Institutionalizing corporate social responsibility (CSR) in Uganda: does it matter?

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Abstract

Purpose – *The purpose of this study is to establish the relationship between CSR, managerial discretion, competences, learning and efficiency and perceived corporate financial performance in order to establish the legitimacy and value of CSR, taking managers' perspectives in Uganda.*

Design/methodology/approach – *The study used quantitative, correlation and regression analyses and collected primary data through a structured questionnaire on a sample of 100 firms.*

Findings – *The results indicate that managerial discretion and competences, learning and efficiency are significant predictors of perceived corporate financial performance, but CSR is not. However, the results show serendipitously that managerial discretion's predictive potential of perceived corporate performance is moderated by CSR.*

Result limitations/implications – *The study focuses on corporate social responsibility, a concept not very well appreciated and only understood as philanthropic and not really viewed as a means for improved financial performance in Uganda.*

Practical implications – *Our study implies that while upholding the ideals of CSR, companies in Uganda need to enhance managerial discretion in their contracting process and develop competences, learning and efficiency in order to impact positively on performance.*

Originality/value – *This study contributes to the dearth of CSR literature on the African experience by examining the perceptions of managers on CSR's predictive potential of corporate financial performance in Uganda.*

Keywords *Corporate social responsibility, Managerial discretion, Competences, Performance, Uganda*

Paper type *Research paper*

Introduction

Shareholders, investors and stakeholders at large make most of their investment decisions based greatly on the financial performance (Boron 2000). One construct that may predict corporate financial performance is corporate social responsibility (CSR). CSR is the continuing commitment by a business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (Moir, 2001). However, there is a protracted debate about the legitimacy and value of corporate responses to CSR concerns. For example, Murphy (2005) described CSR as being ''little more than a cosmetic treatment'' but Santiago (2004) reports advantages of practicing CSR, just as Waddock and Graves (1997), Hillman and Keim (2001), Verschoor and Murphy (2002) find that increased CSR leads to enhanced financial performance.

Accordingly, some management literature suggests that strategic leadership needs discretion, which is seen as an important condition for rational choice and change in transforming a desired policy into reality (Espedal, 2006); hence management is free to choose its own constraints (Espedal, 2006). Managers make decisions related to skills, resources, and practices that facilitate an organization's well-being in the short term as well as decisions related to how organizations can maintain long-term consistency between their practices and their environments (Stewart, 1982, 1989; Schein, 1992; Kotter, 1996). Thus, managers need freedom and room that allow rational decision making and give a mandate to act – in order to meet and handle the great expectations and commitments demanded of them (Barnard, 1938; Thompson, 1967; Burns, 1978; Kerr and Jermier, 1978; Kotter, 1996; Stewart, 1982, 1989; Hambrick and Mason, 1984; Finkelstein and Hambrick, 1996). From this perspective authors like Finkelstein, Hambrick, and Mason argue that better organizational performance occurs in context that allow leaders high discretion. We argue that this discretion needs to target CSR to enhance CSR's predictive potential of perceived corporate financial performance, and so the purpose of this study was to establish the relationship between CSR, managerial discretion, competences, learning and efficiency and perceived corporate financial performance in order to establish the legitimacy and value of CSR, taking managers' perspectives in Uganda. The rest of this paper is organized as follows. In the next section we review the theoretical constructs, related literature and develop the hypotheses. This is followed by an outline of the methodology, then presentation and analysis of findings and, finally, we discuss findings, draw conclusions and suggest areas of further research.

Theoretical background, informing literature and development of hypotheses

CSR can be defined as the ''economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time'' (Carroll and Buchholtz, 2003, p. 36). The concept of CSR means that organizations have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. However, corporate executives have struggled with the issue of the firm's responsibility to its society. It was argued by some researchers that the Corporation's sole responsibility was to provide a maximum financial return to share holders (see, for example, Carroll, 1991). Carroll, who came up with the pyramid of CSR in his book *Business Horizons*, suggested that there are four kinds of social responsibilities that constitute a total range of CSR business activities:

1. economic;
2. legal;
3. ethical; and
4. philanthropic responsibilities.

According to Carroll (1991), all other business responsibilities are predicted upon the economic responsibility of the firm, arguing that without it others become moot considerations. Carrol describes the responsibilities as follows.

Legal responsibilities reflect a view of codified ethics in the sense that they embody basic notions of fair operations as established by lawmakers. Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights. Philanthropy encompasses those voluntary corporate actions that are in response to society's expectation that businesses be good corporate citizens. This includes actively engaging in acts or programs to promote welfare or goodwill. Examples include business contributions to financial resources or executive time, such as contributions to the arts, education, or the community.

Nevertheless, the conservative view is that CSR should be voluntary and should be based on the company's own volition based on the company's level of profits. However, what the proponents of that view tend to ignore is that CSR is self-governance by businesses, but that self-governance has not been voluntary. CSR comes about as a result of external social and market forces on the companies' social accountability (McBarnet *et al.*, 2007). Legal accountability therefore plays a supplementary role to social and market forces to CSR. There is a general interaction between legal, social and economic pressures in promoting socially responsible conduct by corporations. Kerr et al (2009), while making a legal analysis of CSR, observed that corporations now face greater scrutiny regarding their environmental and social activities. Accounting firms and consultancies use increasingly sophisticated tools to verify corporate undertakings. Socially responsible investment funds screen corporate performance, and failure to perform socially even affects share price. By ignoring the legal context or viewing CSR measures as merely voluntary, a corporation can expose itself to clear financial and legal liability. Responsible corporate behavior has become a matter of important legal concern for virtually every corporation. It is unrealistic therefore to expect that corporations will perform CSR initiatives on their own without the force of law (Kerr *et al.*, 2009). This view is further supported by the existence of Machiavellianism, which is defined as ''a process by which the manipulator gets more of some kind of reward than he would have gotten without manipulating, while someone else gets less, at least within the immediate context'' (Christie and Geis, 1970, p. 106). Machiavellianism is a sort of manipulative strategy of social conduct that involves manipulating others for personal performance and success (Mohamed, 2007).

According to Christie and Geis (1970), Machiavellians do not accept the premise that people should do what they believe in but should instead believe in what they do. Managers who use a Machiavellian orientation will put emphasis on achieving self-interest, i.e. the profit motive with total disregard for human dignity. They may manipulate, coerce, and deceive others with the intension of achieving personal goals. Since the profit motive underlies business performance, a question arises whether a Machiavellian orientation would influence the performance of corporate social responsibility. For instance, would CSR be carried out to meet a hidden agenda of the shareholders or would it be done/be purely on philanthropic grounds?

The theory of CSR encourages corporations to take notice not only of the economic and financial dealings in a company, but also the social and environmental consequences a business places on its shareholders and society. The model of CSR advises companies to seek the maximum profits while obeying a moral minimum. Berle and Means's (1932, p. xii) original preface lamented:

> Accepting the institution of the large corporation (as we must), and studying it as a human institution, we have to consider the effect on property, the effect on workers, and the effect upon individuals who consume or use the goods or services which the corporation produces or renders.

This concept of the corporation is viewed to have ''placed the community in a position to demand that the modern corporation serve not alone the owners or the control but all society'' (Berle and Means, 1932, p. 312). This idea is effectively today's stakeholder theory and thus in responding to stakeholder expectations of CSR, the chief executive sets the tone and priorities for the firm's actions (Sirsly, 2009). Instrumental stakeholder theory (e.g. Clarkson, 1995; Cornell and Shapiro, 1987; Donaldson and Preston, 1995; Freeman, 1984; Mitchell *et al.*, 1997) suggests a positive relationship between CSP (read CSR) and corporate financial performance. According to this theory, the satisfaction of various stakeholder groups is instrumental for organizational financial performance (Donaldson and Preston, 1995; Jones, 1995). Stakeholder-agency theory argues that the implicit and explicit negotiation and contracting processes entailed by reciprocal, bilateral stakeholder-management relationships serve as monitoring and enforcement mechanisms that prevent managers from diverting attention from broad organizational financial goals (Hill and Thomas, 1992; Jones, 1995). Furthermore, by addressing and balancing the claims of multiple stakeholders (Freeman and Evan, 1990), managers can increase the efficiency of their organization's adaptation to external demands.

According to Ullman (1985), financial profitability and social responsibility are positively related – profitable firms are better social performers. This view was echoed by Cyert and March(1963), who stated that well-to-do companies can afford positive social performance. According to this view, a firm's economic performance affects its capability to undertake programs to meet social demands. Thus, firms need excess resources to be good social performers because social performance involves substantial costs, and only firms with these resources are capable of absorbing these costs. Marcus (1993) illustrates the positive relationship between CSR and corporate financial performance, citing that firms that have a good effect on society are also highly profitable. According to this perspective, good social responsibility contributes to profitability, i.e. it pays to be good. Alexander and Buchholz (1978) state that socially aware and concerned management may possess the skills needed to run a superior company in the traditional finance sense. These skills may be sensitivity to outside forces and creative adjustments to external pressures. Similarly, social responsibility may benefit the corporation by creating good will (Cornell and Shapiro, 1984) and may raise employee morale and result in increased productivity; fewer strikes and work stoppages may more than offset the other costs associated with being socially responsible (Marcus, 1993). However, good financial performance may be a precondition for good social responsibility (if a firm is not profitable, it cannot be a good social performer), and it may be a consequence of good social responsibility (it pays to be good). Benefit cycles exist when strong financial performance contributes to strong social performance, which in turn contributes to strong economic performance (Marcus, 1993). Vicious cycles exist when poor financial performance contributes to poor social responsibility performance. Heald (1970) nevertheless summarized the importance of CSR 40 years ago:

> It would be incongruous for a corporation to divorce itself from that common life in which it is a participant when its business and profit are directly concerned. There is a justifiable corporate reason for its maintaining a lively interest in social welfare; it, as in the case of an individual, cannot hope to thrive if it is surrounded by degeneracy and squalor. There is no magic in a charter and fiction as its corporate existence will avail it nothing if the community on which it and its employees so vitally depend should decay (Heald, 1970).

The core idea is that corporations and society depend on one another for their wellbeing, so cooperation between corporations and society is mutually beneficial in the long run. Thus, although CSR may not produce immediate benefit in terms of financial outcome and there are no unambiguously proved causal linkage between CSR and profit, the interaction between the two spheres is necessary and useful for corporations (Wallich and McGowan, 1970). Companies that do ''good'' can improve their reputation and customer loyalty (Kanter, 1999: Kotler and Lee, 2005) and develop new markets (Hart, 1997; Porter and Kramer, 2002), while significantly reducing the risks of becoming the target of lawsuits or consumer boycotts can also attract socially conscious consumers and investment and boost employee morale (Laszlo, 2003; Turban and Greening, 1997). Following the above discourse, we hypothesize that:

H1. There is a positive relationship between CSR and perceived corporate financial performance.

However, given the arguments in favor of CSR, the proponents of ''it pays to be good'' should not overlook the effect of managerial discretion in this process. This is because CSR often represents an area of relatively high managerial discretion and the initiation or cancellation of voluntary social and environmental policies may, to a large extent, depend on the availability of excess funds (McGuire *et al.*, 1988). Therefore, that level of CSR is dependent upon the degree of managerial discretion.

The above argument is brought to fore because the economic perspective of the agency theory is based on a number of assumptions – that the firm is the nucleus of the contractual relationship between the principal and the agent, and it exists to maximize shareholder value; and that the shareholders, who seek utility maximization, own the firm. On ethical grounds, this perspective of agency theory reflects individualism and utilitarianism, where morality is only reasonable and acceptable, if it brings with it greater economic benefits (Bohren, 1998). On the basis of the agency theory therefore, managers (agents) would be acting contrary to the duties and responsibilities for which they have been employed if they engage in social responsibility, unless it can be shown that by so doing, shareholders' (principals') wealth are maximized. Whitehouse (2006, p. 291) brings to fore this agency position, when she presents the company law position in the UK:

> According to the ''golden rule'' of UK company law, directors are under a duty to prioritise the interests of shareholders, synonymous with the pursuit of ''profit maximisation''. Any attempt by a director, therefore, to prioritise the interests of groups other than the shareholders constitutes a breach of duty.

Johnson (1971), in his definition of CSR, conceives a socially responsible firm as being one that balances a multiplicity of interests, such that while striving for larger profits for its stockholders, it also takes into account, employees, suppliers, dealers, local communities and the nation. This definition draws from stakeholder theory as developed by Freeman (1984). However, there is marked fallout between agency theory and stakeholder theory, which presents managers with two perspectives and hence allowing for their discretion. As fallouts of the agency and stakeholder theories, two distinct schools of thought appear to dominate the CSR literature on the question of whether or not firms should embrace CSR.

The first group comprises those who think business responsibility does not go beyond making as much profit as possible for its shareholders while the second group upholds the belief that business owes responsibility to a wide range of groups in the society. The belief of the first group stems from the traditional neoclassical paradigm of the firm (Moir, 2001), a theory which reflects Adam Smith's notion of economic man, whose goal is to maximize the wealth of the firm, based on his contractual duties to the owners (Brenner and Cochran, 1991). This model of the firm has been further popularized by Friedman (1970), echoing Smith's view that business responsibility does not go beyond that of maximizing shareholders value or wealth. The CSR theory that upholds this view has also been regarded as the ''stockholders model'' (Bruno and Nichols, 1990). This model identified that, based on the contractual agreement signed with the owners, management responsibility is a legal one, and it equates with ethical and social responsibility. This thought can be clearly seen in Friedman's (1970) declaration that, there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rule of the game, which is to say, engages in open and free competition without deception and fraud. The idea of legal responsibility as proposed by Friedman and his followers has been flawed on the basis that the law and the legal system are plagued with many imperfections. It is argued that the law can be violated with little possibility of being caught, and that when a business is actually caught in the act, penalties and fines are often too small to serve as a deterrent, coupled with the fact that a business has a way of influencing the legislative process of promulgating laws (Post, 2003a, b).

The other extreme in the CSR continuum is the group that holds the belief that business responsibility goes beyond that of profit maximization. While this group does not relegate the economic responsibility of the firm to the background, it argues that business must take into consideration the interests of other members of the society who may be affected by its activities, and therefore proposes a balance of interests among the constituent groups. Thus, contrary to shareholders' value maximization, the adherents of this belief propose stakeholders' value maximization, which is not inimical to profit maximization. Accordingly, it is well within managerial discretion to uphold either that business responsibility goes beyond that of profit maximization or business responsibility does not go beyond making as much profit as possible for its shareholders. We therefore hypothesize that:

H2. Managerial discretion is positively related to CSR in organizations.

H3. There is a positive relationship between managerial discretion and perceived corporate financial performance.

CSR may be an organizational resource that provides internal benefits. That is, investments in CSR may help firms develop new competencies, resources, and capabilities, which are manifested in a firm's culture, technology, structure, and human resources (Barney, 1991; Russo and Fouts, 1997; Wernerfelt, 1984). When CSR is pre-emptive (Hart, 1995) and a firm's environment is dynamic or complex, CSR may help build managerial competencies because preventive efforts necessitate significant employee involvement, organization-wide coordination, and a forward-thinking managerial style (Shrivastava, 1995). Thus, CSR can help management develop better scanning skills, processes, and information systems, which increase the organization's preparedness for external changes, turbulence, and crises (Russo and Fouts, 1997). These competencies, which are acquired internally through the CSR process, would then lead to more efficient utilization of resources (Majumdar and Marcus, 2001). According to the ''internal resources/learning'' perspective, whether CSR behaviors and outcomes are also disclosed to outside constituents is largely irrelevant to the development of internal capabilities and organizational efficiency. We can then contend that as competences, learning and efficiency improve, managerial discretion is maximized to impact positively on performance. It is hypothesized thus:

H4. There is a positive relationship between managerial discretion and competences, learning and efficiency and, by extension, perceived corporate financial performance.

The model shown in Figure 1 epitomizes our testable hypotheses and concepts.

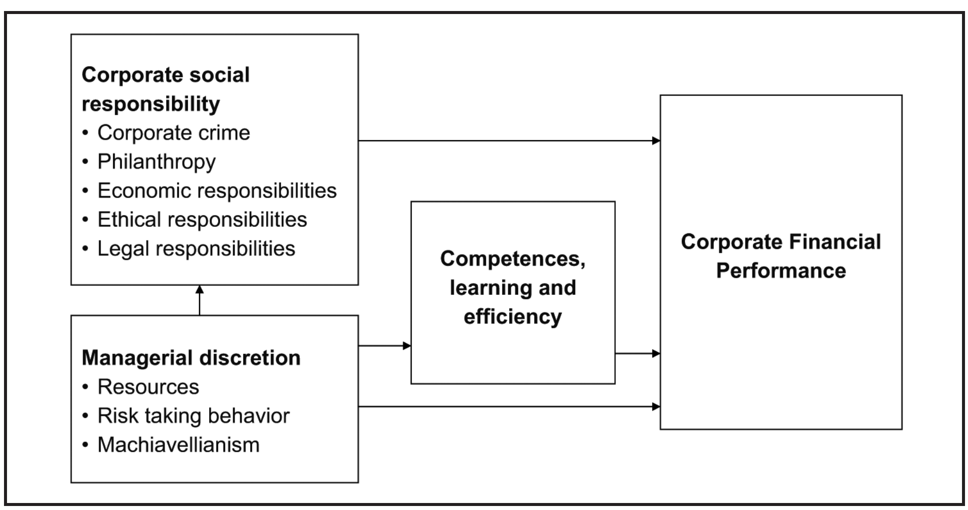
Our model above makes an assertion that both corporate social responsibility and managerial discretion may each independently affect perceived corporate financial performance. It also makes an assertion that Managerial Discretion may affect corporate social responsibility. In addition, managerial discretion may affect perceived corporate financial performance through competences, learning and efficiency

Methodology

The study approach and design was cross-sectional and quantitative to establish whether appropriate CSR, managerial discretion and competences, learning and efficiency resulted into a change in perceived corporate financial performance. The research frame required that the managers' perception of CSR, managerial discretion (MD) and competences, learning and efficiency be measured within the firms. A survey was conducted to fulfill this need.

The study population consisted of 11,153 formal firms in the Kampala region according to the Uganda Bureau of Statistics' Uganda Business Register 2006/2007. For the study, the unit of analysis is firms in the Kampala region. The sample size for the study was 100 companies. This sample size is supported by Cohen (1992)'s arguments and was used in similar studies (see, for example, Pandya and Narendar, 1998). Cohen argues that a hypothesis, for example, can be accepted when the relationship between two variables is found, using a power analysis, to be trivial. Specifically, a relationship becomes ''trivial'' when the sample size is sufficient for the risk of Type II error β to be equal to the commonly accepted Type I error risk of α of 0.05. In other words, a power analysis can determine a sample size needed to detect a nontrivial effect at $\alpha = 0.05$ and a power of 0.95 (which translates to $\beta = 0.05$) (Mike, 2004). In strategy (corporate) research, this method was used by Hubbard *et al.* (1998) and Lane *et al.* (1998). Following these precedents, we conservatively assumed a medium effect size, that is, we did not require a large R^2 to

Figure 1 Conceptual model



demonstrate significance. According to Cohen (1992, 1987), when the assumed effect sized is medium (i.e. $R^2 = 0.15$) and the desired power is 0.95, the minimum sample size (for example to test a null hypothesis) would be 67.

A questionnaire was the cornerstone of the survey and was administered to 100 companies' managers for the collection of primary data. The questionnaire was developed in harmony with the guidelines specified by Sekaran (2000). First, an item analysis was done to see whether the items in the instrument belong there and a pre-test was carried out to check for validity and reliability so as to minimize on vagueness of the results to be generated. Validity was measured basing on a factor analysis that confirms the dimensions of the concept that has been operationally defined, to ensure appropriateness of results. The content validity index (CVI) was used to measure the relevancy of the questions on the study variables by taking the proportion of relevant and quite relevant scores. The CVI for the instrument was 0.78. Since the CVI was above 0.6, then questions in the instrument measured the study variables. In addition, comments on the correctness of the questions on both instruments by the experts were included in the final questionnaire. Reliability (internal consistency and stability) of the instruments was tested using Cronbach's α coefficients (Cronbach, 1946).

From each company, responses were obtained from a top-level manager, a middle-level manager and a lower-level manager (at a supervisory level). This ensured that responses were obtained from three members of management, one of whom had to be a CSR manager; therefore companies in the population without a CSR manager were not studied. This means that responses from three managers represented each company's views. The questionnaire consisted of the following sections:

- Section A: corporate crime;
- Section B: ethical responsibilities;
- Section C: philanthropy;
- Section D: economic responsibilities;
- Section E: legal responsibilities;
- Section F: Managerial discretion (in terms of resources, risk taking behavior and Machiavellianism);
- Section G: competences, learning and efficiency;
- Section H: perceived corporate financial performance.

Sections A-E measured CSR orientations/or activities.

The questionnaire comprised a set of arguments usually proposed in favor of CSR, designed in a Likert-style format to assess the perception of individual firm's managers and their support for social responsibility (Obalola, 2008) together with their perceptions on managerial discretions, competences, learning, and efficiency. This was consistent with Aupperle (1984). Aupperle developed a forced-choice survey of corporate social orientations, drawing on Carroll's (1979) corporate social responsibility construct with its four dimensions of economic, legal, ethical, and discretionary responsibilities. Responses were anchored on a five-point Likert scale from 1 = "strongly disagree'' to 5 = "strongly agree''. Managerial discretion, competences, learning and efficiency, and Machiavellianism questions were drawn from the study of related literature. Consequently, the questions, also on a similar Likert scale, were validated by factor analysis as mentioned above, and questions that had insignificant loadings (i.e. with eigenvalues below 1) were eliminated for purposes of analysis, i.e. correlation tests and regression tests. Overall, there were 85 items that converged to the respective factors (i.e. A-H) three factors on A, 21 factors on B, 14 factors on C, 14 factors on D, four factors on E, 13 factors on F, seven factors on G and nine factors on H. The reliability of the instrument was established by performing Cronbach's α tests, the results of which are presented in Table I.

The α coefficients in Table I for corporate crime, ethical responsibilities, philanthropy, economic responsibilities, legal responsibilities, perceived performance, managerial

Table I Cronbach's α coefficients

Variable	*Coefficients*
Corporate crime	0.8937
Ethical responsibilities	0.8761
Philanthropy	0.8794
Economic responsibilities	0.8284
Legal responsibilities	0.5034
Perceived performance	0.8890
Managerial discretion	0.8181
Competencies, learning and efficiency	0.8368
Machiavellianism	0.6173

discretion, competences, learning and efficiency, and Machiavellianism are above 0.50, indicating that the Likert scales used to measure the variables were consistent and reliable. The data was analyzed using the SPSS 10.0 program.

Analysis and presentation of findings

In this section, we analyze and present our findings. Specifically we establish the relationship between corporate social responsibility, managerial discretion, competences, learning and efficiency and perceived corporate financial performance but first, descriptive statistics.

The mean results in Table II indicate that Ugandan companies are quite aware of social corporate responsibility and have strong affinity for its practice. The percentiles also show strong affinity to comply with the law (legal responsibilities). Ethical responsibilities, legal responsibilities and philanthropy ranked very high (above 4), among which compliance with legal requirements ranked the highest (mean of 4.2336). This clearly indicates that managers of companies in Uganda consider it socially responsible to comply with their country's laws and regulations. Further more, managers perceive corporate social responsibility as mere philanthropy and being ethical in whatever they do.

Inferential statistics

To obtain the relationship between CSR, MD, competences, learning and efficiency (COMPLE) and perceived corporate performance in Uganda, Pearson correlation tests were carried out. The bivariate table (Table III) shows the results of the tests.

The results from Table III above show that CSR significantly correlates with corporate performance ($r = 0.406$, $p \leq 0.01$). This means that strategic leadership believes that the

Table II Descriptive statistics

	n	*Mean*	*SD*	*Minimum*	*Maximum*	*Percentiles* 25th	*Percentiles* 50th (median)	*Percentiles* 75th
Performance	76	3.8041	0.6823	1.56	5.00	3.3333	3.6667	4.2222
DISCRET	76	3.9680	0.7387	2.29	5.00	3.2857	4.0000	4.4286
Competences, learning and efficiency	76	3.9981	0.6509	2.57	5.00	3.4643	4.0000	4.3929
Machiavellianism	76	3.7390	0.7125	2.50	5.00	3.0417	3.6667	4.3333
CSR	76	3.8457	0.5681	2.51	5.57	3.5357	3.8639	4.1004
MD	76	3.8535	0.5841	2.56	5.00	3.4107	3.8095	4.1786
Ethical responsibilities	76	4.0407	0.5327	2.19	5.00	3.7619	4.0476	4.3690
Corporate crime	76	2.8860	1.2130	1.00	5.00	2.0000	3.0000	3.3333
Economic responsibilities	76	3.8383	0.5243	2.93	4.64	3.4286	3.9286	4.2143
Legal responsibilities	76	4.2336	0.4955	2.50	5.00	4.0000	4.2500	4.5000
Philanthropy	76	4.0877	0.6923	2.50	5.00	3.6250	4.3750	4.5833

Notes: MD, managerial discretion including Machiavellianism; DISCRET, managerial discretion; CSR, corporate social responsibility, which is a composite of ethical responsibilities, corporate crime, economic responsibilities, legal responsibilities and philanthropy

Table III Zero-order correlations

	1	2	3	4	5	6	7	8	9	10	11
MD (1)	1.000										
CSR (2)	0.470**	1.000									
MACHIAV (3)	0.797**	0.255*	1.000								
COMPLE (4)	0.592**	0.711**	0.397**	1.000							
DISCRET (5)	0.813**	0.497**	0.296**	0.554**	1.000						
PERFORM (6)	0.849**	0.406**	0.556**	0.614**	0.805**	1.000					
LEGAL (7)	0.312**	0.752**	0.356**	0.515**	0.151	0.192	1.000				
ECONOMIC (8)	0.703**	0.577**	0.315**	0.652**	0.809**	0.697**	0.218	1.000			
PHILANT (9)	0.335**	0.835**	−0.006	0.586**	0.536**	0.436**	0.430**	0.602**	1.000		
ETHICAL (10)	0.450**	0.659**	0.295**	0.489**	0.428**	0.228*	0.409**	0.452**	0.513**	1.000	
CRIME1 (11)	0.191	0.799**	0.191	0.469**	0.118	0.106	0.721**	0.130	0.460**	0.313**	1.000

Notes: *Correlation is significant at the 0.05 level (two-tailed); **correlation is significant at the 0.01 level (two-tailed)

higher the CSR activities of their organizations the higher will be their perceived corporate performance. Similarly, MD significantly correlated with perceived corporate performance ($r = 0.849$, $p \leq 0.01$), meaning that as MD increases, perceived corporate performance also increases. There is a significant positive relationship between COMPLE and perceived corporate financial performance ($r = 0.556$, $p \leq 0.01$), which means that the higher the competences, learning and efficiency, the higher will be perceived corporate performance. Mediation tests revealed the results indicated in Table IV.

The results reveal MD's predictive potential of perceived corporate performance when controlling for COMPLE ($p = 0.001$) but COMPLE does not mediate between CSR and perceived corporate performance. When we control for COMPLE, the relationship between MD and perceived corporate financial performance reduces from $r = 0.849$ to $r = 0.7625$ and this mediation is significant ($p = 0.001$). In order to examine the extent to which CSR, MD and COMPLE predicted perceived corporate performance we performed a regression analysis. The results are shown in Table V.

The values contained in Table V reflect the change in the predicted value of the dependent variable, perceived corporate financial performance (PERFORM) for a one unit increase in the predictor variables (CSR, MD and COMPLE). Thus, a β coefficient of 1.0 would indicate that for every unit increase in the predictor, the predicted value of the dependent variable also increases by one unit (Norusis, 1990). In this analysis, given that there are three correlated predictors in the model, the β coefficient, known as a partial regression coefficient, represents the predicted change in the dependent variable when that predictor is increased by one unit while holding all other predictors constant. Here, Table V reflects a strong positive regression between PERFORM and MD, as well as PERFORM and COMPLE; suggesting that an increase in MD and COMPLE will trigger a 0.884 and 0.276 increase in PERFOM respectively. Therefore, *H3* and *H4* are supported.

The influence of any change on CSR is weak and negative. This outcome is strengthened by the zero-order correlation of 0.849, 0.614 and 0.406 respectively for MD, COMPLE and CSR. Without any form of overlap between the dependent variable and the independent variables,

Table IV Zero order partials controlling for COMPLE

	PERFORM			*MD*			*CSR*		
	Coefficient	*df*	*p* (two-tailed significance)	*Coefficient*	*df*	*p* (two-tailed significance)	*Coefficient*	*df*	*p* (two-tailed significance)
PERFORM	1.0000	0	.						
MD	0.7625	73	0.000	1.0000	0	.			
CSR	−0.0558	73	0.634	−0.0861	73	0.463	1.0000	0	.

Note: ‘‘. ‘‘ is printed if a coefficient cannot be computed

Table V Regression coefficients: Model 1

	Unstandardized coefficients		*Standardized coefficients*			*95 percent confidence interval for B*		*Correlations*			*Collinearity statistics*	
	B	*SE*	*β*	*t*	*Sig.*	*Lower bound*	*Upper bound*	*Zero-order*	*Partial*	*Part*	*Tolerance*	*VIF*
(Constant)	−7.425	0.317		−0.234	0.816	−0.706	0.558					
CSR	−0.165	0.101	−0.137	−1.628	0.108	−0.367	0.037	0.406	−0.188	−0.096	0.491	2.036
MD	0.884	0.086	0.757	10.285	0.000	0.713	1.055	0.849	0.771	0.608	0.644	1.552
COMPLE	0.276	0.097	0.264	2.856	0.006	0.083	0.469	0.614	0.319	0.169	0.409	2.443
R	0.865[a]											
R^2	0.749											
Adjusted R^2	0.738											
SE of the estimate	0.3491											
R^2 change	0.749											
F change	71.499											
df1	3											
df2	72											
Sig. *F* change	0.000											
Durbin-Watson	1.699											

Notes: Dependent variable: PERFORM. [a]Predictors: (Constant), COMPLE, MD, CSR

MD (0.771) and COMPLE (0.319) appears to have stronger relationship with PERFORM than CSR (-0.188). This result is also strengthened by the part (Semi-Partial) correlation values of 0.608, 0.169 and -0.096, respectively. Given this result we conservatively reject *H1* given that CSR is positively related to performance ($r = 0.406$, $p < 0.01$). The result of multicollinearity test suggests that there is no problem of collinearity in the model. The statistical standard is that the greater the values of the variables to 1, the better. Collinearity becomes an issue if the value is less than or equals to 0.01 (Tabachnick and Fidell, 2001). This result is further supported by the variance inflation factor (VIF) figure, which is far less than 10 for all the variables considered. The problem of positive serial correlation is not strong as indicated by the Durbin-Watson of 1.699. The basic statistical rule is that the Durbin-Watson statistic should be greater than 1, and if it is less than 2, there is evidence of positive serial correlation. This suggests that there is no problem of serial or autocorrelation in the model specified. The $F = 71.499$ is significant at the 0.0001 level. The column for df (degrees of freedom) in Table V reveals that there were three independent variables and 72 is the total number of complete responses for all the variables in the equation (N), minus the number of independent variables (K) minus 1. This means that 73.8 percent of the variance (R^2) in perceived corporate performance has been explained by all three variables (i.e. CSR, MD and COMPLE). Although this substantiates/validates the purpose of this study (to establish the relationship CSR, MD and perceived corporate financial performance), we are puzzled as to whether MD can influence perceived corporate financial performance through CSR. We resolve this puzzle by conducting partial correlations in Table VI.

Results reveal that MD's predictive potential of perceived corporate performance is moderated by CSR ($p = 0.001$) i.e. managers' discretion can determine CSR activities that in turn affect perceived corporate financial performance. *H2* is therefore supported. Notice that the relation ship between MD and perceived corporate financial performance was $r = 0.849$, $p = 0.01$. When we control for CSR this relationship reduces to $r = 0.815$, $p = 0.001$. This prompts us to examine collinearity further using condition indices and variance of proportions.

Table VII contains results of the further collinearity testing. The most important values here are the condition index contained in the first column of the table. These values are important because they measure the extent to which one dependent variable depends on another. Multicollliniarity is present if the condition index is equal to or greater than 30, and at least two variance proportions for a particular independent variable are greater than 50 (Meyers *et al.*, 2006). From Table VII, all conditional indices are less than 30, confirming that multicolliniarity is not a problem in the model. The results contained in Table V are a clear indication that the

Table VI Zero order partials controlling for CSR

	MD			*PERFORM*		
	Coefficient	*df*	*p* (two-tailed significance)	*Coefficient*	*df*	*p* (two-tailed significance)
MD	1.0000	0	.			
PERFORM	0.8155	73	0.000	1.0000	0	.

Note: = ‘‘. ‘‘ is printed if a coefficient cannot be computed

Table VII Collinearity diagnostics

		Variance proportions		
Condition index	*(Constant)*	*CSR*	*MD*	*COMPLE*
1.000	0.00	0.00	0.00	0.00
17.024	0.62	0.10	0.04	0.23
18.528	0.22	0.17	0.80	0.00
25.619	0.16	0.73	0.17	0.77

Note: Dependent variable: PERFORM

model specified does not fall in the region of rejection. That is, the perceived corporate financial performance of Ugandan companies is influenced by CSR, MD and COMPLE. Nevertheless, the results of the study show that our predicted model is not wholly valid for Uganda. Figure 2 indicates the model arising from our study.

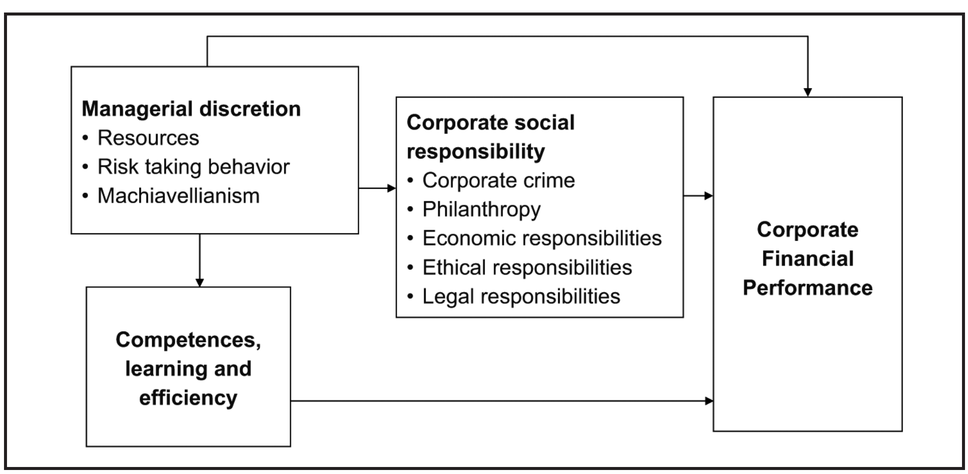
The model above reveals that our study on the African experience indicates that managerial discretion and competences, learning and efficiency are significant predictors of perceived corporate financial performance but CSR is not. Consequently, we post a serendipitous result that managerial discretion's predictive potential of perceived corporate performance is moderated by CSR.

Discussion of findings, conclusion and recommendations

The extensive debate concerning the legitimacy and value of being a socially responsible business centers around different views of the role of a firm in society and disagreement as to whether wealth maximization should be the sole goal of a corporation. This study was an attempt to address the question whether CSR matters/pays and made an argument that proponents of CSR should not overlook the effect of managerial discretion in this endeavor. Using empirical methods, we tested the sign of the relationship between CSR and perceived corporate financial performance.

The regression analysis revealed that a combination of CSR, MD and COMPLE predicted up to 73.8 percent of perceived corporate performance and indicated that the sign of the relationship is positive, which supports those studies that found positive linkages in the past (notably Waddock and Graves, 1997; McGuire *et al.*, 1988; Aupperle, 1984). However, we find that CSR does not significantly predict perceived corporate financial performance in the regression model – a condition Marcus(1993) had alluded to – the possibility that there is no relationship between financial performance and social responsibility. Thus, although some studies (see Graves, 1997) found support for validity of CSR, this study vindicates Wallich and McGowan's (1970) observation four decades ago that although CSR may not produce immediate benefit in terms of financial outcome, there is no unambiguously proved causal linkage between CSR and profit. Rather, we find that CSR can mediate the relationship between MD and perceived corporate financial performance. This supports Sirsly's (2009) observation that the chief executive's personal values and ethics will influence the firm's response to its social responsibilities but our findings contradict his observation that managerial discretion will moderate the chief executive's influence on the firm's response to its social responsibilities, it is the other way round. Thus, in spite of having made significant progress from the earliest proposals, CSR still offers many unresolved issues for future research. Although our results show that CSR does not significantly predict perceived corporate financial performance, it significantly correlates with organizational competences,

Figure 2 The indicative model from our study results



learning and efficiency. This provides further evidence for the beliefs of Barney (1991), Hart (1995), Russo and Fouts (1997) and Wernerfelt (1984) that investments in CSR may help firms to develop new competences, resources and capabilities. However, we also would not wish to discount the predictive potential of CSR as there might be other factors to consider when understanding the relationship between a company's social and economic performance – for example the industry, company size, and availability of slack resources, age of assets, and the firm's age, among others. According to Cochran and Wood(1974) for example, the specific risk and performance patterns in an industry are likely to be important.

The future of CSR lies in the apt way management exercises its discretion in its allocation of enterprise resources. Managers need discretion in order to handle the great expectations demanded of them. The question of whether it pays to be corporate socially responsible has been answered in the case of Uganda. Despite the wide acceptance that it pays to be good, it cannot be taken for granted that CSR predicts good performance. We propose that while upholding the ideals of CSR, companies in Uganda need to enhance managerial discretion in their contracting process and develop competences, learning and efficiency in order impact positively on performance.

Our results may be treated with caution. The study focused on corporate social responsibility, a concept not very well appreciated and only understood as philanthropic and not really viewed as a means for improved financial performance. Our sample size may also limit generalizability.

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