the Zenith philanthropy department. This is confirmed in the CSR section of the annual report (2007; 2008; 2009) that says:

*As a responsible and responsive corporate citizen, Zenith Bank will continue to accord very high priority to our CSR engagement. This commitment accounts for why we are one of the few banks in Nigeria that maintains a full-fledged department Zenith Philanthropy that serves as the vehicle for all our customers.....As we continue to expand and grow, we will also continue to expand and deepen the scope of our commitment to giving back to society a reasonable chunk of the fruit of our labour as a corporate citizen. In doing this, we will ensure that we do not just spread our assistance thinly across all manner of needs, but endeavour to make contributions that make meaningful impact on the well-being of the beneficiaries and the society at large (**Zenith Bank Annual Report, 2009:20/ corporate social responsibility titled ‘conclusion’**).*

In fact, there is no information on the banks websites or annual report to suggest investors' involvement in CSR implementation. Moreover, in response to the question of what factors influence the indigenous institutional investors to invest in CSR? The Investment Manager (Z2) responds that:

....I strongly believe that the short term philosophy of stock market, companies and investors drives investment behavior, for example imagine a situation when words like trading, quarterly data and report are frequently mentioned by investors in the capital and stock market instead of using words like stakeholder satisfaction, sustainability and long-term interest..... Also, the performance measures incentives (bonus) is short term in nature. The bonus system is structure and lop-sided to reward employees that make profit for the company less than one

year sometimes annually. That is the higher the profit made by employees for the company on short term, the higher the bonus paid out to them (**Investment Manager, Interview Date: 15th June, 2009**).

According to the interviewee Z4 who is the CSR manager:

CSR improves the corporate reputation of our company through the community development and good environmental practices. Our bank is involved in street beautification and road constructions in many states in Nigeria. This project has made the community to see the bank as a responsible and caring company and our investors are proud of our achievement and they commend our effort at the Annual General Meetings. We receive lots of emails and letters from the communities thanking us for our CSR activities and performances (**CSR manager, Interview Date: 16th June, 2009**).

The interview evidence shows that image and reputation, government regulation, market based conditions, short-termism of market and performance incentives are the main factors that influence indigenous institution investors' behavior to engage in CSR or not. Empirically, these factors provide answers to research question 3 (What are the factors that influence indigenous institutional investors to engage in CSR in Nigeria?). In practice, the stock market measures are based on short-term interest but on the corporate values of 'about us section' of the websites the long term interest of the company is being emphasized:

To surpass superior performance so as to sustain brand equity and long-term interest through maintaining high integrity, honesty, trust and transparency (www.zenithbank.com/about us, titled 'corporate values')

The survey questionnaires illustrate the factors that influence indigenous institutional investors to engage in CSR. The survey results also substantiate the interview responses by revealing that 58% of most respondents believe that improving the image and reputation of the companies is the highest motivating factor that influences the indigenous investors to engage in CSR (See Table 6.2). Incidentally, this answers research question 3.

Table 6.2: Survey Results on the Factors Affecting Indigenous Investors to Engage in CSR

Benefit of CSR	Count	%
Improved financial performance	8	7.8
Improved company image & reputation	59	57.8
Confers legitimacy on company	30	29.4
Reduce cost	2	2.0
To benefit society	1	1.0
Total	102	100.0

Source: Own compilation from survey data carried out in 2009 in Nigeria

Given the discussion on the role of indigenous institutional investors on CSR, there is evidence from both the interviews and documentary data analyses indicating that the role of indigenous institutional investors shows little or no support for CSR policies at the planning and implementation stage. This provides answers to research question 1 on the role of indigenous investors in CSR. However, there is evidence that institutional investors only support internal CSR strategy for example, the formation of Code of Ethics and Best Practices. In fact, the evidence from the annual report and websites (Zenith Bank Annual Report, 2008, 2009; www.zenithbank.com) indicate that indigenous institutional investors support CSR strategy phase. In addition, the survey findings reveal that the need to improve the image and reputation of the company is the main factor that influences indigenous institutional investors to engage in CSR, thereby providing answers to research question 3.

Likewise, the respondent's comments, just as the documentary data, indicate that indigenous investors support CSR at the strategy phase. But, from the evidence available, Zenith Bank philanthropy department is headed by a CSR manager. On the whole, the role of investors in CSR can be considered minimal based on the above evidence from both the respondents and documentary analyses. The case study findings are similar to the statistical results that show no significant difference between investors and CSR investment. The next section discusses the role

of foreign institutional investors on CSR planning, strategy, implementation and performance evaluation and how it assists in aligning the CSR activities to the ExxonMobil's values, vision and mission statements.

6.2.4 Role of Foreign Institutional Investors (CSR Planning Phase)

Unlike the indigenous institutional investors, the majority of the respondents reveal that the foreign institutional investors⁴⁶ influence CSR policies positively at the planning stage. This means that the foreign investors are more interested and play more active role in CSR than indigenous investors, for instance they are more interested in strategic CSR than indigenous investors. When the investor's analyst was asked about the role of foreign institutional investors in CSR policy at the planning phase? E1 said:

Investors are very concerned about our CSR policy and they are interested in making sure that CSR is in line with our corporate vision and values right from the first meeting (**Investor analyst; interview Date: 1st July, 2009**).

The E1 comments pointed out that not only did foreign institutional investors support CSR policies at the planning stage; they also want CSR to be strategic. Similarly, the Safety and Environmental Manager (E3) agreed with (E1) above that the foreign institutional investors influence CSR policy to be strategic: E3 said:

The CSR is linked with our values of integrity, partnership and need to satisfy our stakeholder especially protecting the environment. Our investors are putting pressure on management to build good community relations with the community (**Safety and Environmental Manager, Interview Date: 2nd July, 2009**).

Clearly, there is evidence from respondents that the CSR policies are aligned to the values, vision and mission statements of ExxonMobil Nigeria and these are supported by the foreign institutional investors. The investors are very serious about company involvement in CSR

⁴⁶The foreign institutional investors are institutional investors with equity holdings of 5% and above (Johnson and Greening, 1999; Bartkus *et al*, 2002; Chai, 2010). In other words, foreign investor is measured as percentage of equity held by foreigners (Non-Nigerians).

especially at the planning stage. In the same way, the document data analyses from the company's annual report (2008) and websites (www.exxonmobil.com) do show the involvement of foreign institutional investors in CSR at the planning stage. For instance, the corporate citizenship report revealed that investors through meetings provide valuable suggestions for enhancing company's performance including CSR. The investors vote at the Annual General Meeting (AGM), thereby, playing an active role on CSR initiatives.

Every year, ExxonMobil receives suggestions from shareholders on ways to improve company, Management and the Board carefully considers investors suggestions and typically seek a dialogue with the proposal sponsor (Corporate Citizenship Report, 2008; pg. 17, titled 'Shareholder proposals and proxy statements').

We are committed to safety, health and environment which is an integral and critical part of ExxonMobil's global operational policies and practices....ExxonMobil has established a carefully structured management system for the purpose of assuring consistent implementation of industry-wide best practices for protecting employees, those who live in the communities in which we operate, and the natural environment ([www.exxonmobil.com/about us](http://www.exxonmobil.com/about-us), titled 'safety, health and environment').

Furthermore, both the corporate citizenship reports and information from websites shows alignment of CSR to the values, vision and mission statements of ExxonMobil. This ensures that CSR is structured according to the corporate philosophies of the company, and therefore, strategic (See Table 6.2). The corporate values of ExxonMobil further demonstrate that CSR is strategic, For example, the ExxonMobil values statement states the following:

We pledge to be corporate citizen, maintain high ethical standards, obey laws and respect local and national cultures (Corporate Citizen Report, 2008: pg. 10, titled 'communication and engagement')

.... being customer focus, teamwork philosophy, community development and the environment ([www.exxonmobil.com/ about us](http://www.exxonmobil.com/about-us), titled 'business ethics')

.....Corporate citizenship is embedded in our business model (Corporate Citizenship Report, 2008; pg. 3, titled 'managing corporate citizenship issues at ExxonMobil').

Moreover, just like the two respondents' E1 and E2 comments that reveal investors support for CSR above, so are the documentary evidences from the values, vision and mission statements that ExxonMobil is sincere in their positive view of CSR. ExxonMobil support the company to operate as a good citizen by having a good CSR policy for the local community. Another example is in the chairman's statement:

.....that the company is committed to long term vision by focusing on ethics, safety, team works, local community, environment and customers (Corporate Citizenship Report, 2008; pg. 1, titled 'A Long-Term Vision').

Table 6.3 illustrates that the corporate philosophies of the company such as, the values, vision and mission statements that support the CSR of ExxonMobil are strategic. The Table also reveals that the company CSR implementation is based on partnership and engagement with local community.

Table 6.3: Strategic Lens of CSR Practices of ExxonMobil

Corporate Philosophies	Statements
Corporate Values	We pledge to be corporate citizen, maintain high ethical standards, obey laws and respect local and national cultures
Vision	We are committed to meeting the world's growing demand for energy in an economically, environmentally and socially responsible manner.
Mission	ExxonMobil uses innovation and technology to deliver energy to a growing world, explore for, produce and sell crude oil, natural gas and petroleum products.
Strategy	Standards of Business Conduct: Policies on ethical, environmental, open door communication, equal employment policy, health and safety policy
Implementation	Partnerships and Engagement
Performance Evaluation	Undertake appropriate reviews and evaluations of its operations to measure progress and to foster compliance with this policy. Performance reviews are done by 1) External stakeholders reviews e.g. Donor agencies, NGOs etc. and Independent assurance auditing e.g. KPMG matches the CSR investment cost with number of completed projects.

Source: Derived from Corporate Citizenship Reports (2009) and website (www.exxonmobil.com).

Following the information above, there is empirical evidence that foreign institutional investors support CSR policy at the planning stage. They also support CSR to be strategic in nature. However, the foreign institutional investors support for CSR policy in the planning stage differs from indigenous institutional investors that do not support CSR policy at the planning stage. The reason for the investors support for CSR policy could be the experience of foreign investors from their host country about the benefit of CSR reporting, compliance to global standards and formation of internal corporate governance structure. The next subsection discusses, the role of

foreign institution investors on CSR strategy regarding the formation of corporate governance structure such as Code of Ethics and Business Conduct.

6.2.5 Role of Foreign Institutional Investors (CSR Strategy Phase)

The respondents reveal foreign institution investors support the formation of corporate governance structure in ExxonMobil. This is done because ExxonMobil want to be seen as complying with national and international regulations on best practices. In responding to the question about the role of foreign institutional investors on CSR strategy? E2 said:

Yes....our institutional investors are interested in CSR strategy. Our investors initiated that we have a good code of standard practice in our company which is in line with international standards for best practices. This code of standard practice is being used by all ExxonMobil in other parts of the world. Our foreign investors know the importance of adhering to international standards for best practices as that is what is obtainable in their country of origin (**Public Relation Manager; Interview Date: 18th June, 2009**).

What the evidence reveals is that foreign investors know the benefit of CSR and hence are willing to play active role by supporting CSR investment. They are being encouraged by the successful benefits emanating from the compliance to international standards for best practices. As for the document data analyses, it reveals that the foreign institutional investors encourage CSR strategy in ExxonMobil. Though the board is responsible for the CSR strategy formulation in ExxonMobil, they seek the opinions of institutional investors. The board and management engage institutional investors in discussions on how to best deliver governance. For instance,

*...the board made changes to the Corporate Governance Guidelines (**Corporate Citizenship Report, 2008; pg. 17, titled 'board response'**).*

The websites of ExxonMobil, in the 'about us' section states:

We are committed to high business ethics.....The policy of ExxonMobil Corporation and its subsidiary companies is one of strict observance of all laws and adherence to a strict set of Standards of Business Conduct (www.exxonmobil.com/Nigeria/'about us').

Generally, ExxonMobil is aware of the importance of communication between their foreign investors and board, unlike the indigenous investors in Zenith Bank that seems to be unaware. Therefore, the communication has led to increase awareness on the foreign investors about the CSR activities of the company. In addition, the annual report of ExxonMobil further confirms that the board and management seek the opinions of institutional investors in CSR strategy formulation and corporate governance as indicated below:

We engage with institutional and individual shareholders, socially responsible investors, and pension funds to discuss our performance and approach to corporate governance (Corporate Citizenship Report, 2008; pg. 9, titled ‘using stakeholders dialogue outcomes to improve corporate governance’).

Also, the BOD not only consults institutional investors on CSR but also formulates BOD committees responsible for corporate governance issues in ExxonMobil as stated in their Corporate Citizenship Report (2008);

...corporate citizenship topics are generally overseen by the Board Affairs, Compensation, and Public Issues and Contributions Committees (Corporate Citizenship Report, 2008; 14, titled ‘Corporate governance, managing with standards and systems’).

This committee oversees the remuneration, audit, public and contribution committee issues. The Board Affairs Committee reviews issues arising under the applicable standards of business conduct with respect to an executive officer or director and will report its findings to the BOD.

The respondents’ comments reveal the overall positive attitude of foreign institutional investors towards CSR strategy. In the same way, the foreign institutional investors’ behaviour towards internal CSR strategy is similar to indigenous institutional investors, which support CSR at the strategy phase. The next subsection discusses the role of foreign institutional investors on CSR implementation and performance evaluation such as the presence of CSR activities and social audits.

6.2.6 Role of Foreign Institutional Investors (CSR Implementation and Performance Evaluation)

According to respondents' comments and the document data analyses the foreign institutional investors show little or no interest on CSR implementation. In responding to the question on the role of foreign investors on CSR implementation and evaluation? The Public Relation Manager (E2) responded:

In my view I do not think the investors have interest in CSR implementation because they are very busy.....it is my department that carries out the implementation of CSR and report back to the board (**Public Relation Manager, Interview Date: 2nd July, 2009**).

Evidently, the documentary data analysis provides evidence that institutional investors are being consulted by the board on CSR. However, that did show or suggest that foreign institutional investors do support CSR in the implementation and evaluation stage. In this case the use of the word 'we' did not specify if institutional investors are parts of that 'we'. For instance, the websites of ExxonMobil at the 'about us' section, titled safety, health and environment states:

We are committed to safety, health and environment is an integral and critical part of ExxonMobil's global operational policies and practise. ExxonMobil has established a carefully structured management system for the purpose of assuring consistent implementation of industry-wide best practices for protecting employees, those who live in the communities in which we operate, and the natural environment (www.exxonmobil.com/nigeria, 'about us').

From the survey results, the Social License to Operate (SLTO) is chosen as the most influential factor on companies to engage in CSR. 70% of respondents believe that the ability to secure SLTO by the company is the highest motivating factor for foreign investors to engage in CSR (See Table 6.4). Empirically, this provides answers to research question 3 (What are the factors that influence foreign institutional investors to engage in CSR in Nigeria?).

Table 6.4: Survey Results on the Factors Affecting Foreign Investors to Engage in CSR

Benefit of CSR	Count	%
Improved financial performance	3	2.9
Improved company image & reputation	9	8.8
Confers legitimacy on company	70	69.0
Reduce cost	12	11.8
To benefit society	6	5.9
Total	102	100.0

Source: Own compilation from survey data carried out in 2009 in Nigeria

The above discussion on the role of foreign institutional investors on CSR demonstrates support for CSR policies and strategy. This provides answers to research question 1, about the role of foreign institutional investors on CSR. The value statement mentions that ExxonMobil are socially and environmentally responsible and this a good signal to the community, NGOs and other stakeholders that ExxonMobil is a caring company. Also, the respondent comments show that the foreign institutional investors influence the CSR at the planning and strategy phase but do not get involved in CSR implementation, performance and evaluation because they are very busy. Empirically, this provides answers to research question 1 about the role of foreign institutional investors on CSR (See Chapter 4.9). In addition, the survey findings reveal the SLTO as the factor that influences foreign institutional investors to engage in CSR, thereby providing answers to research question 3.

Consequently, these findings contrast with the findings that indigenous institutional investors do not influence the CSR at the planning and implementation and evaluation except the formation of internal CSR strategy such as, the Code of Ethics and Best Practices. The next section discusses the role of government institutional investors on CSR planning, strategy, implementation and performance evaluation and how it assists in aligning the CSR to the vision and mission statement of the company.

6.2.7 Role of Government Institutional Investors (CSR Planning Phase)

In examining the role of government institutional investors on CSR investments, Wema bank (W) is used as case study (See appendix D for company profile). The majority of respondents reveal that the government institutional investors⁴⁷ do not appear to have support for CSR at the planning stage. In responding to the question on the role of government institutional investors on CSR policies at the planning stage? The Chief Executive Officer (CEO) W3 said:

Personally, I think the government investors hardly show interest even at the start of policy formulation. The institutional investors I think trust our management to handle the policy formulation of CSR (CEO; Interview Date: 6th July, 2009).

The secretary to the bank (W4) further responded that:

...Our CSR is subject to the dictates of the board that draw up the CSR policy. The board only satisfies the investors' interest at the expense of other shareholders because they are appointed by government and do not want to lose their jobs.....investors do not bother about aligning CSR activities to company's values (Bank Secretary: Interview Date: 8th July, 2009).

It is revealed that the board is solely responsible for formulating CSR policy. The policy is not strategic because it focuses only on shareholder interest neglecting other stakeholder. Also, the comments from respondents show that the government institutional investors have little or no interest in CSR policy at the planning stage, because their actions are motivated by political reasons because they are government appointee. As a result, investors do not bother about CSR being strategic as revealed by the respondents' interviewed.

On the other hand, the documentary data analyses show that Wema banks are involved in strategic CSR. Also, it was mentioned that their CSR is sustainable and is integrated into its core business functions. However, the role of government investors on CSR at the planning stage was not mentioned in both the annual reports (2009) and websites ([www.wemabank.com/about us](http://www.wemabank.com/about-us))

⁴⁷The government institutional investors are institutional investors with equity holdings of 5% and above (Johnson and Greening, 1999; Bartkus *et al*, 2002; Chai, 2010). In other word, this represents the government investment as measured by percentage of equity holdings held by state and federal governments or their agencies.

with regards to the CSR practices of the bank. In fact, the government institutional investors do not influence CSR to be strategic as illustrated in the Wema bank websites that reads:

The Bank's CSR focus is premised on its core values of Teamwork, Mutual Respect, Innovation, Professionalism and Result Orientation. Its strategic approach to CSR places high premium on sustainability, especially on the issue of cross-generational equity. The sustainability practices are consciously being integrated into its core business functions ([www.wemabank.com/about us](http://www.wemabank.com/about_us), titled 'CSR Focus and initiatives').

There seems to be disagreement between the respondents' comments and documentary analysis. While the respondent comments suggest Wema Bank CSR is not strategic, their documentary data show that they are strategic without active support from investors. Also, the role of government institutional investors in CSR was not mentioned in the company's values, vision and mission statement as stated below. Nonetheless, the corporate values, vision and mission statements of Wema bank illustrates high commitment by the bank to satisfying the customers.

For example, the value statement reads: *The result of teamwork in a service organisation like Wema Bank is a satisfied customer (Annual Report of Wema Bank, 2009; pg. 3, titled 'vision and mission statement').*

The vision reads: *To be the best financial institution of choice in service delivery and superior returns for our customers (Annual Report of Wema Bank, 2009; pg. 3, titled 'vision and mission statement').*

The Mission reads: *To give every customer a delightful and memorable service experience (Annual Report of Wema Bank, 2009; pg. 3, titled 'vision and mission statement').*

Clearly, the corporate philosophies (values, vision and mission statements) of the bank do not reveal commitments to stakeholders instead, only the customers were mentioned (See Table 6.5 for details). However, on the websites (www.wemabank.com), the following statement was written by the bank that mentioned that the bank is interested in the stakeholders and local community.

Wema Bank Plc, as a socially responsible corporate citizen, has demonstrated consistent commitment to sustainable development of its resident communities. In

the process of creating an enduring institution, emphasis is laid on high professional and ethical standards (www.wemabank.com/about us, titled ‘CSR Focus and initiatives’).

In fact, Wema bank’s values, vision and mission statements did not disclose the bank’s commitment to stakeholders, rather customers were only mentioned. On the Contrary, Wema bank mission statements differ from that of Zenith bank because while, that of Zenith bank reveal commitment to stakeholder groups on the vision and mission statements, Wema bank does not.

Table 6.5: Strategic Lens of CSR Practices of Wema Bank Plc.

Corporate Philosophies	Statements
Corporate Values	Team work, Innovation, Mutual respect and Performance driven. The result of teamwork in a service organisation like Wema Bank is a satisfied customer.
Vision	To be the best financial institution of choice in service delivery and superior returns.
Mission	To give every customer a delightful and memorable service experience.
Strategy	Code and Regulations, Compliance to CBN Code, approved conflict of interest policy
Implementation	Cash donations and charities
Performance Evaluation	No Mention

Source: Derived from annual reports (2009) and website of Wema Bank (www.wemabank.com).

6.2.8 Role of Government Institutional Investors (CSR Strategy Phase)

By and large, the majority of the respondents and documentary data show that the government institutional investors have influence on the CSR strategy of the Bank. The question on what is the role of government institutional investors on CSR strategy? W3 responds that:

Investors ensure that the company complies with the CBN directives for uniform reforms across the financial industry in ensuring uniformity of CSR projects, reporting and disclosures. Yes, we have policies on CSR such as in ethics and

best practices. In the case of CSR reporting investors are equally committed to making sure that we report our CSR activities in our annual report and websites (CEO; Interview date: 7th July, 2009).

The above view is further substantiated by the document data analyses from the 'corporate governance information' section of the Wema Bank's website as show below:

Wema bank PLC is committed to good corporate governance as a system for managing and supervising corporation.....effective and transparent corporate governance, guarantees that, the bank is managed in a responsible and value driven manner, towards sustaining the confidence of shareholders, employees, stakeholders and the public in our bank (www. wemabank.com/about us, titled 'corporate governance').

This means that the Bank is interested in strong corporate governance practices including CSR disclosures. However, on the same annual report page, the report mentions that the board is interested in shareholder satisfactions. Also, mentioned is the board intention for formulating a strategic policy that will guarantee long term survival of the firm. This is confusing as the word strategic was not mentioned in the values, mission and vision statement of the bank. On the other hand, the documentary analyses do not reveal that government institutional investors influence CSR strategy. However, it is the board and management of Wema bank that governs the company on the principles of good Corporate Governance as stated in the company's annual report (2010).

The responsibility for the governance of the bank lies with the Board of Directors which is responsible to the shareholders....The primary purpose of the board is to provide strategic direction for the bank in order to deliver long term value to shareholders (Wema Bank Annual Report, 2010; pg. 16, titled 'Corporate Governance Report').

The board represents and protects the interests of the shareholders and as such allocates the task of monitoring board and management's actions through board committees as stated below.

The Committee is also responsible for ensuring that the Bank's internal control procedures in the area of risk assets remain high to safeguard the quality of the Bank's risk assets (Wema Bank Annual Report, 2010 pg. 17, titled 'Corporate Governance Report').

The next subsection discusses the role of government institutional investors on CSR implementation and performance evaluation such as, the presence of CSR activities.

6.2.9 Role of Government Institutional Investors (Implementation and Performance Evaluation)

The respondents' comments and the document data analyses reveal that the government investors show lack of interest for CSR implementation and performance evaluation. In responding to the role of government institutional investors on CSR implementation and performance evaluation? The Investment Manager (W1) responds:

All I know is that we do not have CSR performance evaluation and monitoring committee, which means that the investors do not care about feedback from CSR, hence they would have pressured the BODs to ensure that CSR is monitored and feedback gotten from the community I believe personally investors hardly show interest, they only care about return on their investment because they have got to account to shareholders at the end of the day (**Investment Manager, Interview Date: 6th July, 2009**).

In response to the question of what factors influence the government investors to invest in CSR?

The investors view CSR as a tool for enhancing corporate reputation and improving financial performance. The Administrative Manager (W2) said:

...regarding government regulation, I think this is the main factor influencing investors to have a rethink on CSR or else they would not have shown interest on CSR investments. The investors are just too concern with profit, the market and short term interest (**Interview Date: 7th July, 2009**).

In addition, the survey results reveal 38% of most respondents believe that government institutional investors should contribute to society for their own good. The need for companies to contribute and benefit the society is the highest motivating factor for government investors to engage in CSR, while improving corporate image and reputation had 20% of the respondents (See Table 6.6). Empirically, this provides answers to research question 3 (that is, what factors influence government institutional investors to engage in CSR).

Table 6.6: Survey Results on the Factors Affecting Government Investors to Engage in CSR

Benefit of CSR	Count	%
Improved financial performance	16	15.7
Improved company image & reputation	20	19.6
Confers legitimacy on company	18	17.7
Reduce cost	12	11.8
To benefit society	34	38
Total	102	100.0

Source: Own compilation from survey data carried out in 2009 in Nigeria

In total, the empirical evidence shows government institutional investors have little or no interest in CSR at the planning, implementation and evaluation phase. Empirically, this provides answers to research question 1, concerning the role of government institutional investors in CSR (See Chapter 4.9). In other words, the investors do not monitor the board during policy formulation and CSR feedback. The government institutional investors do support the CSR strategic phase such as the formation of internal corporate governance structures and in general, they have little or no interest in CSR investment. The reason could be their short term interest on investment and the compliance to the Code of Banks Consolidation (2006) that recommends strengthening of internal corporate governance mechanisms. This is supported by some of the respondents that gave reasons such as pressures from government regulation as one of the factors motivating the investors to comply with national and international codes of conduct.

In addition, the survey findings reveal that the need to contribute to society and improve the image of the company are the factors that influence government institutional investors to engage in CSR, thereby providing answers to research question 3.

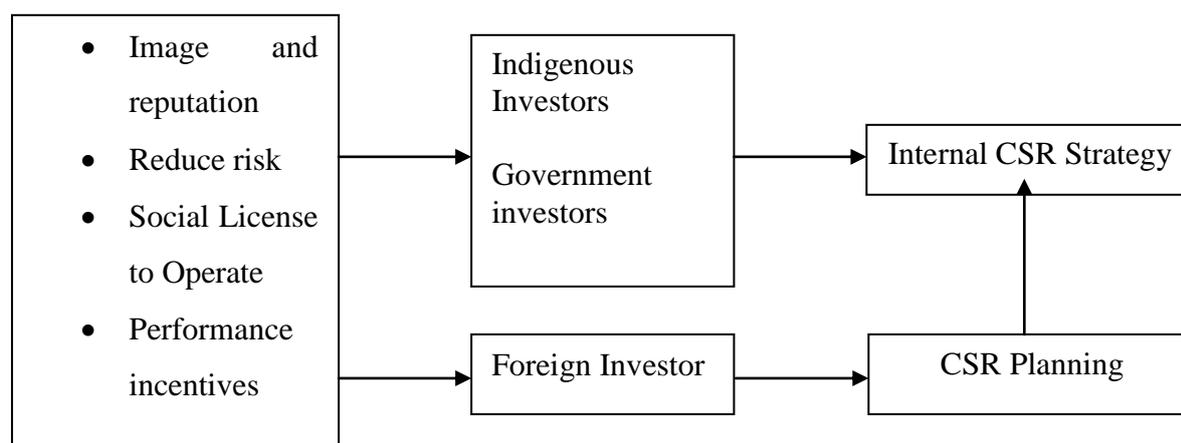
6.3 The Relationship between the Institutional Investors and CSR

Figure 6.1 shows the relationship between the factors that influence the indigenous, foreign and government institutional investors in CSR strategy. However, it is only the foreign institutional

investors that show interest in CSR Planning, while the indigenous and government institutional investors influence CSR strategy positively through the formation of internal corporate governance structures. The foreign institutional investors influence both the CSR at the planning and strategic phase. Furthermore, this indicates that all the different institutional investors have almost similar preferences for CSR strategy, the internal corporate governance structure, for instance, the formation of Code of Ethics and Business Conduct.

Also, the various factors, such as image and reputation of company, social licence to operate, performance incentives, government regulation and short term interest of stock market, has been found to influence the different institutional investors to engage in CSR.

Figure 6.1 The Relationship between the Institutional Investors and CSR



The next section discusses the role of BOD characteristics on CSR planning, strategy, implementation and performance evaluation and how it assists in aligning CSR to vision and mission statements of the company. The influence of Non-executive directors on CSR planning, strategy, implementation and performance evaluation are discussed below.

6.4 Role of Non-Executive Directors

The non-executive directors (NEDs) are part of the BODs (Coffey and Wang, 1992, 1998). The NEDs, executive directors, Board size and board diversity are used in this empirical study to illustrate their roles as follows: CSR planning, strategy, implementation and evaluation stages.

6.4.1 Role of Non-Executive Directors (CSR Planning Phase)

The evidences from both the interview comments and documentary data analyses reveal that the NEDs support CSR planning, strategy, implementation and performance evaluation. This is unlike the different institutional investors that show little or no effect on CSR investment. In responding to the question concerning the role of NEDs in CSR policies? The Public Relation Manager (E2) said:

The NEDs, to be honest, I think support the main objective of ExxonMobil to provide sustainable development to relevant stakeholders and supports implementation of projects that are cost effective and at the same time satisfy the needs of our host community. The NEDs insist that our core values and vision should guide us in our CSR policies (**Public Relation Manager, Interview Date: 2nd July, 2009**).

In addition, the respondent Z4, the CSR manager said:

The NEDs' are very powerful directors in the board and they support community development projects in our company. The NEDs ensures that the aim of our CSR matches our corporate slogan. The NEDs are particular about the way we execute CSR project so that CSR benefit the company through ensuring overall cost reduction and value addition (**CSR Manager, Interview Date: 16th June, 2009**).

The documentary analyses of Zenith bank annual report (2009:09) reveal that the NEDs do support CSR. This is illustrated by the fact that the NEDs' discharge their oversight functions through various committees put in place such as risk management, audit, remuneration and nomination. The NEDs are members of these committees. The CSR managers' report to the BOD, with the NEDs being part of the BOD as stated below:

The board discharges its oversight functions through various committees. Membership of the committees of the board is intended to make the best use of the skills and experience of Non-executive directors (Zenith Bank Annual Report, 2010: pg. 35, titled ‘Governance Report’).

Following the above comments, it is evident empirically that the NEDs support CSR in the planning stage. This provides answers to research question 2, referring to what are the roles of NEDs in CSR activities? The next subsection discusses the role of NEDs on CSR strategy regarding the formation of corporate governance structure such as Code of Ethics and Business Conduct.

6.4.2 Role of Non-Executive Directors (CSR Strategy Phase)

The comments below indicate that the NEDs support the formation of governance structure to enhance CSR practices. In responding to the question concerning the role of NEDs in CSR strategy formation; the Director in Zenith Bank (Z3) responds:

Our outside directors ensure the company sets the corporate governance standards. The NEDs are always developing good policies that make the company to be profitable including formation of committees and it is part of the NEDs responsibility because of their experience to guarantee that the board complies in setting the corporate governance standards of the company (**Director of Operations; Interview Date: 16th July, 2009**).

The documentary analyses of Zenith Bank Annual Reports (2009) reveal that the NEDs support CSR at the strategy phase. For instance, the corporate governance section states:

...the board is responsible for reviewing and providing overall guidance for the Bank’s corporate strategy, major plans of action and risk policy....monitoring the effectiveness of the corporate governance practices under which the Bank operates and making appropriate changes as necessary (Zenith Bank Annual Reports, 2009: pg. 28/corporate governance, titled ‘Responsibilities of the board’)

In fact, there are eight (8) committees of the board, including the risk management, credit, audit, and the executive; which meet quarterly but, hold extra-ordinary sessions as the business of the bank demands. Part of the audit committee function is to enhance the ethical code of conduct of

the bank by having good and strong corporate governance structure. This shows that the NEDs, as members of these committees, ensure that there is the formation of the code of ethics and risk management committee in compliance with the Code of Bank Consolidation (2006) and the Code of Corporate Governance in Nigeria (2009).

6.4.3 Role of Non-Executive Directors (Implementation and Performance Evaluation)

The NEDs support the implementation and evaluation of CSR. This is in direct response to the question of whether NEDs support the implementation and evaluation of CSR practices, the CSR manager of Zenith Bank (Z4) responds:

Our NEDs are members of the risk management committees that are charged with monitoring risky and failed projects and inside trading. Also, the NEDs, who are part of the board request for reports concerning CSR activities and projects from our department and we forward it to the board. This is a way of monitoring the CSR projects (**CSR manager; Interview date: 13th July, 2009**).

Furthermore, in response to the question of what factors influence the NEDs to engage in CSR; the answer is that the NEDs view CSR as a tool for achieving stock market stability. Many respondents believe that CSR brings stability to the capital market by attracting both huge long term capitals and more investors to the market, thereby reducing price fluctuation. IGI4, the deputy managing director said:

Perception, profit and risk reduction are the driving and motivating factors that influence the NEDs in investing in CSR. For example, if NEDs perceive that CSR will reduce risk as they do in our company, then they will support the board to invest in CSR....CSR is attracting funds to capital market though it is small, the awareness is growing and these funds can be used to stabilise the market (**Deputy Manager Director; Interview Date: 10th July, 2009**).

IGI2 further responded:

....the NEDs look at the sectors, some sectors like the financial sector are raising the stake in CSR because of the awareness it has generated among investors, customers and management. But remember that company resources will be the determining factor on the extent our company invests in CSR (**Public Relations Manager, Interview date: 10th July, 2009**).

The documentary analyses of Zenith bank do not reveal NEDs' involvement in CSR implementation and evaluation. However, it is stated that the Zenith philanthropy department is responsible for the CSR implementation of projects and its evaluation.

In line with respondent (IGI2)'s comment above, the survey results also substantiate this opinion by revealing that 39% of respondents believe that improving the image and reputation of the company is the highest motivating factor that influences the NEDs to engage in CSR, while 30% of the respondents support CSR as cost reduction strategy. The financial performance comes third with 18% (See Table 6.7). Empirically, this provides answers to research question 4 (why NEDs engage in CSR).

Table 6.7 Survey Results on NED's Perception of CSR Practices

Benefit of CSR	Count	%
Improved financial performance	18	17.8
Improved company image & reputation	39	38.2
Confers legitimacy on company	8	7.9
Reduce cost	30	29.4
To benefit society	5	4.9
Total	102	100.0

Source: Own compilation from survey data carried out in 2009 in Nigeria

Given the role of NEDs in IGI, Zenith bank and ExxonMobil companies, the empirical evidences from respondents show that NEDs are involved in CSR at the planning, strategy and the implementation stages. This indicates that the NEDs are supportive of strategic CSR because they ensure that this practice is in line with the corporate philosophy of the company. Also, it shows NEDs' support for CSR planning, strategy, implementation, performance and evaluation. Undoubtedly, this provides answers to research question 4 (See chapter 4.9) as the majority of

respondents affirm that NEDs support CSR. Also, the case study findings of NEDs support for strategic CSR is similar to the statistical finding of a positive and significant relationship between NEDs and CSR investment. Both methods are robust and affirm that NEDs support CSR practices.

Nonetheless, the findings about the role of NEDs in CSR contrast with the mixed findings on the roles of indigenous, foreign and government institutional investors in CSR activities. For instance, both indigenous and government investors support only the CSR strategy phase, while the foreign investors support CSR at the planning and strategy phase. However, none of the institutional investors played a role in the CSR implementation and evaluation stage. The next section discusses the role of the executive directors on CSR planning, strategy; implementation and performance evaluation and how it assists in aligning CSR to the vision and mission statement of the company.

6.4.4 Role of Executive Directors (CSR Planning Phase)

The evidences from both the interview comments and documentary data analyses reveal that the influences of the executive directors on CSR are mixed. In responding to the question on the role of the executive directors on CSR policies; the CEO of Zenith Bank (Z5) said:

....As head of the executive management team I make sure that I monitor CSR from the early stage to the final stage of project execution. The executive directors definitely show concerns if the CSR policies do not align with corporate objectives of the firm because they are responsible for success or failure of the implementation of policies made by the board, including the design of CSR policy **(CEO; Interview Date: 16th July, 2009)**.

In contrast to the above comments from the CEO, some respondents argue that executive directors will not engage in CSR because they want to protect their jobs as they think the shareholders might fire them and hire someone else who will not divert company resources to

satisfying other stakeholders but, instead satisfy the shareholders alone. IGI3, the Finance Manager said:

The executive directors are employees who will want to protect their jobs by concentrating on profit making rather than diverting company resources to CSR..... most CEOs prefer cash donation which they use to gain personal attraction from friends. This cash donation has nothing to do with our company performance (**Finance manager; Interview Date: 13th July, 2009**).

IG1 further responded:

....Personally, these executive directors are friends with each other, even some are friends to the NEDs and executive directors because sometimes the CEOs influenced their employment to the company. ...so they bring in their friends who will eventually support him, even in CEOs' decisions not to invest in CSR (**Operation manager; Interview Date: 9th July, 2009**).

The comments from the interviews reveal that the executive directors' influences on CSR at the planning phase are mixed. While the CEO agrees that the executive directors do support CSR at the early stage of planning, others disagree citing the social ties network among executive directors as a hindrance to engaging in CSR activities.

In essence, the documentary analyses of IGI insurance websites do not mention the role of executive directors in CSR policies at the planning stage as shown below concerning their CSR.

The CSR section mentions that the CSR is aligned to the company's goal and obligation to the society as stated:

IGI PLC aligns its development and growth with what it perceives as its obligations to the society. It has therefore adopted a corporate social responsibility culture that supports organisations, activities and causes which promote the values of good citizenship, youth development and healthy living, particularly through sport sponsorship and endorsements (www.iginigeria.com, Resource, titled 'IGI Corporate Social Responsibility').

By this comments, IGI is demonstrating that not only is the company's CSR activities strategic but also that the whole company are interested in being seen as a good corporate citizen. However, there is no specificity in the website statement as to who is responsible for the companies' involvement in CSR; no mention of investors and this can be misleading. The next

subsection discusses the role of executive directors on CSR strategy regarding the formation of corporate governance structures such as Code of Ethics and Business Conduct.

6.4.5 Role of Executive Directors (CSR Strategy Phase)

The evidence from the interview reveals that executive directors support CSR at the strategy phase. In responding to the question on the role of executive directors in CSR strategy, the Finance Manager (IGI3) responds:

Some executive directors are good and they do want the company to succeed. Executive directors will implement policy that will promote the overall survival of the company by enhancing the performance of the company through putting checks and balances in place (**Finance Manager; Interview Date: 13th July, 2009**).

The comments demonstrate that the executive directors are interested in improving the companies' performance. They do this by complying with the Code of Corporate Governance (2003; 2009), that recommends the formation of internal governance structure aimed at reducing management excesses and enhancing performances.

The documentary analyses of the IGI's websites (www.iginigeria.com) do not mention the role of executive directors in CSR at the strategy stage. However, the website did mention that the shareholders were happy with IGI insurance overall performance as illustrated by this statement from their website:

*Shareholders have commended Industrial and General Insurance Plc. (IGI), Nigeria's leading insurance company, for the company's results-oriented local and continental business expansion programme, which yielded great dividends in terms of the size of the balance sheet, Group profit and stakeholder value in spite of the harsh operating environment in 2008 (www.iginigeria.com, **community relations, titled 'Shareholders commend IGI's business expansion programme'**).*

In the above statement, emphasis was placed on dividends, profit and balance sheet signifying that investors and shareholders are more interested in profit maximisation. Though the word

'stakeholders' were mentioned, there was no emphasis on it. Other stakeholders and interested parties might think the company is paying a lip-service to CSR. The next subsection discusses the role of executive directors on CSR implementation and performance evaluation such as, the presence of community development projects, social audits and donations.

6.4.6 Role of Executive Directors (Implementation and Performance Evaluation)

The findings reveal that executive directors' support for CSR implementation and performance evaluation is mixed. In response to the question of whether executive directors support the implementation and evaluation of CSR practices; IGI3 said:

The executive directors only engage in CSR implementation because they are under obligation from government agencies to do so, otherwise they would not, because of their interest to make profit for shareholders (**Finance Manager; Interview Date: 13th July, 2009**).

Similarly, IGI1 responded:

The executive directors do not get involved in CSR program implementation. It is the department in charge of CSR that does it (**Operation Manager; Interview Date: 9th July, 2009**).

The comments demonstrate that the executive directors only show interest in CSR because they are under obligation from the government agencies such as the Security and Exchange Commission (SEC) to comply with CSR activities. Also they leave the role of CSR implementation for the CSR departments to implement.

The documentary data analyses reveal that the executive directors engage in CSR practices for self-interest purposes. For example, on the IGI websites (www.iginigeria.com) the vice chairman of IGI was awarded an honorary degree of Doctor of science from a university in Nigeria by donating an X-ray machine to the University. The company was proud about it. Consequently, this is using CSR as a cover for self-interested purposes because the philanthropic gesture to the University was perhaps carried out in exchange for an honorary degree to the executive director.

These philanthropic activities indicate that CSR is not strategic, and hence will not impact on the performance of the company ([www.iginigeria.com/resource/corporate social responsibility](http://www.iginigeria.com/resource/corporate-social-responsibility)).

The survey results reveal that CSR improves the image of the company, 41% of most respondents believe that improving the image and reputation of the company is the highest motivating factor for executive directors to engage in CSR, while 30% of respondents thought SLTO, or the legitimacy factor, was a motive. The need to contribute to the society is third with 15% (See Table 6.8). Consequently, this answers research question 3 (See section 4.9).

Table 6.8: Survey Results on Executive Directors Perception of CSR

Benefit of CSR	Count	%
Improved financial performance	8	7.8
Improved company image & reputation	41	41
Confers legitimacy on company	30	29.4
Reduce cost	6	5.9
To benefit society	15	14.7
Total	102	100.0

Source: Own compilation from survey data carried out in 2009 in Nigeria

Generally, the role of executive directors on CSR planning, strategy, implementation and performance evaluation clearly demonstrates mixed findings. This implies that the CEO and CSR managers because of their knowledge on the benefits of CSR support it, whilst other managers such as the operation managers do not support CSR.

While some executive directors support CSR planning, strategy, implementation and performance evaluation, others do not. This provides answers to research question 1 (See section 4.9). In contrast to the mixed findings of the role of executive directors in CSR, previous section reveals that the NEDs support CSR. In addition, the survey findings reveal that the image and

reputation of the company is the factor that influences executive directors to engage in CSR, thereby providing answers to research question 4.

Also, the next subsection, discusses the role of board size on CSR planning, strategy, implementation and performance evaluation and how it assists in aligning the CSR to vision and mission statement of the company, followed by the presentation of a sample of comments from respondents.

6.4.7 Role of Board Size (CSR Planning Phase)

The evidence available from the interviews and documentary data reveals that large board size supports strategic CSR. This finding is similar to that of NEDs that support strategic CSR, and at the same time, the statistical finding (See section 5.5.4) was also positive and significant with CSR practices.

In responding to the role of board size in CSR; IGI2 said:

Definitely, the board size increases CSR culture and philosophies. I do remember in 2003, we used to have a small board size of 4 and the company was hardly thinking about community development not to talk of engaging in it, but as time moved on and the board size increased to 8 in 2005; and now our board size are 12 in 2009. As a result, our company is becoming more socially responsible. What actually changed is the introduction of more local indigenes, female, and NEDs directors into the board (**Public Relation Officer; Interview Date: 10th July, 2009**).

The comment implies that the board size of the Bank increased over time especially between 2003 and 2009, which has a positive effect on CSR investment. Therefore, one can suggest that there was an upward increase in BOD support for CSR at the planning phase. On the other hand, the documentary data analyses from the IGI websites do not mention that board size supports CSR at the planning phase. The next subsection focuses on the role of board size on CSR strategy regarding the formation of corporate governance structure such as Code of Ethics and Business Conduct.

6.4.8 Role of Board Size (CSR Strategy Phase)

The majority of respondents agree that an increase in board size supports formation of governance structure to enhance CSR strategy. This is because of the introduction of NEDs onto the board. In responding to the role of board size in CSR strategy; IGI2 said:

I think the increase in board size means more directors are available to be members of the committees that will implement CSR such as the compliance to the code of corporate governance (**Public Relation Officers; Interview Date: 10th July, 2009**).

IGI3 responded:

.....Large board size has more NEDs and more ability to monitor management and this means less power for the CEOs in running the company like his own property. Hence, larger board will help control the excessive power of the executives and this will be beneficial in promoting CSR ideas for the benefit of the society (**Finance Manager; Interview Date: 13th July, 2009**).

The comments clearly show that the board size do influence CSR positively. By implication, the larger the board size, the more the CSR activities. The benefits and the awareness created by the Code of Corporate Governance (2003; 2009) might have influenced companies to have more NEDs in their BOD. The NEDs brings their connection, contacts and skills which help to improve the board independence, diversity and its effectiveness.

The documentary data analyses from the IGI websites do not show that BOD size supports CSR at the strategy phase (www.iginigeria.com; Annual Report, 2007). The next subsection discusses the role of BOD board size on CSR implementation and performance evaluation such as the presence of CSR activities.

6.4.9 Role of Board size (Implementation and Performance Evaluation)

The increase in BOD size influences the company to set up committee or CSR department to monitor compliance to international standards and the Nigeria Code of Corporate Governance (2009). In responding to the question on the role of the BOD size in CSR implementation and performance evaluation; IGI4 said:

The large BOD size will ensure that directors with experience and diverse ideas oversee the CSR projects. Yes, I think the directors with experience are appointed to evaluate projects. In my company, because of our large board size, we have a special department that reports to the board on CSR activities (**Deputy Managing Director; Interview Date: 10th July, 2009**).

The documentary data analyses from the IGI websites, however, do not show that BOD size supports CSR at the implementation phase (www.iginigeria.com).

Given the discussion on the role of BOD size, the study clearly demonstrates that large board size is supportive of CSR planning, strategy, implementation and performance evaluation. Empirically, this provides answers to research question 1 (See chapter 4.9). This is similar to the findings that NEDs are supportive of strategic CSR at the planning, implementation and performance evaluation phase. In addition, the finding of the case study affirms the statistical finding of a positive and significant relationship between NEDs and CSR. The next section focuses on the role of board diversity on CSR planning, strategy, implementation and performance evaluation and how it assists in aligning CSR to the vision and mission statements of the company. Also, comments from respondents (directors and top managers) are presented.

6.4.10 Role of Board Diversity-CSR Planning Phase

The findings on the impact of the role of board diversity (female director) on CSR produce mixed results. As a consequence, this finding remains inconclusive. In responding to the question concerning the role of board diversity in CSR; IGI2, who is a female manager said:

Women and ethnic minorities' directors actually make sure that companies give back to society for allowing the company to operate. Women and ethnic minorities in our companies make other directors to understand the consequences of not aligning CSR to company vision. Neglects of alignment of CSR to vision and values will lead to disaster of CSR policy because the company will be like a ship without a map. The female directors always come to office to find out how we are coping with CSR and they often offer to assist with the planning by making inputs in form of ideas or through contributing their time (**PRO; Interview Date: 10th July, 2009**).

IGI3, who is the finance manager, further responded that:

... Women are kinder vessel, cautious and conservative in nature. These attitudes I think they bring to the board and influence their colleagues to be generous givers. They are passionate about CSR. Also, women are more religious than men. They have the fear of God in them so I think women will favor CSR more than men because if you go to churches in Nigeria, women outnumbered men by 5:1 ratio (**Finance manager; Interview Date: 9th July, 2009**).

From the above respondents the influence of religion on women directors' decisions in favoring CSR at policy stage was well captured. They were described as morally more sound than men because of their religious beliefs. Also, women interest in CSR can be seen in their punctuality and passion exhibited in meetings concerning formulation of CSR policies. However, some respondents disagree by arguing that it is the companies' policy that influence women and shaped the direction of CSR, rather than gender composition. The Deputy Managing Director (IGI4) said:

Nigerian women are few in the board and they hardly move up the corporate ladder. Currently, in our company, there are two women on our board and they may not be able to influence the male directors because most managers follow company policies statement, drafted mainly by male directors so the same with CSR (**Deputy Managing Director; Interview Date: 13th July, 2009**).

...society is sometimes responsible for the few or lack of female directors in the board. The society favors the male in every aspects of life ranging from education to work place, for instance in a family of four, two boys and two girls, even if the girls are seniors. The parents will prefer to sponsor the male, who are junior to school, while the girls are pressured to marry early (**Deputy Managing Director; Interview Date: 13th July, 2009**).

IGI1, who is a female director, further responded that:

The female directors are so marginalised by culture practices in Nigeria so much that only a few female managers finally make it to the top as directors. This

culture creates a glass ceiling for women becoming member of board. For example, previously some culture practice emphasises that only the male child should be trained and allow to go school. Other culture such as the Ibos relegates women to kitchen and as house-keepers while the male are seen as bread winners. These practices alone can demoralise women from aspiring to be top managers. **(Director of Operations; Interview Date: 13th July, 2009).**

The comments imply that the few female directors in the board cannot influence the male-dominated BOD to invest in CSR, if the company policy stipulates otherwise. In essence, this means that, it is the company's policy that drives company's actions and these women are bound by the company policies. Also, the culture is seen as an impediment to the rise of women in corporate organisation. The documentary data analyses from the IGI websites do not reveal that the female directors or ethnic minorities support CSR at the planning phase (www.iginigeria.com). Consequently, the evidence indicates that the influence of board diversity on CSR is mixed. The presence of female directors and ethnic minorities does not have an effect on CSR planning; other respondents do agree that female directors and ethnic minorities influence CSR at the planning phase.

Table 6.9: Strategic Lens of CSR Practices of Industrial and General Insurance (IGI) PLC

Corporate Philosophies	Statements
Corporate Values	To achieve maximum customer satisfaction and create wealth for national development.
Vision	To reach global standards, by expanding to African nations, anchored on a team of well-trained highly motivated professionals.
Mission	IGI will be the professional insurance company that leads in the provision of the highest standards of financial protection and risk management services.
Strategy	Collaborates with NGOs and foundations to provide CSR projects such as, youth development and sports.
Implementation	Cash donations, charities, sport sponsorship and health.
Performance Evaluation	No mention of audits

Source: Derived from website of IGI (www.iginigeria.com/resource, titled 'corporate social responsibility')

6.4.11 Role of Board Diversity (CSR Strategy Phase)

The influence of board diversity on CSR strategy is in the affirmative. In responding to the question on the role of board diversity on CSR strategy; IGI3, finance Manager responds:

The inclusion of women in board will ensure balance of ideas. Female directors are more ethical and so will influence the board to form the corporate governance structure and comply in setting standards of governance of the company (**Finance Manager; Interview Date: 13th July, 2009**).

The female directors acknowledge the importance of ethical responsibility in the company. This ensures that appropriate corporate governance structure is put in place to enhance the compliance to the Code recommendations and enhance board independence. The documentary data analyses from the IGI websites and annual report do not reveal that the female directors support CSR at the strategy phase (www.iginigeria.com).

6.4.12 Role of Board Diversity (Implementation and Performance Evaluation)

Board diversity does help the board to get involved in CSR implementation, performance and evaluation. In responding to the role of women on CSR implementation and performance evaluation; IGI2, the PRO responds:

Women ensure that there is good monitoring structure that ensures fairness, transparency and accountability which is the watch word of the company's objectives which is achieved and maintained through formation of institutional governance structure that ensures the board comply in setting standards ...In my company there are no social audits that monitor CSR (**Public Relation Officer; Interview Date: 10th July, 2009**).

This finding reveals that though female directors (board diversity) support transparency and accountability in CSR reporting, it was observed that the CSR evaluation and feedback mechanism and structure were non-existent. As for the response to the question of what factors influence the female directors to engage in CSR. IGI5, the CEO said:

Yes, board diversity encourages our boards to widen their CSR practices so as to enhance the competitive advantage of the company and reduce environmental risk. The reasons could be that women are mothers, motivated to serve and to care for others. These selfless attitudes of women are displayed also when they become directors (**CEO; Interview Date: 14th July, 2009**).

The documentary data analysis from the IGI's websites does not reveal that female directors and ethnic minorities support CSR at the implementation phase. In fact, IGI's CSR practices include healthcare, education and donations.

The story of IGI's involvement in sports sponsorship is as old as the company. Right from inception, IGI made sports sponsorship a pivot of its social responsibility programme (www.iginigeria.com, pg.12 titled 'Sports Sponsorship and Promotion').

Furthermore, the survey results showed that CSR improves the image of the company. The survey results reveal that (63%) of most respondents believe that improving the image and reputation of the company is the highest motivating factor for investors to engage in CSR, while social license to operate (SLTO) or the legitimacy factor had 13% of the respondents. The financial performance is third with 11% (See Table 6.10). This provides answers to research question 4 on what factors affect female directors to engage in CSR (See Chapter 4.9).

Table 6.10 Survey Results on the Factors Affecting Female Directors to Engage in CSR

Benefit of CSR	Count	%
Improved financial performance	11	11
Improved company image & reputation	64	62.8
Confers legitimacy on company	13	12.7
Reduce cost	6	5.8
To benefit society	7	6.9
Total	102	100.0

Source: Own compilation from survey data carried out in 2009 in Nigeria

The influence of female directors and ethnic minorities on CSR planning is mixed; while some respondents do agree that board diversity influences CSR, others disagree insisting that women

are few in number on a male dominated board and as such cannot influence the board. However, the majority of respondents did agree that board diversity does influence CSR strategy and implementation. Also, it is noted that most respondents agree that board diversity benefits both the company and the stakeholders, while other respondents noted that CSR benefits the company alone, in areas, such as reputation, image building and publicity.

6.5 Comparison of Case Study Findings with Existing Literature

In comparing the results of the case study with previous findings, the literature reveals that previous studies support these findings. The findings show that CSR was strategic for the four (4) PLCs. However, the institutional investors show little or no effect on CSR, while, the NEDs and board size show support for CSR. In the case of executive directors and board diversity, the findings were mixed. In other words, some executive directors support CSR planning, strategy, implementation and performance evaluation phase, while others do not. Hence, this finding is inconclusive. This makes comparison across boards difficult. However, previous findings that support this study's results are presented in Table 6.1 below.

Table 6:11 Comparison of Case Studies Findings with Past Studies

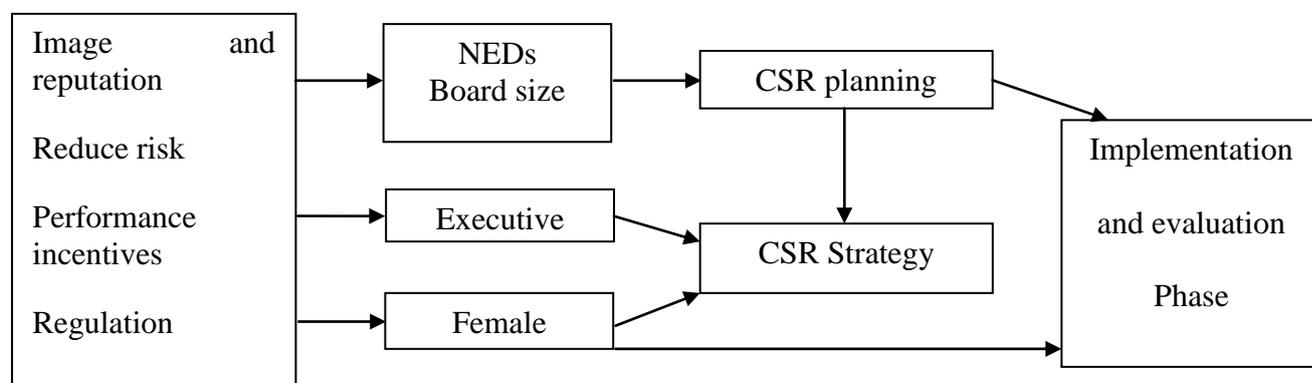
Nos	Past Studies	Findings
1) Role of Indigenous investors in CSR	Hendry <i>et al</i> (2006); Cumming and Johan (2004) and Dam and Scholtens (2010) find no relationship between indigenous institutional investors and CSR.	Show little or no interest in the CSR planning phase, implementation and evaluation phase Show interest in CSR at the strategy phase
2) Role of foreign investors in CSR	Dasgupta, <i>et al</i> (2000); Cole <i>et al</i> (2008) and Rasic (2010) find small effects between foreign institutional investors and CSR.	Show interest in the CSR at the planning and strategy phase Show little or no interest in the CSR implementation and evaluation phase
3) Role of Government investors in CSR	Rasic (2010), Dam and Scholtens (2010) find no relationship between government institutional investors and CSR.	Show little or no interest in the CSR planning and implementation and evaluation phase. But interested in CSR at the strategic phase.
4) Role of NEDs in CSR	Johnson and Greening (1999)	NEDs support the CSR at the planning, strategy, implementation and performance evaluation stage
5) Role of executive directors in CSR	Rose (2007) find that executive directors do not invest in CSR	Mixed findings (some executive directors support CSR planning, strategy, implementation and performance evaluation, others do not).
6) Role of Board size in CSR	Pfeffer (1972; 1973) and Kruger (2010) find board size influence CSR.	Board size support the CSR at the planning, strategy, implementation and performance evaluation stage
7) Role of female directors in CSR	Khan (2010) finds no relationship between female directors and CSR	Mixed findings (some executive directors support CSR planning, strategy, implementation and performance evaluation, others do not).

6.6 The relationship between the BOD Characteristics and CSR

Figure 6.2 shows the relationship between the various BOD characteristics and CSR at the planning, strategy, implementation and evaluation stages. In other words, it identifies the factors that affect NEDs, executive directors, board size, female directors and how they affect CSR planning, strategy, implementation and evaluation.

The factors include image and reputation, risk reduction, performance incentives and government regulation. These factors positively influence the NEDs and the board size during the stages of CSR planning, strategy, implementation and evaluation, while executive directors only influence the CSR strategy, but its effect on CSR planning and implementation are mixed. On the other hand, these factors influence the female directors and ethnic minorities towards engaging in CSR strategy and implementation.

Figure 6.2 The Relationship between the BOD Characteristics and CSR



6.7 Discussion of Findings

In this part of the chapter, the findings are discussed in a number of themes in relation to the literatures. The themes for the basis of discussion are classified as the role of indigenous institutional investors, role of foreign institutional investors, role of government institutional investors, role of NEDs, role of executive directors, role of board size and role of board diversity, and how they all affect CSR.

6.7.1 The Role of Indigenous Institutional Investors

The study shows that there is little or no influence by indigenous institutional investors on CSR practices in Nigeria. The respondents and documentary evidence suggest that the indigenous investors have little or no support for CSR planning, implementation and performance evaluation stage. As for the CSR strategy stage, the indigenous institutional investors' support for CSR strategy is very evident. For instance, the indigenous institutional investors encourage and show interest towards the formation of corporate governance structure, such as the Code of Ethics and Best Practices.

The reason for this investment behaviour could imply that investors still lack the knowledge and resources to address CSR related risks and opportunities across their portfolios. Other reason investors could not accept full integration of CSR related risks and opportunities in their investment decisions could be that they focused solely on their short term return on investments, while ignoring the long term interest and its benefits.

This result finds some support from extant literature (See for example, Cumming and Johan, 2004; Hendry *et al*, 2006; Dam and Scholtens; 2010) and emphasise the lack of interest of indigenous institutional investors on CSR. On a similar note, Hendry *et al* (2006); Cumming and Johan (2004) and Dam and Scholtens (2010) find no relationship between indigenous institutional investors and CSR. In their study, on the role of institutional investors on CSR, Hendry *et al* (2006) find no relationship between institutional investors and CSR. They suggest that institutional investors do not favour the long term interest of the company. Their studies also indicates that institutional investors are traders and are interested in returns on their huge investments, hence they are short term oriented in focus and therefore concluded that the principal-agent relationship has compounded the separation of responsibility from accountability regarding owners and beneficiaries.

However, in their study, Hendry *et al* (2006) appear to use aggregated institutional investors and treat them as a homogenous entity and they draw conclusions based on that premise. On the other hand, for instance, the study of Said *et al* (2010) treated different institutional investors as heterogeneous, having different preferences for CSR, while, Said *et al* (2009) find government institutional investors to have a positive relationship with CSR, and their study also shows no relationship between indigenous institutional investors and CSR.

In the same way, Guyatt (2005) finds no relationship between indigenous investors and CSR. Guyatt (2005) uses the case study method to explore the behaviours and perceptions of indigenous institutional investors on CSR investments in the UK and finds that indigenous institutional investors do not support CSR. This finding reveals a number of behavioural challenges for indigenous investors such as short term approach, reluctance in adopting CSR practices, defensibility of decisions and policies aimed at short term objectives. This finding suggests that rules, conventions and the market influence the institutional investors to favour the short term approach of maximising profit. Therefore, long term projects are viewed as riskier since the market is structured on short term horizons.

Likewise, Cumming and Johan (2004) find no statistical difference between the indigenous investors and CSR. They also find CSR investments increase by 50% more in banks and insurance companies with indigenous investors when CEOs or Chief investment officer are in charge of decisions to invest in CSR. In other words, organisational structures can be said to have an influence on the level of CSR investments.

In this study, the factors that influenced indigenous institutional investors' role in CSR include, improved image and reputation, government regulation and risk mitigation (Joyner and Payne, 2002; Lohman and Ateinholtz, 2004). Other factors include short term horizons of the market and performance incentives (Hendry *et al*, 2006). Mitchell (2007) argues that the more investors make profits based on short term quarterly forecast, the more the market and company reward

them. In essence, performance incentives reward investment based on short term horizons and hinder investors from engaging in CSR.

Theoretically, the findings that indigenous institutional investors show little or no interest in CSR contradict the stakeholder theory that argues that investors, as part of the company, should satisfy all stakeholders for the long term survival of the company. Instead the indigenous investors are more concerned with the satisfaction of shareholders interest.

6.7.2 The Role of Foreign Institutional Investors

This study reveals evidence that there is little or no influence by foreign institutional investors on CSR implementation and performance evaluation. However, it was found that foreign institutional investors support CSR at the planning and strategy stage. The evidence show foreign institutional investors do have an effect on CSR planning and strategy, unlike indigenous and government investors that only support CSR at the strategy phase not at the planning phase. This finding is supported by previous studies in the literature such as, Dasgupta, *et al* (2000); Cole *et al* (2008) and Rasic (2010) that appear to find small effects of foreign institutional investors on CSR.

Most importantly, majority of studies on the impact of foreign institutional investors on CSR are investigated using the econometric methods. Few studies that employed the qualitative approach explored the aggregated institutional investors rather than splitting institutional investors into indigenous, foreign and government.

Dasgupta *et al* (2000) appear to find little effect between foreign institutional investors and CSR. The authors suggest that foreign institutional investors lack experience and knowledge about the local social issues affecting other stakeholders. This lack of understanding of local environment makes it difficult for foreign institutional investors to engage in CSR.

On a similar note, Cole *et al* (2008) examine the relationship between foreign institutional investors and CSR in Ghana. Their findings show that foreign institutional investors do not support CSR because they lack experience and knowledge of host communities. The finding shows the importance of foreign institutional investors' experience and training as very essential to CSR practices.

Furthermore, Rasic (2010) studied the effect of the types of institutional investors on CSR in Croatia using 63 completed questionnaires. The author finds no relationship between foreign institutional investors and CSR and suggested that foreign investors did not pressure companies to engage in CSR. Rasic (2010) identified weak institutions, lack of effective government relation, and the high cost of new technologies for enhancing CSR practices. On the same lines, Ananchotikul (2008) argues that the extent and level of relationship between foreign institutional investors and CSR governance depends on the amount of shareholding. For instance, if the level of shareholding is small, foreign institutional investors will invest more in CSR and governance practices, but if the shareholding is large, foreign institutional investors become entrenched and show little interest in CSR and corporate governance practices.

Regarding the factors that influence foreign investors to engage in CSR, the study reveals government regulation, short term philosophy and performance incentives as very important. These factors influence the foreign institutional investors on CSR, despite, the fact that the annual report and websites indicate stakeholders' oriented PLCs with long term interests. The evidence available reveals otherwise, that the stock market is built on rewarding investments based on short term horizons (Waddock and Graves, 1997; Neubuam and Zahra, 2006). Hence, the investors are forced to invest in short term investments rather than making long-term investments as stipulated in their annual report and websites.

Furthermore, there is an assumption and belief by investors that the formation of Code of Ethics and Business Conduct for companies (that is, CSR strategy) would lead to transparency, accountability and favourable opinion from stakeholders, markets and society (Ullah and Jamali, 2010). Hence, this will mean lower taxes, no fines and fees from government for non-compliance. All these benefits are transformed to reduced firm risk and improve image and company's reputation.

Nonetheless, the foreign investors are only interested in CSR if it offers the company the social license to operate (SLTO). This factor (SLTO) that influences investors' behaviours is supported by the legitimacy theory. According to Hanniffin and Cooke (2005) organisational legitimacy is essential for ensuring social worthiness and corporate survival. Therefore, organisations must ensure that their operations and activities are perceived as good to the consumers and public, which will ensure the continuing existence of the company through repeated patronage. Therefore, according to Idemudia (2009) companies engage in CSR especially in Nigeria, because CSR legitimises their operational activities in the community. In other words, companies want communities to perceive them as good corporate citizens because of their involvement in CSR. Idemudia (2009) argues that many oil companies in Nigeria including ExxonMobil Nigeria have been using their CSR as a tool to gain legitimacy and support from the local community.

6.7.3 The Role of Government Institutional Investors

The study reveals evidence that there is little or no influence by government institutional investors for CSR in Nigeria. The respondents suggest that the government institutional investors have little or no support for CSR planning, implementation and performance evaluation. As for CSR strategy, the indigenous institutional investors support CSR at the strategy stage because the indigenous institutional investors encourage and show interest towards the formation of corporate governance structures, for example, Code of Ethics and Best

Practices. This finding is supported by Rasic (2010), Dam and Scholtens (2010) who find no relationship between government institutional investors and CSR.

In the case of Rasic (2010) finds an insignificant relationship between government institutional investors and CSR. In a similar way, Dam and Scholtens (2010) find no significant relationship between government institutional investors and CSR; consequently, the reasons for lack of support for CSR by different institutional investor is the preference for short term investments horizons rather than pursuing long term interests, and this contradicts the stakeholders' theory. In accordance with the long term goal of the company, the stakeholders' theory provides a useful framework for the different institutional investors to invest in CSR (Prado-Lorenzo *et al*, 2009). In contrast, Said *et al* (2009) employs content analysis and find that the government institutional investors support CSR, while the foreign institutional investors had no relationship with CSR. The authors investigated CSR reporting.

Similar to indigenous and foreign investors, the government investors' findings contradict the stakeholder theory, because, according to Zhang *et al* (2009), government owned companies are poor in managing company assets, thereby making losses due to political interference, given poor corporate performance, government institutional investors will not engage in CSR.

6.7.4 The Role of Non-Executive Directors

In this study, the Non-executive directors (NEDs) support CSR from its planning to implementation and performance evaluation stage. For instance, Coffey and Wang (1998), Johnson and Greening (1999), Post *et al* (2011) appear to have strong support of this opinion that NEDs influence CSR positively.

This view is similar to the findings from the extant literature such as Post *et al* (2011), Coffey and Wang (1998) and Johnson and Greening (1999) who suggests that the NEDs positively influence CSR. Johnson and Greening (1999) argue that NEDs bring their skills, connection and

contact to the board; thereby encouraging the long-term survival of the corporation. According to Johnson and Greening (1999) the long term interest is achieved through enhancing product quality and good environmental practices with the aim of satisfying a wider group of stakeholders. The NEDs develop strategy for the corporations to combat environment challenges such as climate change, oil spillage and environmental degradation (Pfeffer, 1972).

The NEDs are interested in long term commitments and will encourage companies to undertake CSR practices so as to reduce risks (Kesner and Johnson, 1990). These long term commitments of NEDs are supported by the stakeholder theory which encourages the board to implement CSR policies that benefit all stakeholders (Freeman, 1984; Jensen, 2001).

In addition, Wang and Coffey (1992) analysed the relationship between NEDs and CSR and find a positive relationship between NEDs and CSR. Furthermore, the NEDs confer independences to the BOD (Kesner *et al*, 1988) and help to reduce CEO duality role by encouraging the separation of the joint structure role of CEOs and chairperson handled by separate individuals. Also, the NEDs influence the BODs in monitoring management (Daily and Dalton, 1997). Moreover, according to Daily and Dalton (1994a) the inclusion of NEDs into the BODs is one of the solutions offered to avoid corporate collapse. In fact, Coffey and Wang (1998) argue for the enlargement of BODs, by introducing NEDs into BODs to improve the strategic processes of the board and enhance shareholder's representations. Likewise, the long term interest of the company is emphasised by respondents' comments, annual reports and websites. The respondents agree that the NEDs and large board size pursue the satisfaction of stakeholders and long term interests of the company are achieved (Johnson and Greening, 1999).

Theoretically, the stakeholder theory, resource dependence theory and stewardship theory support this finding. Mackenzie (2007) states that NEDs get involved in social and environmental practices, because it is backed by the UK Combined Code of Corporate

Governance which mandates boards to formulate policies and values for corporations to meet their social and environmental obligations. The resource dependence theory suggests that NEDs can help develop strategy for the corporations to combat the environmental issues because of their experience and skills which they bring to the board room (Bergh, 1995; Pfeffer, 1972).

6.7.5 The Role of Executive Director

Specifically, the role of executive directors on CSR planning, strategy, implementation and performance evaluation demonstrates mixed findings. While some executive directors support CSR planning, strategy, implementation and performance evaluation, others do not.

These results are supported in the extant literatures (See, Vance, 1964; Rose, 2007; Kruger, 2010). Rose (2007) finds that executive directors do not invest in CSR when faced with legal compliance to federal or state laws. Therefore, executive directors prefer to harm the society and make legally defensible decisions because they want to satisfy the shareholders.

Vance (1964) finds executive directors improve financial performance when they dominate the BODs. Therefore, given the need to satisfy shareholders' interest on the short run and protect their jobs, the executive directors may not invest in CSR. In addition, Rose (2007) argues that the pressure from the stock exchange regulations and corporate laws forces the executive directors to place shareholders higher and above other stakeholders. The negative and significant relationship between the executive directors' influence on CSR investments is explained by the agency and stewardship theories.

This negative effect contradicts the stewardship theory that suggests executive directors are not self-interested but do have a broader motivation that is pro-organisations, servant-like and collectivist in nature (Donaldson and Preston, 1995; Davis *et al*, 1997). Hence, the stewardship

theory supports executive directors' inclusion in BODs because stewardship theory expects managers to be good and true servants to the corporation.

Still, the agency theory does not support the executive director dominated board as it will lead to managers' entrenchments and misappropriation of company resources (See, Johnson and Meckling, 1976; Rediker and Seth, 1995; Hawley and Williams, 1996; Kirkbride and Letza, 2004). Therefore, the agency theory expects managers to allocate firm resources in such a way as to maximise shareholders' value. Further, the agency theory expects the interests of managers to be aligned to the shareholders' interests so that the BODs can carry out their monitoring role on managers. Therefore, the board effectiveness will increase thereby hindering the managers from diverting companies' resources to CSR practices (Kirkbride and Letza, 2004; Kulik, 2005).

Nonetheless, the executive directors' finding contradicts the stakeholder theory. According to Baysinger and Hoskisson (1990) there is a positive relationship between executive directors' skills and top managers' evaluations. Also, the stakeholder theory expects executive directors to satisfy multiple stakeholders. Kruger (2010) finds executive directors to be positively related to CSR. According to Kruger (2010) the higher the number of experienced executive directors on the board, the more they influence the decision-making process of the BODs, prevents the BODs from pursuing short term interests and focuses on stakeholders' satisfaction. Therefore, the executive director's presence on the board reduces the amount of law suits that could harm the company. In other words, Kruger (2010) argues that the inclusion of executive directors on the BODs reduces the occurrence of negative events such as litigations against the company.

The reasons why the executive directors support CSR strategy and do not support CSR implementation is that, part of the exercise of the BODs discretion is the provision of duty of care for stakeholders. Therefore, the BODs will support CEO decisions to engage in satisfying

wide stakeholders, regardless of the outcome of the implementation of the CSR programme and Performance evaluation (Cumming and Johan, 2007).

6.7.6 The Role of Board Size

In this study, larger board size supports the CSR from its planning to implementation and performance evaluation stage. These findings are supported from past studies (for instance, Pfeffer, 1972; Hillman *et al*, 2000; Kruger, 2010) that find larger board size has strong support and influence on CSR.

Pfeffer (1972) emphasises that larger board size assists the board to connect the corporation to its external stakeholders and gather resources, reputation and good corporate brand. This assertion is supported by the resource dependence view. The author argues that increased resources could enhance the chances of corporations' boards adopting CSR practices and also large boards provide enhanced expertise and skills that can be used to monitor an entrenched executive management. This indicates that larger boards are well positioned to make strategic decisions. Empirically, Pfeffer (1972; 1973) find board size to be positively related to CSR, while concluding that larger BODs can act as a linkage to the community and environment because the BODs are interested in the long term interest of the firm.

Also, expert skills and advice are vital to the BODs to help reduce lawsuits against the corporation due to violations of environmental and human rights (McKendall and Wagner, 1997). Kruger (2010) in examining the relationship between BODs and CSR using a panel of 2417 PLCs in the US between 1999 and 2007 finds that board size is positively related to CSR while suggesting board size, especially with higher fraction of experienced directors, have less negative events.

Coleman (2007) finds that the board size is positively related to the maximisation of shareholders' value and corporate performance. Given higher financial performance, managers will engage in CSR practices implying that the board is not independent.

6.7.7 The Role of Board Diversity

The female directors' support for CSR is mixed. Specifically, the role of board diversity on CSR planning, strategy, implementation and performance evaluation indicates mixed results. While, some respondents suggest that the female directors support CSR strategy and implementation and performance evaluation, others do not. However, it is important to note also that these results should be interpreted with care, especially considering the fact that board diversity was measured based on the number of female directors in the board.

In support of the findings is the study of Post *et al* (2011) that female directors do not influence CSR and the reason was traced to the low numbers of female directors on the board. Post *et al* (2011) argue that female directors favour CSR only if they are more in number on the board. For example, three (3) female directors and above are expected to have an impact on the board, for them to engage in CSR. However, if the number falls below a minimum of three (3) female directors on the board, the tendency is that there is little or no impact of female directors on CSR.

Moreover, Khan (2010) finds no relationship between female directors and CSR. In examining the role of female directors on CSR, Khan's (2010) findings imply that female directors are new in executive roles and this is a new phenomenon. Therefore, female directors' role might be restricted as a result of their small numbers on the board. Subsequently, the role of female directors in CSR will be small or indifferent. This supported the argument of Post *et al* (2011) mentioned earlier.

Moreover, Prado-Lorenzo *et al* (2009b) find a negative relationship between inclusion of foreigners and women on the board and CSR, while, Tsalikis and Ortiz-Buonafina (1990) find no significant relationship between board diversity and CSR. In the same way, Rose (2007) finds no significant relationship between female directors and firm performance, and given low profitability, companies will not invest in CSR. These findings imply that the majority of the male dominated board influences the female directors, through unconscious socialisation, to adopt the view of the majority of board members, toward investing less in CSR.

Similarly, Rodriguez-Dominguez *et al* (2009) find negative and no significant relationship between women on boards and CSR. The finding indicates the lack of impact of women on CSR especially on ethical issues. Also, the non-significant results imply that women on the board are in the minority position in a male dominated board, as a result, the decision and view of the minority group will not be considered in the decision-making process of the BODs. Likewise, Rodriguez-Dominguez *et al* (2010) find mixed and inconclusive results between female directors and corporate performance.

In contrast, Coffey and Wang (1998) find a positive relationship between the inclusion of women on the BOD and philanthropy. Likewise, William (2003) finds including women on boards to be positively correlated to CSR and reputation. Also, William (2003) finds women directors to be more inclined to use part of the corporation's fund for charitable causes compared to less inclined male directors. Surprisingly, William finds no relationship between female directors and investments in education suggesting that female directors note that many sources of educational funding are available and no sector requires urgent attention. However, it was observed that both studies did not control for risk which has been discussed above as having a correlation with CSR and financial performance.

The lack of support for the effect of female directors for CSR has been attributed to the presences of few women on the board (Rose, 2007). However, this relationship between board

diversity and CSR contradicts the stakeholders, resource dependence, stewardship and agency theories. All theories favour diverse boards, supporting the inclusion of women in the board. Generally, diverse boards help the BODs to reach decisions quickly concerning environmental and other CSR issues, because, the minority groups as members of the board, bring their personal experience, interests and commitments to the BODs (Baysinger and Butler, 1985).

6.7.8 The Reason for the Relationship between Institutional Investors, BOD characteristics and CSR

Previous studies have examined the relationship between institutional investors, BOD characteristics and CSR, but none has probed the factors that motivate this relationship in developing countries. Using the case study approach, by combining interview and survey methods, this study explores what factors influences the investors and directors to engage in CSR. The finding was mixed. With some respondents having the view that not only do CSR add economic value to the company, it is also rewarded by the capital market which perceives CSR as a positive tool used to minimize risk (Cummings and Burritt, 2007).

Therefore, the positive part of the mixed findings is that, investing in CSR, for instance in education, hospital equipment or drugs or other socially oriented project, if aligned to the economic objectives of the company such as increasing market opportunities and reducing risk, will improve the economic value of the company (Petersen and Vredenburg, 2009a; 2009b).

Furthermore, investors and directors who found value in the community or in social responsible activities are able to mitigate risk or improve financial benefit of the company (Guyatt, 2005; Hendry *et al*, 2006). This is most noticeable when investors perceive CSR as strategic, that is, aligned to the corporate objectives of the company, instead of just discretionary activities (such as donations that are mostly not linked to the business philosophy of the company). Also, the management raises awareness of their community investments. However, in the case study, poor

communication of these benefits to the investors was attributed as the main reasons for the lack of interest by investors to engage in CSR (Hocketts and Moir, 2004). Consequently, this lack of interest maybe one of the reasons for the non-significant relationship derived between the different institutional investors and CSR.

On the other hand, some respondents believe that investors, female directors and executive directors do not support CSR. The reason for this, according to some respondents (IGI3) is because of the characteristics of the directors who might be interested solely on profit making. Also, the lack of knowledge of the local environment by investors, female directors and executive directors could be attributed as the reason for the lack of the interest expressed by them for CSR activities.

The involvement of NEDs in CSR leads to increased competencies which add economic value to the firm through enhanced competitiveness and greater market opportunities for the company (Marshall *et al*, 2009). Moreover, CSR also appears to communicate to capital markets as a secure investment vessel or tool capable of reducing risk and adding economic benefits to the company. CSR, as a risk mitigating strategy, signals competence, ethics and trustworthiness. It communicates protected earnings and growth and seeks a diversity of investors that reduces share price volatility.

By way of using mixed methods (qualitative and quantitative) of corporate executives and institutional investors, this study inquiries into why there appears to be a link between CSR and corporate governance. The finding that corporate executives believed that their CSR actions led to economic value for their firm demonstrates that there is not only a link between investors, directors and CSR, but also the perception of CSR as risk-mitigator by investors and directors that influence them to support CSR. However, other executive directors, investors and top managers appear to disagree. This can be seen in the respondent quotes in executives' role in CSR implementation, for example, IGI3.

During interviews, the executive directors passionately believed in CSR activities engaged by their companies. Those executives worked very hard to establish and maintain an organizational culture of business ethics and CSR, which can be said to be strategic. But they also acknowledged that if the capital markets did not recognize their CSR efforts as impacting on corporate performance they would not be motivated to engage in CSR. Their organisations were bound by the discipline and logic of the market, which mainly compensate short term investments. However, the market allowed them to exercise their personal, moral and ethical beliefs.

In summing up, these study's findings concerning the impact of the role of board diversity on CSR produce mixed results, indicating that the inclusion of women in the BOD does reveal mixed comments and findings on their role on CSR. The next subsection discusses the summary of this chapter.

6.8 Conclusion

This chapter provides the case study method by focusing on why and how investors and BOD characteristics engage in CSR. Werther and Chandler (2006) theoretical framework of analysing CSR policies and practices into three (3) stages as CSR planning, strategy and implementation, was employed in this study. The emerging themes from the 18 interviews and documentary data analysed and discussed, using respondents' quotes from interviews and supplemented with documentary information from websites and annual reports of the 4 PLCs, produced useful and in-depth finding about the role of investors and BOD characteristics on CSR. As a result, the emerging pattern that matches the Werther and Chandler (2006) theoretical framework of CSR planning, strategy and implementation, shows whether the company practice strategic CSR or not. The conclusion of this chapter provides six key concepts for this research.

First, the role of indigenous institutional investors on CSR reveals that the indigenous institutional investors support CSR strategy. For instance, the formation of internal corporate governance structures such as Code of Ethics and Standard Practices. The evidence from respondents shows that indigenous institutional investors support the formation of Code of Ethics and Standard Practices because they perceive that it will enhance corporate performance and reduce managerial entrenchment (Kulik, 2005). On the other hand, the evidence available indicates that the indigenous institutional investors appear to have no interest in CSR planning, implementation and performance evaluation. In other words, the investors do not monitor the board on how CSR is implemented and performance evaluated. Hence, in general, indigenous institutional investors have no interest in CSR feedback mechanism.

Second, the majority of respondents reveal that the roles of foreign institutional investors support CSR at the planning and strategy stage. However, foreign institutional investors do not influence CSR implementation, performance and evaluation of the company. This result, that foreign institutional investors support CSR planning, contrasts with both the findings that indigenous and government institutional investors do not influence CSR at the planning phase.

Third, the role of government institutional investors on CSR reveals that the government institutional investors do not support CSR policies in the planning and implementation stage. However, the majority of respondents and evidences available indicate that the government institutional investors do not support CSR at the implementation and performance evaluation phases. In other words, this suggests that investors do not monitor the board on CSR feedback. On the other hand, the role of government institutional investors on CSR reveals that the government institutional investors do support CSR strategy, for instance, the formation of internal corporate governance structures such as Code of Ethics and Standard Practices.

Fourth, the role of NED indicates support for strategic CSR. Also, it shows the NED support CSR planning, strategy, implementation and performance evaluation. In contrast, while the NEDs support CSR positively (Johnson and Greening, 1999), this differs from the findings of both the executive directors and board diversity that produce mixed findings on their influence on CSR planning, strategy, implementation and performance evaluation.

Fifth, with regard to the role of board size that shows that CSR is strategic, a result that is similar to the findings that NEDs are supportive of strategic CSR, imply support for CSR investment. However, this contrasts with the findings on the impact of the role of board diversity on CSR that produces mixed results. Some respondents agree that board diversity supports CSR planning, strategy, implementation and performance evaluation whereas others do not agree.

Sixth, several factors such as economic, social, cultural, environmental and historical, shape investors' behaviour and BOD characteristics and how they influence CSR at the planning, strategy, implementation and performance evaluation stage. These factors include an increase in image and reputation, financial performance, reduced costs, SLTO, recruitment and retention of talented employees. Other factors include regulation, performance incentives and short term philosophy of the investors and market.

CHAPTER 7

7.0 GENERAL CONCLUSION

7.1 Introduction

In chapters 5 and 6 we analysed the empirical findings concerning the impact of the role of different institutional investors and board of director (BOD) characteristics on Corporate Social Responsibility (CSR). This chapter highlights the contributions of this study and how the aims and objectives of the research were achieved. Finally, the chapter discussed the winding up of this study giving attention to areas of future research studies.

This chapter discusses the following: the contributions of this research study in line with the research objectives, the findings, implications for practitioners, strengths and limitations and areas of future studies.

7.2 The Aim of the Study

During the course of this study, the complementarities of the findings from both the case study and the statistical method have been discussed in line with the following research objectives.

- To investigate and identify the effects of the indigenous, foreign and government institutional investors on CSR.
- To investigate and identify the effects of the non-executive directors (NEDs), executive directors, board size and board diversity (female director) on CSR.
- To determine why indigenous, foreign and government institutional investors influence CSR in Nigeria.
- To determine why NEDs, executive directors, board size and board diversity influence CSR in Nigeria.

This aim was considered appropriate and significant as there has been a considerable gap in the literature around these topics with regard to developing countries, especially Nigeria (Monks and Minow, 2004; Amaeshi *et al*, 2006; Aguilera *et al*, 2006; Consolandi *et al*, 2008; Prado-Lorenzo *et al*, 2010; Ghahroudi *et al*, 2010; Li and Zhang, 2010).

Consequently, the goal in this study was to use the case study method and Pooled-Ordinary Least Square (OLS), Fixed Effect Estimator and Random Effect Estimator and balanced panel data of 174 PLCs from Nigeria between 2003 and 2009. Also, using these instruments the study determines the impact of the different institutional investors and BOD characteristics on CSR.

Previous chapters in this study contribute significantly to achieving these aims and objectives (See section 7.2). Chapter 2 provides a critical understanding of the literature concerning the empirical evidence on the effect of indigenous institutional investors, foreign institutional investors, government institutional investors, NEDs, executive directors, board size and board diversity on CSR. Subsequently, the effect of different institutional investors and BOD characteristics on CSR has been generally unclear, mixed and blurred (Wahba, 2010; Rasic, 2010). This critical review reveals lack of empirical studies concerning the effect of different institutional investors and BOD characteristics on CSR in Nigeria.

Furthermore, review of the literature reveals that the level of diversity of how institutional investors relates to stakeholders. As a result, some institutional investors may have short term orientation in their investment approach, since their interest is to ensure return on investments for shareholders, while others, such as the long term institutional investors satisfy the stakeholders (Coffey and Fryxell, 1991; Johnson and Greening, 1999), and engages in CSR (Waddock and Graves, 1997; Neubaum and Zahra, 2006).

Moreover, in chapter 2, the various theories, namely, agency, stakeholder, resource dependence, stewardship, legitimacy and institutional were critically reviewed. The chapter indicates that

agency and stakeholders' theories sometimes take opposing viewpoints. For instance, agency theory supports the single bottom line of shareholders' wealth maximisation goal, while the stakeholders' theory supports the triple bottom line of economic, social and environmental goals.

Chapter 3 outlines and evaluates CSR policies and practices in Nigeria. The implementation of the corporate governance framework in Nigeria was also discussed. It outlines compliance with the Code of Corporate Governance (2009). Also, CSR in Nigeria is influenced by the social nature and culture of the people such as, their religion and traditions. Moreover, the literature also reveals the attitude of PLCs in incorporating the stakeholder oriented approach as shown in their websites and annual reports.

Chapter 4 explains the research methodology. The pragmatist research philosophy was adopted for this study. This involves the case study method and Pooled OLS, Fixed and Random Effect Models to estimate the impact of the institutional investors and BOD characteristics on CSR in Nigeria. Also, the multi-sector case study method and the sampling technique are discussed. Consequently, the multi-methods are selected to ensure validity and reliability of the methodology in the same research context or another research context using mixed methods (Creswell, 2003). Apparently, this is the first time such a consistent and methodological approach has been used in studying corporate governance and CSR in Nigeria.

Chapter 5 presents the empirical findings for the models. These involve results from the Pooled OLS, Random and Fixed Effect Estimators. The hypotheses tested Models 1 and 2. The finding of insignificant relationship between institutional investors and CSR provides answers to research question 1. This finding implies that different institutional investors have little or no interest in CSR. However, other findings show that both the NEDs and board size have a positive correlation with CSR. These findings provide answers to research question 2. This finding implies that NEDs and board size support CSR.

On the other hand, some findings show that the presence of executive directors and female directors in the BOD have a negative correlation with CSR. This finding implies that the executive directors and female directors do not influence the BODs to engage in CSR. Consequently, this provides answers to research hypotheses 2a and 2c.

Chapter 6 focuses on the use of the multi-sector case study method to investigate the role of institutional investors and board characteristics on CSR. In this chapter, it is evident that CSR activities are in place in the 4 PLCs and the practices are also strategic. Also, several factors were found to influence institutional investors and board characteristics to either engage in CSR or not. These factors include improved image and reputation, government regulation, risk mitigation, short term horizons of the market and performance incentives. This provides answers to research questions 3 and 4.

7.3 Beyond the Samples of Study

One of the dominant concerns of most empirical studies is the extent to which findings can be extrapolated to the entire population, different context and countries (if it is country-specific) (Gujarati, 2003). In other words, the questions that remains is, can the above findings be generalised to all managers of PLCs in the Nigerian context, other industries within the country and possibly other developing countries? These concerns and other preoccupations (e.g. reliability, validity etc.) underpinned the consideration for the sampling strategy (non-random and convenient sampling), and the analysis (parametric) employed in the quantitative strand of the study. The problem which was purely a qualitative study, presented was ameliorated by the quantitative strand of this work. To a great extent therefore, the findings of this study have good internal and external validity, to enhance its generalisability beyond the sample of the study to the entire industry. However, it must be pointed out that the findings may vary from industry to industry, considering that industry effect which could be a potential moderating factor. Beyond

the country context of this study, it is doubtful whether these findings could be extrapolated to other African countries, though this study offers insights into other African countries' CSR activities with similar cultures and governance system.

The critical and unique position of the companies and why they are considered in this case study are because, first, ExxonMobil PLC is a foreign owned company operating in Nigeria. It has the presence of foreign institutional investors. The company engages in oil and CSR activities (See appendix D2 for details concerning the profile of the company). Second, Industrial Gas Insurance (IGI) Company is spread across all the 36 states in Nigeria, with unique interaction to the local communities and these undoubtedly, inform its' CSR activities. Also, IGI is critical to this study because it is the only company among the 4 PLCs that has two (2) female directors on the board (See appendix D4 for details concerning the profile of the company). This makes it critical and relevant to the investigation of the role of board diversity on CSR. Third, Zenith Bank is an indigenous bank with indigenous institutional investors and branches all over the 36 states of Nigeria. It has a corporate philanthropy department responsible for CSR activities (See appendix D1 for details concerning the profile of the company). Lastly, Wema bank is a government owned bank with branches in Nigeria and other Africa countries. Wema bank's CSR practices are philanthropic in nature with lots of charities, donations and community development activities. The company profile of the four (4) PLCs and their corporate governance structures can be found in Appendix D.

7.3.1 The Research Findings

The behaviour of how investors and directors perceive CSR and what factors influence them in CSR activities is important in providing understanding on corporate behaviour and strategic decision making process of the BOD.

The findings in this study show the effect of different institutional investors (indigenous, foreign and government) on CSR to be negative and insignificant. These findings provide answers to research question 1, and imply that the different institutional investors have no influence on CSR. What this means is that there are no differences among different institutional investors in CSR, except in internal corporate governance structure of the company as revealed in the case study. However, other findings show both the NED and BOD size produce positive and significant correlations with CSR. These findings provide answers to research question 2. These findings imply that NED and BOD size support CSR. In contrast, the executive directors and female directors produce negative and significant correlations with CSR. These findings imply that the executive directors and female directors prevent the BODs from investing in CSR.

This study highlights the role of different institutional investors and BOD characteristics on CSR policies and practices in Nigeria revealing a definite trend towards stakeholders' awareness and its incorporation into the business philosophies of both financial and oil MNCs sectors in Nigeria. For example, institutional investors and the NEDs support the formation of internal CSR governance structure such as the Code of Ethics and Business Conduct in PLCs. This is because not only is the company complying with the recommendation to the Code of Corporate Governance but also perceives CSR governance to improve companies.

The evidence that CSR policies, strategy and implementation of companies are strategic in Nigerian PLCs is evident, indicating that CSR is an accepted institution in Nigeria and this is a significant and relevant finding. The evidence also demonstrates that PLCs in Nigeria have been able to align their CSR practices to their corporate philosophies. That is, their mission, vision and values of the company. As a result, one could say that the CSR activities in PLCs are strategic.

In addition, this research provides the opportunity for theories such as the stakeholder, resource dependence and stewardship to be tested in Nigeria. The testing of these theories in the context

of Nigeria, contributes to the body of knowledge for developing countries. Currently, to the best of the literature review, the researcher is yet to come across any study from the literature that investigates the effects of role of board characteristics and institutional investors on CSR on PLCs in Nigeria.

Furthermore, there is clear evidence that the PLCs do embrace stakeholders as their dominant philosophy. However, it is the customers, shareholders and employees that were mostly mentioned in their corporate websites and annual reports. Also, the customers, shareholders and employees were powerful stakeholders' group compared to local environment and community. The research reveals some insights into the presence of institutional CSR strategy in the PLCs. This was supported by the institutional theory because of its enabling capabilities towards controlling employees and top managers' behaviour through the use of Code of Conduct and Best Practices.

Table 7.2 compares the findings from this study with past studies. The study reveals evidence that there is little or no influence by indigenous, foreign and government institutional investors on CSR in Nigeria, while the effects of NEDs and board size were positive and significantly correlated with CSR, the impact of executive directors and female directors on CSR were negative and significantly correlated with CSR.

Table 7.1: Comparison of Results with Previous Studies

No.	This study findings	Signs	Past Studies
1	No significant relationship between indigenous investors and CSR	-Ve but not significant	Dam and Scholtens (2010) find no significant relationship between indigenous investors and CSR.
2	No significant relationship between foreign investors and CSR	-Ve but not significant	Dasgupta <i>et al</i> (2000) find no effect between foreign ownership and CSR.
3	No significant relationship between government investors and CSR	-Ve but not significant	Earnhart and Lizal (2002) find government institutional investors are negatively related to CSR. Also, Dam and Scholtens (2010) find no significant relationship between government investors and CSR.
4	Positive and significant relationship between NEDs and CSR	+Ve sign	Johnson and Greening (1999) find NEDs are positive and significantly correlated with CSR.
5	Executive directors are negative and significantly related to CSR	-Ve sign	Rose (2007) finds negative and significant relationship between executive directors and CSR that the executive directors do not invest in CSR.
6	Positive and significant relationship between board size and CSR	+Ve sign	Pfeffer (1972; 1973) and Kruger (2010) find that the board size is positively related to CSR.
7	Female directors are negative and significantly related to CSR	-Ve sign	Prado Lorenzo <i>et al</i> (2009b) find negative and significant relationship between women in the board and CSR. While, Rodriguez-Dominguez <i>et al</i> (2009) find negative and insignificant relationship between women in the board and CSR.

More importantly, the case study reveals a low level of engagement and interaction between different institutional investors and CSR. In terms of the CSR policy, it is only the foreign institutional investors that show support and play a significant role in pressuring the BOD to have a formal CSR policy. In the case of CSR implementation and practices, the foreign institutional investor played little or no role. On the other hand, the indigenous and government institutional investors do not show support for CSR policy and implementation too. What this means is that, investors in developing countries like Nigeria are yet to come to terms of the missed opportunity in not using CSR as a risk and reputational management tool, not only to gain licence to operate, but also to increase corporate performance. From the case study findings, this can be achieved through increased engagement in the level of CSR policy design, its framing and implementations. Therefore, it is very critical for institutional investors to understand these long term risks and opportunities presented by CSR and to take policy responses and implementation into considerations.

Additionally, CSR governance is supported by investors only when investors and companies perceive CSR as beneficial to a company in terms of risk mitigation, improving image and reputation, offering social licence to operate (SLTO) and compliance to legal obligation. These factors provide answers to research questions 3 and 4.

During the course of the research, it emerged from the quantitative data that the NEDs are positively and significantly favourable to CSR. This finding was also confirmed by the qualitative interview data that the NEDs are interested in the long term interest and survival of the company. NEDs support both profit goal (agency theory) and other goals such as creating values for stakeholders (stakeholder theory). Also, this study has provided insight on the need to use larger board size and NEDs to strengthen the corporate governance system. This reinforces

the BOD independence and its effectiveness. Thus, this motivates them to support the company to invest in CSR practices.

On the other hand, in terms of CSR practises and BOD oversight functions, there is no evidence of presence of CSR board committees in all the PLCs as compared to developed countries (Prado-Lorenzo *et al*, 2010), but there is presence of a CSR department in Zenith bank called, Zenith philanthropy and also the presence of a Public Relation Officer for ExxonMobil charged with CSR activities. Other companies such as the Wema bank and Insurance General Industry (IGI) insurance company do not have separate CSR departments. In essence, this study is advocating for the formation of a CSR committee comprising of NEDs charged with the formulation and monitoring of CSR policies. This will ensure that the directors monitor the CSR activities from the planning to the implementation stage.

In addition, the study reveals that the BODs are involved in a greater role in CSR than institutional investors in PLCs in Nigeria. This might be due to the fact that the board are hired by investors to protect their interest by not only monitoring managers but formulating policies and rules that govern the company, especially CSR policy. However, the case study did reveal that lack of interest by institutional investors in CSR is traceable to a lack of effective communication between the board and investors. So monitoring regular communication will motivate the investors to show more interest and support for CSR.

Moreover, the pragmatic approach selected for this study has been driven by the strengths and weaknesses of the research methods in the literature concerning the relationship between the role of institutional investors, BOD characteristics and CSR. Therefore, the reason for combining both the econometric method and case study method is because, according to Petersen and Vredenburg (2009a), the positivist approach lacks depth and robustness in understanding the link between different institutional investors and BOD characteristics on CSR. Also, to increase the

reliability and validity of the study, as one method reinforces the other. Thus, it became significant to use the mixed method approach.

Furthermore, the reliability and validity of the findings are assured by carrying out the diagnostics test using econometric methods, while for the case study, the validity and reliability was achieved through ensuring construct validity (such as the use of research questions and multiple sources of evidence, see chapter 4). The external validity is assured by using multi-method approaches for generalisation of data. Finally, the use of theories such as stakeholders guarantees internal validity. This is the first instance of such an application in research study in Nigeria.

7.4 The contribution of Study

The study contributes to the body of knowledge in Nigeria and developing countries concerning the role of institutional investors and BOD characteristics on CSR policies and practices. However, it must be pointed out that whilst the unique Nigeria situation does not permit the findings to be generalised, it does provide some insight into the activities of other developing countries with similar cultures and governance systems, commonly found in Africa. For example the characteristics of Nigeria, which includes weak institutions, poor compliance to the Code of Corporate Governance (40%), corruption, different religion, culture and ethnic groups, may remain unique to this country, but does allow an element of comparison and extrapolation with other African developing country, displaying similar characteristics.

This thesis argues for the positive role of institutional investors and BOD characteristics on CSR in Nigeria. This study provides an understanding of how directors and institutional investors influence CSR in Africa. Most especially, these influences may arise due to their different cultural background that differs from those in advanced economies. In contrast to the view that CSR is 'strange and alien' to Africa, and has no connection with these economies, the findings

and analyses show that directors and investors in developing economies are not different, for instance they show similar support for CSR. The study also shows a shift in emphasis from short term indicators on companies' performance to long term performance and measurable evaluation.

The testing of the theories in the Nigerian context contributes to the body of knowledge for developing countries. Therefore, the theory and findings of this study expand our understanding of the stakeholder, agency, stewardship, resource dependence and institutional theories and provide insights into the nature of CSR activity in PLCs in Nigeria. Currently, the researcher is yet to find a study from the literature that investigates the effect of the role of different institutional investors and BOD characteristics on CSR in PLCs in Nigeria.

The stakeholder, agency, resources dependence, stewardship, legitimacy, and institutional theories explain the relationship between the firm and its stakeholders. The stakeholder theory was able to illuminate the relationship between NEDs and BOD size and CSR. While agency theory explains the relationships between investors and CSR because of their interest in short term profit maximisation, it does emphasise the aligning of the managers' interest to investors. The legitimacy and resource dependence theories provide the theoretical basis for understanding how and why investors and directors use external resources such as NEDs, to increase employee morale, retain talented employees, improve corporate image and reputation of the company, with the aim of gaining competitive advantage and improving the performance of the company. In terms of the institutional theory, it provides insight into the formation of CSR structure through the use of the institutions such as governance rules, norms and standards. For example, the formation of Code of Ethics and Best Practices by companies.

Past studies explored the role of indigenous, government and foreign institutional investors, NEDs, executive, female directors and board size on CSR, using single methodological

approach, such as, the quantitative or qualitative method. Coupled with the fact that investors and directors are faced constantly with making a choice among multiple and conflicting goals in an ever-changing global environment from different stakeholders, implying that a single methodological approach might not be able to capture the entire scenarios and issues in questions (Aguilera *et al*, 2006). In the context of this argument, a multi-method approach did provide more insights into the different institutional investors and offer a deeper understanding of engagement practices and investment goals of different institutional investors. In the quantitative approach, the thesis adopted a robust approach for cross validation of findings, by using econometric method of Pooled OLS, Fixed effect and Random effect estimators to examine the balanced panel of 174 PLCs, while the case study method examined the why and how, using 18 interviews, survey and documentary data (this is further explained below):

Specifically, the empirical contributions are as follows: 1) in the areas of using the pragmatic approach involving the case study and statistical method. This study uses the pragmatist method by using multiple methods of combining the positivists and realist approach. The interview method adds depth to understanding, concerning the role of institutional investors and BOD characteristics in CSR policies and practices, while the postal survey is selected as an additional method to complement, verify and provide additional data on the role of the institutional investors and BOD characteristics in CSR. This has contributed to the body of knowledge in Nigeria and to some extent, with caution, developing countries as mentioned earlier. Therefore, this study has carried forward the research on the role of institutional investors and BOD characteristics in CSR policies and practices into the future.

The pragmatic approach, in the finance and accounting field highlights how their findings in both the case study and the statistical method complement each other and extends the knowledge in the CSR governance literatures. 2) In understanding the role of institutional investors and BOD characteristics play in CSR policy formulation, strategy and implementation. 3) To

illustrate areas of corporate governance and CSR practices of PLCs in Nigeria which are still not understood in the literature and hence contributes to the debate on the CSR governance in developing countries.

7.5 Implication for practitioners

For those interested in the design of corporate governance and CSR policies, it is important to take into consideration that different institutional investors have the same preferences for CSR in developing countries such as Nigeria. The indigenous, foreign and government institutional investors do not engage in CSR activities. This is against what is obtainable in developed countries (US and UK) where different institutional investors have different preferences for CSR. For instance, long term institutional investors favour CSR, while the short term investors do not support CSR. Consequently, this study offers a new perspective for firms, investors and other stakeholders about portfolio investments and CSR. The study suggests that firms should align their CSR strategy to the objectives of the firm.

Policy makers should know that ownership structure do not influence CSR. Therefore, they should encourage investors to show more interest in CSR policies and implementation. Furthermore, given that investors are motivated by their fiduciary responsibilities as revealed by case study, means they will not invest in assets except assured of an adjusted return-risk investment. Therefore, CSR policies should be designed to mitigate risk and support CSR related investments. When policy makers do this, the competitiveness of the company is enhanced, thereby improving corporate performance of the company.

In fact, those managers and policy makers concerned with satisfying shareholders' wealth maximisation interests must acknowledge that irrespective of what corporate law stipulates about the fiduciary role of companies towards shareholders, there is still an important need to consider multiple stakeholders rather than concentrating on mechanisms consistent with

minimizing agency costs. The way to do this in Nigeria is for CSR to be strategic, which will reduce costs and improve corporate performances.

7.6 The Extent of Generalisability of findings

The extents to which the research findings can be generalised within the West African sub-region are anchored on the similar characteristics shared by countries in the Ecowas region. Most of these characteristics consist of the presence of the same or similar companies owned by same investors. For example, ExxonMobil, Total and Chevron are present in most West African countries with similar CSR activities in the region. They are owned by foreign institutional investors.

It was noted earlier (See Chapter 3.3) that the presence and ownership structure in Nigeria, in particular, the foreign institutional investors were influenced by government policies. These policies are the Foreign Exchange Act of 1962 and Indigenisation Decree of 1972. According to Ahunwan (2002), the aim of the Foreign Exchange Act and Indigenisation Decree was to change the ownership structure of companies, dominated by foreigners (Aburime, 2008). This ownership structure that promotes indigenous investors and ownership of investments is common in other Africa countries, particularly the West Africa region, such as Senegal, Ghana, Liberia, Ivory Coast, Benin, Sierra-Leone and Gambia. Politically, some of these countries were governed by the military regimes. By implication, it must be pointed out that beyond the country context of this study, generalising the findings in the Africa context becomes complicated because of the unique characteristics of each country. However, the findings provide insights into other developing countries CSR activities since Nigeria processes similar economic, social, cultural characteristics with most of them, particularly in West Africa.

7.7 Strengths and Limitations

The findings reveal that the different institutional investors are supportive of the corporate governance structure of companies. Particularly, the indigenous, foreign and government institutional investors do support ethical responsibility of business organisations, for instance the formation of the Code of Ethics and Business Conduct. The reasons being that they perceive corporate governance structure improves the financial performance of company. Therefore, this is one of the strengths of this study. This strength can be used by companies to increase and improve the communication and interactions between investors and BODs. By doing this, they make inputs to the corporate governance policies. As a result, the institutional investors play more active role in the internal governance mechanisms of companies, thereby improving the ethical responsibilities and performance of companies.

Also, one of the strengths in this study is that it highlights the under-utilisation of institutional investors by the BOD. There is a need to incorporate institutional members as part of the CSR BOD committees. This will not only enhance the diverse ideas, transparency and accountability, but will also promote the understanding and confidence among institutional investors thereby encouraging them to support CSR from the planning stage to the implementation, performance and evaluation stage. However, this result should be interpreted with caution considering the difficulties in gaining access to information and the way CSR investments was measured, as the amount spent by the company on CSR activities per year. These amounts are the pre-tax earnings donated to charities, philanthropic activities and community development projects (Coffey and Fryxell, 1991). Also, most managers are sceptical of releasing company information because of competition from other industry. These limitations did affect the sample size as most PLCs were dropped due to incomplete data.

One of the strengths in this study is the importance of the role of NEDs or independent directors in CSR. The findings that NEDs support CSR can make one to recommend NEDs to be the chair

for CSR board committees for two reasons; first, this will enhance project's sustainability and guaranteed the independent and effectiveness of CSR committee. Second, the formation of internal and external CSR auditors will contribute to the sustainability of CSR at the implementation and performance evaluation stages.

On the other hand, the increased investor's role in early engagement in CSR policies and implementation may help increased organisational legitimacy (supported by legitimacy theory, see section 2.5.6). The increased role of investors reduces CSR breaches and enhances business-community relations. Also, this reduces the legitimacy gap between firms and community. For instance, investors' presence in oversight committees could enhance their monitoring role and provide confidence to the market. However, there is the potential problem of subjectivity during the interview stage. This problem affects the strength of the findings as perceived by respondents. Therefore, it is important to note that this study try to reduce the bias through the probing of respondents.

The use of the fixed effect and random effect models for the econometric analysis do offer insight into the cause and effect relationship between institutional investors and BOD on CSR. The fixed effect estimator resolves the problem of unobservable heterogeneity across firms, by removing the time-invariant variable through a transformation (Wintoki *et al*, 2011). Thus, one of the reasons for using fixed and random effect estimator is to resolve the problem of omitted variable bias (See section 4.9.5), thereby increasing the validity and reliability of this study.

Furthermore, the strength of the study is that it offers an insight into the factors that affect institutional investors and directors to engage in CSR. These factors, economic, social, cultural, environmental and historical, shape investors' behaviour and BOD characteristics and how they influence CSR at the planning, strategy, implementation and performance evaluation stage. These factors include image and reputation, financial performance, reduced costs, licence to

operate, recruitment and retention of talented employees. Other factors include regulation, performance incentives and short term philosophy of the investors and the market.

Some of the shortcomings from this study arise from the nature of the data collected. The data collected for the survey, interviews and secondary were centred on Nigeria. As identified in chapter 2, the link between the role of investors, BOD characteristics and CSR is country, firm and industry specific. This study covers only various firms and industrial sectors in Nigeria but do not cover country to country differences or factors. So there is a need for country to country study in Africa or comparative studies in other developing and emerging economies to be carried out.

The problem of subjectivity in the case study can lead to bias during the interview and sometimes in the survey since the researcher is part of the data collection. However, the presence of the researcher can ensure rich and quality data through probing of respondents. Also, bias can occur because the researcher used friends and relatives who are not trained data collectors. The researcher ensures that top management were responsible for the interviews and survey (See Appendix C for the lists of respondents).

7.8 Areas of Future Studies

Research in the future should be extended to cover similar countries in developing countries, in order to determine the country to country specific effect in general. Most empirical studies on country specific effects of the relationship between institutional investors, BOD characteristics and CSR policies and practices as it stands today, appear to be based on developed countries. Therefore, there is the need to examine these factors within the parameters of emerging economies which will provide a vivid contrast from developed countries.

The case study aspects of this research concentrated on the financial and oil Macs sectors alone because Nigeria economy depends on oil which accounts for 85% of revenue for the Federal

Government. Therefore, there is a need to extend the case study to cover other sectors of the Nigerian economy, for example, the manufacturing, technology and pharmaceutical industries.

Another area of future studies is that, while this study concentrated on PLCs, there is a need to know the CSR practices for unlisted companies because some of the big companies, for example, oil MNCs (Shell Petroleum Development Company), telecommunication sectors (MTN and Econet) are unlisted in the Nigeria Stock Exchange (NSE). As a result, the role of different institutional investors and BOD characteristics on CSR for companies that are not listed in the NSE in Nigeria should be examined.

Also, future research should focus on the various components of CSR (philanthropy, product quality, environmental issues, ethical issues, employee welfare and the communities). It is argued in Section 2.5 that CSR is a multi-dimensional construct and disaggregating CSR is important in understanding the relationship between corporate governance and CSR. This will provide insights into the role of institutional investors and BOD characteristics' preferences for the CSR components. Some authors (Fernandez-Fernandez, 1999; Brower and Shrader, 2000) did argue for the use of CSR components to understand the different preferences of investors and directors. Also, this will provide insights into the insignificant relationship between the investors and CSR obtained from the econometric analyses in chapter 5.

Furthermore, the issue of simultaneity, that is, causality has been identified as another potential source of endogeneity problem in corporate governance and CSR studies. Causality is a cause and effect problem. Therefore, there is the need for further studies to use different methodology such as using dynamic panel data method, in this case, the Generalised Methods of Moments (GMM), simultaneous equation or 2 Stage Least Square to correct the problem of simultaneity.

Moreover, there is need to increase the number of control variables in the model. These variables are the board ability, general confidence, social capital, reputation and image. This will reduce

the occurrence of omitted variable bias and lead to a more consistent estimation. Though, it is difficult to measure them but attempts should be made to find ways of measuring them, since it is important to know how they affect CSR.

7.9 Summary

This study fulfils the research aims and objectives, in that, it confirms the role of different institutional investors and BOD characteristics on CSR, identifying their individual preferences, motivation, attitudes and factors that influence them to engage in CSR. The methodological approach utilised a combination of both the case study and statistical methods involving the use of Pooled OLS, Fixed and Random Effect Models to estimate the impact of types of institutional investors and BOD characteristics on CSR in Nigeria. These methods enhance our understanding of different institutional investors and BOD characteristics preferences for CSR.

One of the motivations for this study was the continuous CSR breaches by most PLCs, such as oil spillage, gas flaring and lack of empirical research in developing countries, such as Nigeria. Thesis finding of little or no role by institutional investors in CSR further confirm while CSR breaches are on the rise in Nigeria. By extension, these breaches might hurt the long term survival of the company through higher risk, cost and poor companies' reputation. Therefore, there should be a reform in both the national law and company code; setting standards that encourage both the PLCs and non-PLCs comply. Most MNCs are not listed for instance SPDC, Addax Petroleum, MTN, Econet etc. Therefore, there is a need for institutional investors to increase their monitoring abilities on BODs and companies, to reduce CSR breaches in Nigeria.

In addition, further insight into the factors that influence the different institutional investors and BOD characteristics to engage in CSR helps to gain a detailed insight into behaviours and motivations that influence the attitudes of investors. Finally, such knowledge and insight of these

factors and behaviours of investors and directors are vital to business practitioners in the areas of CSR planning, strategy, implementation and performance evaluation.

The thesis demonstrates that investors' and executive directors' interest on short term investment rather than on long term value of company is among the reasons for their lack of interest in CSR and also concerns for the high breaches in CSR in Nigeria.

On the whole, long term survival of company, organisational legitimacy (SLTO), reputational and good image are the driving force for CSR investments in a developing country such as Nigeria, while lack of interest from institutional investors, executive directors maybe the cause for high CSR breaches or obstacles. Also, cultural factors such as values, perception and religion, may be the reasons why women are few in the board, hampering them from becoming female directors and help create a male dominated board (67%) in Nigeria.

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APPENDICES

Appendix A. Cover Letter and Survey Questionnaire

Corporate Governance and Social responsibility survey for PhD Research

Greenwich Maritime Campus

Email: ol17@gre.ac.uk

Park Row, London

Date: 11/06/2009

SE10 9LS

Tel: +44(0)2083318205

Fax: +44(0)2083319924

Chief Executive Officer,

.....

.....

Dear Sir/Madam,

Re: Corporate Governance and Corporate Social Responsibility (CSR) in Nigeria.

I am a PhD student under the supervision of Dr Lesley Catchpowle and Dr Aleksandar Stojanovic in the Business School of the University of Greenwich. My research study is focused on corporate governance and Social Responsibility of Companies in Nigeria. In business practise, it is generally agreed that while every sector of a firm such as shareholders, board directors, managers and other employees aim at maximising profit, it is also believed that corporate bodies should pay attention to the communities within which they operate. In other words, they are morally obliged to contribute to the wellbeing of the community, protect the

environment and ensure the general wellbeing of the society around them. This is what Corporate Social Responsibility means. I would appreciate it if you could make out time to respond and fill out the questionnaire. The information will be used for research purposes only. I would be most grateful to receive any additional comments. Please do not hesitate to contact me on the above contact details if you have any questions.

Please find enclosed a self-addressed envelope that can be used to return the completed questionnaire.

Thanks for your understanding and cooperation.

Yours Sincerely,

Louis Osemeke

Please complete the questions below by ticking the appropriate box.

SECTION A

Institutional Investors influence on CSR

1) Which institutional investors will influence your company to adopt CSR?

- a) Indigenous institutional investors.....
- b) Foreign institutional investors.....
- c) Government institutional investors.....
- d) None.....

2) Which institutional investors will influence the company to adopt Environmental Management practice?

- a) Indigenous institutional investors.....
- b) Foreign institutional investors.....
- c) Government institutional investors.....
- d) None.....

3) Which institutional investors will influence the company to adopt cash donations and charities?

- a) Indigenous institutional investors.....
- b) Foreign institutional investors.....
- c) Government institutional investors.....
- d) None.....

4) Rank indigenous institutional investors, foreign institutional investors and government institutional investors in order of preference for CSR?

1st 2nd 3rd

5) Please list the actual amount invested in CSR from 2003 to 2009 by your company?

(Exchange rate is 1 pound: 250 naira)

- a) In 2003.....
- b) In 2004.....
- c) In 2005.....
- d) In 2006.....
- e) In 2007.....
- f) In 2008.....
- g) In 2009.....

SECTION B

Factors that Motivate a Company to invest in CSR

6) Which of the following benefits or factors do you think influence the indigenous institutional investors in your company to engage in CSR?

- a) Improved financial performance.....
- b) Improved company image & reputation.....
- c) Confers legitimacy on company.....
- d) Reduce cost.....

e) Extremely harmful......

f) To benefit society.....

7) Which of the following benefits or factors do you think influence the foreign institutional investors in your company to engage in CSR?

a) Improved financial performance.....

b) Improved company image & reputation.....

c) Confers legitimacy on company.....

d) Reduce cost.....

e) Extremely harmful......

f) To benefit society.....

8) Which of the following benefits or factors do you think influence the government institutional investors in your company to engage in CSR?

a) Improved financial performance.....

b) Improved company image & reputation.....

c) Confers legitimacy on company.....

d) Reduce cost.....

e) Extremely harmful......

f) To benefit society.....

9) Which of the following benefits or factors do you think influence the Non executive director in your company to engage in CSR?

a) Improved financial performance.....

b) Improved company image & reputation.....

c) Confers legitimacy on company.....

d) Reduce cost.....

e) Extremely harmful......

f) To benefit society.....

10) Which of the following benefits or factors do you think influence the executive directors in your company to engage in CSR?

a) Improved financial performance.....

b) Improved company image & reputation.....

- c) Confers legitimacy on company.....
- d) Reduce cost.....
- e) Extremely harmful.....
- f) To benefit society.....

11) Which of the following benefits or factors do you think influence larger board size in your company to engage in CSR?

- a) Improved financial performance.....
- b) Improved company image & reputation.....
- c) Confers legitimacy on company.....
- d) Reduce cost.....
- e) Extremely harmful.....
- f) To benefit society.....

12) Which of the following benefits or factors do you think influence the board diversity (women inclusion in board) in your company to engage in CSR?

- a) Improved financial performance.....
- b) Improved company image & reputation.....
- c) Confers legitimacy on company.....
- d) Reduce cost.....
- e) Extremely harmful.....
- f) To benefit society.....

13) Which factors affect manager's attitudes to adopt CSR?

- a) Traditional values and customs of the people.....
- b) Family histories.....
- c) Training and Education.....
- d) Ethical Standards.....
- e) Industrial Standards.....
- f) Others.....

SECTION C

General Information on your company

14) How do you describe the ownership structure and control of your company?

- i. The largest shareholders has substantial voting right (for example above 5%) effectively control the company.....
- ii. Two or more shareholders control the company.....
- iii. Ownership is diffuse with no controlling shareholder.....
- iv. Headquarter of Family owned business group of companies.....
- v. Others.....

15) Which of the following best describe the ownership structure of your company?

- a) Predominately indigenous institutional investors.....
- b) Predominately foreign institutional investors.....
- c) Predominately government institutional investors.....
- d) None.....

16) What is nature of your business company?

- a) Parents company without branch.....
- b) Parents company with branches nationwide.....
- c) Headquarter of Family owned business group of companies.....
- d) Branch of a family owned company.....
- e) Others.....

17) The CEOs of your company is of which origin?

- a) Nigerian-born CEO.....
- b) Expatriate/Foreign CEO.....
- c) African-born CEO.....
- d) Asian-born CEO.....
- e) Others.....

18) What is your age category?

- a) Less than 30 years.....
- b) Between 30-40 years.....
- c) 41-50 years.....
- d) Over 50 years.....

19) What is your educational qualification?

- a) Diploma level.....
- b) HND holder.....
- c) HND holder plus professional certificate.....
- d) Degree holder.....
- e) Degree plus professional certificates.....
- f) Others.....

20) How long have worked for the company?

- a) Less than a year.....
- b) 1-3 years.....
- c) 4-10 years.....

d) More than 10 years.....

Can you provide an appointment to enable further discussion of the issues raised in this questionnaire concerning CSR and your board of directors? If so I would appreciate it if you could suggest the time, place and appointment date at a time of your convenience.

Date of the interview:

Name of Company:

Position in the company:

Time:

Venue:

Thank you for your cooperation for completing this survey.

Appendix B. Interview Questions

Date of the interview:

Name of Company/Representative:

Position in the company/ representative:

PART ONE

- 1) What is the role of institutional investors (indigenous, foreign and government) in Corporate Social Responsibility in your company at the following stages?
 - Planning stage,
 - strategy stage and
 - implementation stage

- 2) What factors do you think affects institutional investors (indigenous, foreign and government) to invest in Corporate Social Responsibility in your company?

- 3) What is the role of Non-executive directors in Corporate Social Responsibility in your company at the following stages?
 - Planning stage,
 - strategy stage and
 - implementation stage

- 4) What factors do you think affects Non-executive directors to invest in Corporate Social Responsibility in your company?

- 5) What is the role of executive directors in Corporate Social Responsibility in your company at the following stages?
- Planning stage,
 - strategy stage and
 - implementation stage
- 6) What factors do you think affects executive directors to invest in Corporate Social Responsibility in your company?
- 7) How does board size affects Corporate Social Responsibility in your company at the following stages?
- Planning stage,
 - strategy stage and
 - implementation stage
- 8) What factors do you think affects female directors (board diversity) to invest in Corporate Social Responsibility in your company at the following stages?
- Planning stage,
 - strategy stage and
 - implementation stage
- 9) What factors do you think affects executive directors to invest in Corporate Social Responsibility in your company at the following stages?

Appendix C. List of Interviewees

Position of Interviewees	Code	Interview Date	Name of Company represented
Investor analyst	E1	1 st July, 2009	ExxonMobil
Public Relation Manager	E2	2 nd July, 2009	ExxonMobil
Safety and Environmental Manager	E3	3 rd July, 2009	ExxonMobil
Communication Manager	E4	3 rd July, 2009	ExxonMobil
Investment Manager	W1	6 th July, 2009	Wema Bank PLC
Administrative Manager	W2	7 th July, 2009	Wema Bank PLC
CEO	W3	7 th July, 2009	Wema Bank PLC
Secretary	W4	8 th July, 2009	Wema Bank PLC
Director of Operations	IG1	9 th July, 2009	Industrial and General Insurance Company
Public Relations Manager	IG2	10 th July, 2009	Industrial and General Insurance Company
Finance Manager	IG3	13 th July, 2009	Industrial and General Insurance Company
Deputy Managing Director	IG4	13 th July, 2009	Industrial and General Insurance Company
CEO	IG5	14 th July, 2009	Industrial and General Insurance Company
Investor manager/analyst	Z1	19 th June, 2009	Zenith Bank
Investment Manager	Z2	15 th June, 2009	Zenith Bank
Director of operations	Z3	15 th June, 2009	Zenith Bank
CSR manager	Z4	16 th June, 2009	Zenith Bank
CEO	Z5	16 th July, 2009	Zenith Bank

Appendix D. Company Profiles

D.1 Zenith Bank of Nigeria

In this study, Zenith Bank is used as a case study for the indigenous investor because the company has a majority of indigenous institutional investors. The ownership structure of the bank is 100% Nigerian with indigenous institutional investors accounting for 6.92 % and the former CEO owns 9.53% of the shareholdings as individual investors, while the remaining shareholdings belong to individual shareholders with less than 5% shareholding (See Table D.1 below for ownership concentration of the bank).

Table D.1: shows shareholders and their shareholdings

Shareholders	Number Of Shares Shareholders	Percentage of Shareholdings
Jim Ovia (former CEO)	2, 392, 340, 140	9.53%
Institutional Investors	1,738,622, 350	6.52%
Nigerians	21,006232540	83.95%

Source: Computed from Zenith Bank Annual Report (2009)

Zenith Bank Plc is one of the biggest and most profitable banks in Nigeria with total assets plus contingents of N1 .66 trillion as at the end of December 2009 (Annual report, 2009: 07). The bank was established in May 1990 in Nigeria under Companies and Allied Matters (CAMA) Act as a private liability company (Annual report, 2009: 24). Zenith bank started operations in July of the same year as a commercial bank. Zenith bank became a public limited company on May 17, 2004 and is listed on the Nigerian Stock Exchange on October 21, 2004 (Annual report, 2009:24). The bank presently has a shareholder base of about one million, an indication of the strength of the Zenith brand (See Table D.1.2).

Furthermore, Zenith bank has eleven (11) subsidiaries such as the Zenith General Insurance Company and Zenith Pension Custodian Limited that underwrites the risks for clients and manages the pension funds respectively (Annual report, 2009:24). The bank has branches in the 36 states of Nigeria including the Federal Capital Territory-Abuja.

Table D.1.2: Corporate Governance Characteristics of Zenith Bank Plc

BOD Variables	2006	2007	2008	2009	
Board Size		11	13	14	14
Executive Directors		5	5	6	6
Non-Executive Directors (NEDs)		6	8	8	8
Number of Females on the board		0	0	0	0
Internal Auditors	YES	YES	YES	YES	
External Auditors	PriceWaters Cooper	PriceWaters Cooper	PriceWaters Cooper	PriceWaters Cooper	
Ownership concentration	Indigenous investors (50% and individuals 50%)	Indigenous investors (50% and individuals 50%)	Indigenous investors (50% and individuals 50%)	Indigenous investors (50% and individuals 50%)	
CSR investment	N428,423,181m approximately £1,756,765.24	N572 million approximately £2,345,507.35	N1.66 billion approximately £6,814,942.039	N1.96billion approximately £8,037,053.147	

Source: Own computation from Nigerian Stock Exchange (NSE) and annual report of Zenith Bank (2009 and 2010), N stands for Nigeria currency (Naira)

D.2 ExxonMobil Nigeria

ExxonMobil Nigeria is a subsidiary of ExxonMobil International. Exxon Mobil International is the number one Oil and Gas Company throughout the world. ExxonMobil remain the largest publicly and traded international company in the oil and gas sector (www.exxonmobil.com). ExxonMobil Nigeria began operations in Nigeria in the old Calabar state, now Akwa Ibom state in 1967, where it extracts 600,000 barrels of crude oil daily. Their functions include providing energy that helps underpin growing economies and improve living standards around the world. ExxonMobil uses innovation and technology to deliver energy to a growing world. They explore for, produce and sell, crude oil, natural gas and petroleum products. They operate facilities or market products in most of the world's countries and explore for oil and natural gas on six continents. ExxonMobil are committed to meeting the world's growing demand for energy in an economically, environmentally and socially responsible manner (Idemudia, 2007b).

The corporate governance of ExxonMobil can be traced to Standard Oil founded by J.D Rockefeller in 1882 as both Exxon and Mobil both had their roots in Standard Oil. Both Exxon and Mobil merged in 1999 with the existing Mobil shareholders who own about 30 % of the new company, while the existing Exxon shareholders own about 70%. The parent company is based in the US with branches worldwide. According to Skjaereth (2004) Exxon's command structure was highly centralised before the merger, which played a major role in the investment's decision making process of the company. The merger between Exxon and Mobil led to structural changes such as ExxonMobil moving from a multifunctional geographically-based regional company to becoming a diversified, global functional business with its attendant consequences on the way the company views its relationship with the society. This brought about two changes. Firstly, a more relaxed central control of the MNC, allowing branch officers to have a higher degree of autonomy than they previously had before the merger. Secondly, the downstream and upstream sector was separated and this led to a higher resistance from the public (Skjaereth, 2004).

In this study, ExxonMobil Nigeria is a company that is used as one of the four (4) PLCs for the case study because it has a majority of foreign institutional investors. The ownership structure is 60% foreign institutional investors, while Nigerians own 40% of the remaining shareholdings (See Table D.2 for the ownership structure of ExxonMobil). ExxonMobil Nigeria operates its capacity production of oil fields as a Joint Venture Partner (JVP) with the Nigeria National Petroleum Corporation (NNPC) holding 60% and ExxonMobil having a 40% holding. For more information on board size, board composition and amount invested in CSR, see Table D.2.

Table D.2. Corporate Governance Characteristics of ExxonMobil Plc

BOD Variables	2006	2007	2008	2009
Board Size	5	5	6	7
Executive Directors	3	2	3	3
Non-Executive Directors	2	3	3	4
Number of Women in the board	0	0	0	0
CEO Duality	YES	YES	YES	YES
Internal Auditors	YES	YES	YES	YES
External Auditors	PriceWater Coopers	PriceWater Coopers	PriceWater Coopers	PriceWater Coopers
Ownership concentration	Foreign Institutional Investors (60%) Nigerian Investors (40%)	Foreign Institutional Investors (60%) Nigerian Investors (40%)	Foreign Institutional Investors (60%) Nigerian Investors (40%)	Foreign Institutional Investors (60%) Nigerian Investors (40%)
CSR investment	N20, 456, 437 Approximately £83,096	N62, 435, 823 Approximately £253,591	N127, 347, 285 Approximately £517,094	N150, 000,000 Approximately £6,091,757

Source: Own computation from NSE Fact book and Corporate Citizenship Report (2008; 2009), N stands for Nigeria currency (Naira)

D.3 Wema bank of Nigeria

In this study, Wema bank is used as an example of a company with a majority of government institutional investors because the ownership structure is 100% Nigerian with government

institutional investors being represented by Odu’a Investment Company. The ownership shareholding of Odu’a Investment Company on behalf of government investment in Wema bank stood at 40% in 2007 but in 2009 the government investments fell to 9.76%. This is in line with the ongoing privatisation and reforms exercise carried out by the Federal Government of Nigeria (See, NSE Fact Book, 2009), in the banking industries where the government is divesting its shares to indigenous and foreign investors (See Tablee D.3.1 below for ownership concentration of the Wema bank).

Wema bank is established in 1945 and became converted from a private liability company to public liability company in 1987. Wema Bank shareholders fund stood at 25 billion naira (4 million pounds). The bank had 154 branches all over Nigeria. It was granted a universal banking licence in 2001 and registered on the Nigeria Stock Exchange in 1990. Also, the subsidiaries of Wema Bank include Wema Insurance Brokers and an indirect subsidiary, Great Nigerian Insurance PLC etc. ([www.wemabank.org/about us](http://www.wemabank.org/about-us)).

Tablee D.3.1: Shows Shareholders and their Shareholdings

Shareholders	Number Of Shares	Percentage of Shareholdings
SW8 Investment Ltd	4, 027, 976,800	39
Institutional Investors	1,032,063,095	10
Odu'a Investment Company Limited		
Individual Investors & Wema Bank Staff	5,160,571,057	51

Source: Derived from Wema Bank Annual Report (2009: 21)

Table D.3.2: Corporate Governance Characteristics of Wema Bank Plc

BOD Variables	2006	2007	2008	2009
Board Size		5	6	7
Executive Directors		3	3	3
Non-Executive Directors (NEDs)		2	3	4
Number of Women in the board		0	0	0
Internal Auditors	YES	YES	YES	YES
External Auditors	MGI Ekundare and KPMG	alibi and Ekundare and KPMG	MGI Ekundare and KPMG	KPMG and KPMG
Ownership concentration	Odu'a Investment Company (40%) Nigerian Investors (60%)	Odu'a Investment Company (40%) Nigerian Investors (60%)	Odu'a Investment Company (9.76%) Nigerian Investors (90.24%)	Odu'a Investment Company (9.76%) Nigerian Investors (90.24%)
CSR investment	N10, 467, 897m Approximately £42,484	N12,467,897m Approximately 49,352	N14, 439, 992 Approximately £57,156	N18,611,500m Approximately £73,670
Source: Own computation from NSE Fact book and annual report of Wema Bank, (2006, 2007, 2008 and 2009), N stands for Nigeria currency (Naira)				

D.4 Industrial and General Insurance (IGI)

In this study, Industrial and General Insurance (IGI) Company is used as an example of case study for board diversity because the company has the presence of female directors in the board.

Industrial And General Insurance Plc., (IGI) was incorporated on 31st October, 1991 and commenced operations in January 1992 as a composite insurer to transact the business of Life and General Insurance (including Pensions and Special Risks). Additionally, the IGI introduce the Pension Fund Managers (Institutional investor managers) and in 2008 IGI Pension Fund Managers was fully formed.

The Company has a strong capital base and leverage on its highly qualified professionals and the deployment of modern technology has become the preferred insurer for individual and corporate clients seeking premium insurance and related financial services in Nigeria. IGI has a wide and diversified investment portfolio comprising: investment in money and capital markets; real estate; telecommunication services; mortgage banking; aviation; oil and engineering services; forestry; health care delivery services, amongst others. The company from inception has demonstrated exceptional competence and expertise in the underwriting of specialized risks in Oil and Energy, Marine, Aviation, Engineering and Industrial Risk Management. IGI handles the insurance programmes of international oil companies operating in Nigeria including Shell Petroleum Development Company of Nigeria, Total Nigeria, Agip Oil Company, Addax Petroleum and Pan Ocean Oil Corporation amongst others.

In 2005, IGI underlined its resolve to be a key player in the African insurance market when it acquired 60 per cent majority shareholding in National Insurance Corporation Limited (NICL) of Uganda after a competitive international bidding exercise. Also, IGI has acquired ownership of Societe Nouvelle d' Assurance du Rwanda (SONARWA), Gamstar Insurance company limited, Gambia and IGI Ghana.

D.4.1: Corporate Governance Characteristics of Industrial and General Insurance (IGI)

BOD Variables	2006	2007	2008	2009
Board Size	8	9	11	12
Executive Directors	4	4	5	5
Non- Executive Directors (NEDs)	4	5	6	7
Number of Women in the board	1	1	2	2
Internal Auditors	YES	YES	YES	YES
External Auditors	Akintola William deloitte	Akintola William deloitte	Akintola William deloitte	Akintola William deloitte
Ownership concentration	Indigenous investors (60% and individuals 40%)	Indigenous investors (60% and individuals 40%)	Indigenous investors (50% and individuals 50%)	Indigenous investors (50% and individuals 50%)
CSR investment	N4,324,340 approximately £17,729.90	N21,342,000 approximately £87, 502.74	N7,215,300 approximately £29, 582.91	N15, 435, 600. approximately £62, 286.35

Source: Own computation from NSE Fact book and annual report of IGI, (2006, 2007, 2008 and 2009); N stands for Nigeria currency (Naira).

Appendix E. Nigerian Stock Exchange (NSE) Classification of PLCs

Agriculture/Agro-Allied (1)	Airline Services (2)
Aviation (3)	Automobile and Tyre (4)
Banking (5)	Breweries (6)
Building Materials (7)	Chemical and Paints (8)
Commercial/Services (9)	Computer and office equipment (10)
Conglomerates (11)	Construction (12)
Emerging Markets (13)	Engineering Technology (14)
Food/Beverages and tobacco (15)	Footwear (16)
Healthcare (17)	Industrial/Domestic products (18)
Information Communication and Telecommunications (19)	Insurance (20)
Leasing (21)	Maritime (22)
Media (23)	Mortgage Companies (24)
Packaging (25)	Petroleum /marketing (26)
Printing and Publishing (27)	Road Transportation (28)
Textiles (29)	

E.1 CSR Investment (Dependent Variables)

The CSR investment is the amount spent by the company on CSR activities per year. The amount invested in CSR is measured in Nigerian currency (naira). One of the statistical criteria of normal distribution was fulfilled by logarithmic transforming the CSR investments (LnCSRinvestment). The presence of normal distribution was tested using Kdensity as illustrated in figure 6-1. The CSR investments values do not produce normal distribution. However, in figure 6-2, the log of CSR investments produced a distribution close to that of the normal distribution (*i.e.* bell-shaped). Therefore, natural logarithm for the CSR investments had a similar distribution close to normal. Based on these findings the log CSR investments were used as the dependent variable for the analysis as shown in equation model 1.

Compares the Kdensity of CSR investment and normal distribution of CSR investment

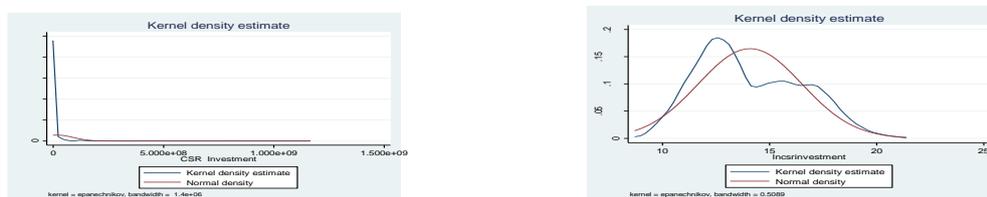


Figure 6-1: Compares the Kdensity of Natural Log of CSR Investment and Normal Distribution of CSR Investment.

E.2. Independent Variables

The kdensity of the board size, board composition, diversity, return on asset (ROA), earnings per share (EPS), beta, company age, number of employees, industry effects and debt was carried out to determine if the variables had a normal distribution. The natural logarithm for the board size (lnboardsize) and others were logged. In addition, the presence of unit root was tested to determine the stationarity of the variables using Augmented Dickey Fuller (ADF). The value of

the ADF (0.00) meaning variables are stationary. The presence of unit root was also tested for other variables such as board size, board composition, diversity, return on asset (ROA), earnings per share (EPS), beta, company age, number of employees, industry effects and debt to determine the stationarity of the variables using Augmented Dickey Fuller (ADF). All variables were found to be stationary.

Appendix F: Ethical Considerations

Subsequently, clarification and approval (data collection) was sought from the research ethics committee of the University of Greenwich before the commencement of the exercise involving data collection. The completed research ethics form was approved by the ethics committee of the University of Greenwich. Several ethical issues were considered both during the pilot study and the main study and observed concerns of respondents were addressed immediately. These ethical issues include confidentiality, privacy, and Code of Best Practices (Monk and Minows, 2004; 2008). Other issues include health and safety, interviewee comfort, safety of researcher and data protection laws. The issue of confidentiality might cause some interviewees to be cautious on account of being employees. As expected, the researcher provided assurances to concerned interviewees of the willingness to adhere to strict confidentiality. Also, a covering letter explaining the research purpose and objectives was sent along with the questionnaires (see appendix A). The respondents and interviewees are informed and assured that they are entitled to participate or decline. Furthermore, in some cases the interviewees raised concern about tape recording their interviews and their concerns were resolved by note-taking. In addition, the rules and regulations of each organisation were observed during the interviews and questionnaires distribution.

Personally, I did not encounter serious ethical issues during my data collection since the top managers and employees were all 18+ adults. Occasionally, the interviews were conducted in the interviewee's office, quite area or space. In certain cases, the interviews were conducted in

designated area within the office complex as suggested by the interviewee for his/her convenience. Also, in two particular occasions the home of the interviewees was used to conduct the interviews. The total time of about sixty (60) minutes was used for each interview. All respondents and interviewees were contacted prior to commencement of data collection seeking their consent. However, some of the managers were reluctant to release information for fear of such information getting into competitors' hands.

Appendix G: Types of Institutional Investors’ role in CSR

	CSR planning		CSR strategy		CSR Implementation	
	Positive comments	Negative comments	Positive comments	Negative comments	Positive comments	Negative comments
Indigenous institutional investor		I think that our investors are not very serious about our CSR policy even at the planning stage. They seem to be more concerned with company performance. The investors’ hardly influence the board on CSR policies (Investor analyst, Interview date: 19th June, 2009).				
Foreign institutional investor					In my view I do not think the investors have interest in CSR implementation because they are very busy.....it is my department that carries out the implementation of CSR and report back to the board (Public Relation Manager, Interview Date: 2nd July, 2009).	
Government institutional investor			Investors ensure that the company complies with the CBN directives for uniform reforms across the financial industry in ensuring uniformity of CSR projects, reporting and disclosures. Yes, we have policies on CSR such as in ethics and best practices. In the case of CSR reporting investors are equally committed to making sure that we report our CSR activities in our annual report and websites (CEO; Interview date: 7th July, 2009).			

Appendix H: Profiles of respondents in survey and their relationship with interviewees				
Gender composition	Survey respondents		Interviewees	
	Male (%)	Female (%)	Male	Female
CEOs	80	20	3	0
Deputy CEOs	90	10	2	0
CSR Manager	50	50	1	1
Public Relation Manager	60	40	1	0
Operations Manager	80	20	1	0
Finance Managers	70	30	1	0
Safety and Environmental	80	20	1	0
Director of Operations	70	30	0	1
Administrative Manager	55	45	1	0
Communication Manager	54	46	1	0
Secretaries	45	55	1	0
Investment Managers	80	20	3	0
Total			18	100

Appendix H: Profiles of respondents in survey and their relationship with interviewees continues					
	Survey			Interviewees	
	Number of Respondents	Nigerians (66%)	Non-Nigerians (34%)	Nigerians	Non-Nigerians
CEOs	16	7	9	2	1
Deputy CEOs	7	5	2	2	0
CSR Manager	6	6	0	3	0
Public Relation Manager	21	21	0	1	0
Operations Manager	7	6	1	0	0
Finance Managers	5	3	2	1	0
Safety and Environmental	12	12	0	1	0
Director of Operations	3	2	1	1	0
Administrative Manager	4	4	0	1	0
Communication Manager	8	8	0	1	0
Secretaries	7	7	0	1	0
Investment Managers/analysts	6	5	1	2	1
Total	102	86	16	16	2

Appendix H: Profiles of respondents in survey and their relationship with interviewees continues for Ownership structure of investors			
	Survey		Interviewees
	Numbers of Companies	Frequency	Companies
Indigenous Institutional Investors	40	39.2	Zenith Bank Plc
Foreign Institutional Investors	26	25.4	ExxonMobil Plc
Government Institutional Investors	27	26.5	Industrial And General Insurance Plc
Others	9	8	
Total	102	100	
<u>Ownership structure of Companies</u>			
	Survey	Frequency	Interviewees
Large Companies (5% shareholdings and above)	43	43.9	
Small and Medium Companies (less 5% shareholdings)	67	68.3	