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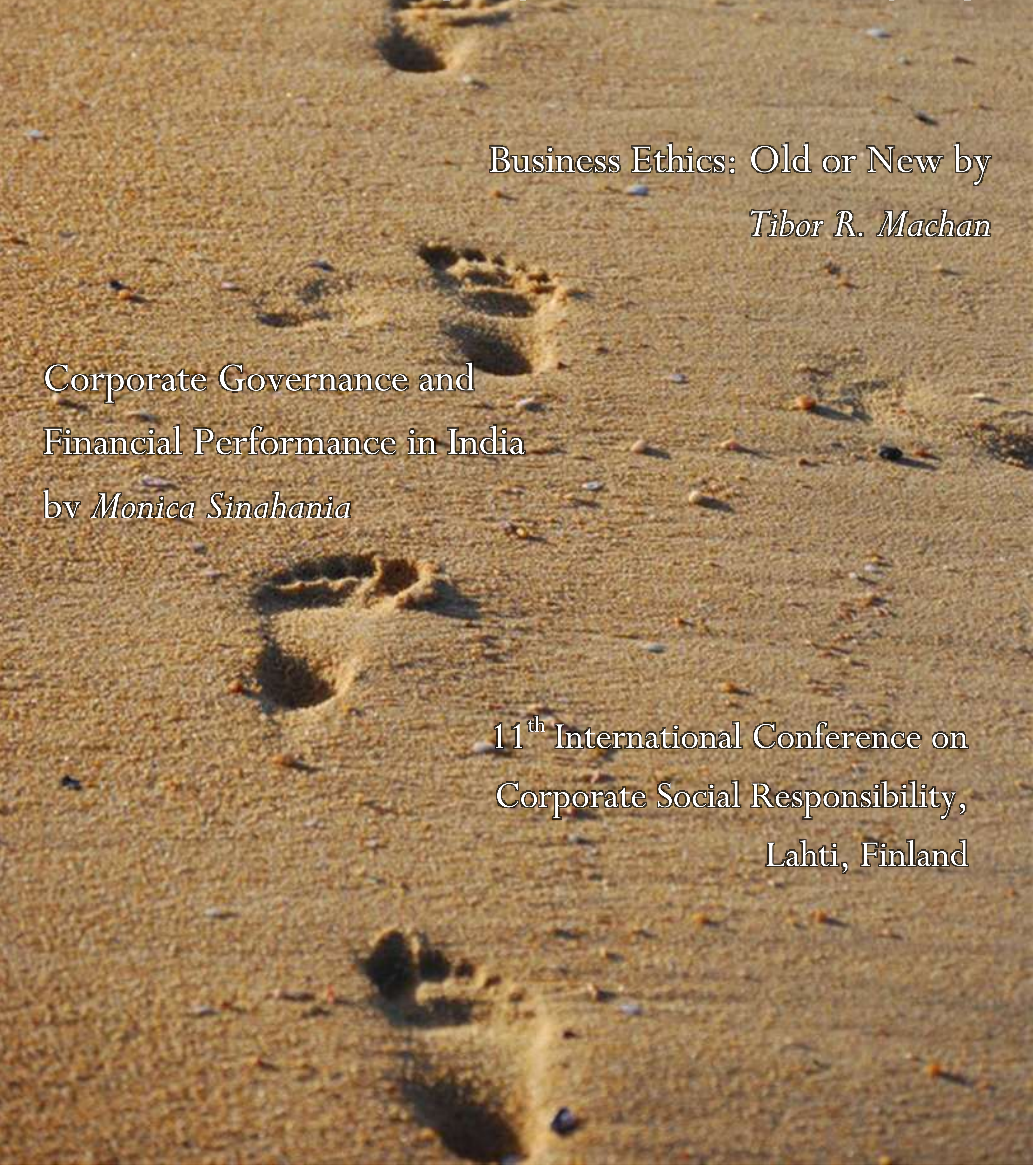

Business Ethics: Old or New by *Tibor R. Machan*

Corporate Governance and Financial Performance in India by *Monica Singhania*

11th International Conference on Corporate Social Responsibility, Lahti, Finland

Letter from the editor

Welcome to the latest issue of the Review featuring the new design. And we continue to make progress with the Network – we now have more than 800 members from all over the world. And we have a redesigned website, thanks to Lina.

Meanwhile our 10th conference was a successful and enjoyable event in New Orleans and we are busy preparing for the 2012 conference in Lahti, Finland. See later in this issue for full details – or check the website.

As usual this issue of the Review contains a varied selection of content but the number of articles we publish is continuing to increase. So too is the variety of topics which people want to write about – a reflection of the strength and breadth of issues which concern people in the field of social responsibility. As usual people who write these value the comments of other people, so when you have read the article then please take the time to send some comments to the author. It does not matter whether you are in agreement or completely disagree – any feedback is valuable to each of us as authors. Most of these authors are new contributors to the newsletter. So read their articles and think about writing an article yourself for the next issue…

That is all for now. Read the articles and look at the news of our future activity. And consider contributing to the next issue. And please distribute copies of this Review to anyone who you think might be interested – and direct them to the website for further details of our activities. We will be in touch again in the near future.

Social Responsibility Review was formerly known as the Newsletter from the Social Responsibility Research Network

The Social Responsibility Research Network Constitution

For each issue of the Review it is considered to be appropriate to print the constitution of the Network. This was agreed at an open meeting during the 2005 conference in London. But note that no Board has ever been elected. So volunteers are welcome… The Social Responsibility Research Network (SRRNet) is a body of scholars who are concerned with the Social Contract between all stakeholders in global society and consequently with the socially responsible behaviour of organisations.

1. Mission

The mission of the SRRNet is to promote collaborative, cross-cultural and international research on any aspect of its social responsibility agenda, to improve knowledge by such research and to disseminate such research globally.

2. Strategy

The strategy to accomplish the mission will be based on:

- The exchange of research through of its website;
- The promotion and organisation of a series of international research conferences, ideally in various parts of the world and each under the leadership of a named individual;
- The production and dissemination of an academic journal;
- The production of such other publications as are deemed appropriate and for which sufficient funds exist:
- The promotion and organisation of a series of international visits and collaborations (depending upon funding) to work on special projects.

3. Organization

Membership of the network is open to anyone. It is a formally constituted organisation governed by this constitution and managed by an elected / nominated board. The management of the network will be delegated to this board, which will be supplemented by a general meeting, open to all members, which will take place at each conference organised. Membership of the board will consist of:

- One member elected at each general meeting, who will serve for 3 years;
- Each conference organiser, who will serve for 2 years prior to and 2 years subsequent to the conference organised;
- The journal editor.

The board may also appoint additional members as deemed necessary, and from its membership shall nominate a chair and a treasurer.

4. Financing

To achieve the mission, the SRRNet (via its board) will seek sources of funding and sponsorship. Additionally it will receive funding via the conferences and the sale of published material.

Chairs of the Network:
Professor Dr. David Crowther, De Montfort University, Leicester Business School, The Gateway, Leicester LE1 9BH, UK davideacrowther@aol.com
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Content

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Business Ethics: Old and New[1]

Tibor R. Machan[2]

Introduction

In this discussion my plan is briefly to address the topic of business ethics. One way the free market economy that's most suited to human community life is being attacked in our day is by way of a certain theory of business ethics. Take, for example, the recent book by Joseph W. Weiss, Business Ethics, A Stakeholder and Issues Management Approach[3]. It unabashedly treats the stakeholder approach as the proper ethics for managers of business enterprises. Which is to say, it rejects from the outset the idea that those who own a business have the moral right to have it managed so as to provide them with returns on their investment. On page 56 of this book, meant to be used in business ethics courses, a diagram shows who are the stakeholders of a business and among the 12 parties considered stakeholders, the owners are treated as equal to, say "Activist Groups," "Competitors," and "Government."

In its effects, this is an approach to business ethics that's indistinguishable from the basic idea of socialism wherein the right to private property is abolished and only a feeble right to personal property—one's toothbrush or bicycle—is left. Given this backdoor attack on capitalism, it is important to provide a view of business ethics that rejects the abolition of property rights.

Business and its Reputation

Quite a few of those of who have been striving to understand the nature of commerce and business for most of their careers find it disturbing that so many people believe that the profession of business must be immoral or unethical or, at best, amoral. What supports this idea? Why is that the impression that so many people have about business?

Let's talk about ethics for a moment. It is concerned with answering the question, "How should I act?" Every one of us implicitly or explicitly asks this question—sometimes in very general terms, regarding how one should as a human being, sometimes more specialized,

[1] Some material in this essay is drawn from Tibor R. Machan, The Morality of Business, A Profession of Human Wealth Care (Springer, 2007).

[2] Machan holds the R. C. Hoiles Chair in Business Ethics and Free Enterprise at the Argyros School of Business & Economics, Chapman University, Orange CA 92676.

[3] Joseph W. Weiss, Business Ethics, A Stakeholder and Issues Management Approach (Mason, OH: Thomson South-Western, 2006).

for example, how one should act as a father, brother, friend, citizen, or member of one's profession. When ethics addresses one's profession, how one should act as a doctor, lawyer, educator, or business manager, it focuses mainly on that profession's unique problems. For example, medical ethics may concern whether health care people should tell the whole truth to elderly persons about their medical condition, whether to support cloning or stem cell research, or whether assisted suicide may be ethical. Those are some problems of medical ethics.

Business ethics focuses on, for example, the effort to prosper, to make enterprises profitable, or on how to deal with the temptation to take short cuts, how is one to decided about hiring and promoting employees, is outsourcing something morally objectionable, should one seek favors from the government, etc.? Those are some general questions that arise in the field of business ethics.

Now, one of the big problems with business ethics is that a great many people throughout history have been suspicious about commerce and business. It comes out, for example, in classic plays such as The Merchant of Venice; or in modern ones, such as Arthur Miller's Death of a Salesman; it shows up in many Hollywood movies, like Wall Street, Glengarry Glen Ross, or Erin Brockovich. It also comes through in many popular novels, for example The Jungle, by Sinclair Lewis, and The Pelican Brief, by John Grisham, where characters engaged in profit making are immediately under suspicion and usually given a suspicious moral identity.

Why is this so? Why has the profession of business fared rather poorly when it comes to its moral reputation, at least at the hands of those who fashion a culture's moral climate?
Let me revisit medicine for a moment as I attempt to answer. It is best understood to be involved in providing us all with ways to thrive in the physical aspects of our lives. Doctors, nurses, and other health care practitioners are all concerned with making us better off physically. What people in business do isn't much different from this. They are working to improve on economic well being. They are trying, with their efforts, their special skills and aptitudes, their understanding of markets and entrepreneurship, to contribute to our economic well being, to help us profit or to prosper.

I use the word "prosperity" instead of "profit" because the former term hasn't gained such negative connotation as the latter. Indeed, those in the profession of business are best viewed as specialists in enabling us to prosper. We expect that stockbrokers, investors, company's CEO and the rest provide professional expertise so we can gain some measure of prosperity. But why is that held in low moral esteem?

A Legacy of Low Moral Standing

The answer goes way back to such influential figures as Plato's Socrates who in the ideal state he imagined, the famous Republic, presumed that the tradesman, the merchant would be the lowest member of society. In fact, according to Plato's version of Socrates, a person professionally engaged in trade and commerce could not live a noble life. What he or she did was, instead, ignoble. As Socrates says in Book VI, "many are thus attracted by [philosophy] whose natures are imperfect and whose souls are maimed and disfigured by their meannesses, as their bodies are by their trades and crafts...." Such persons live a lowly life, one that at its best is but a necessary part of society, certainly not admirable. To embark on profit making was construed as demeaning by Plato and many of his followers, even, to some extent, by Aristotle.

During the Christian era, too, there has been a lot of criticism of business and of retail trade. To begin with, the one time Jesus, the Prince of Peace, became violent was when he angrily chased the money lenders from the temple. Surely there were other sinners near and in the temple, not only people who confused the temple with a place to do commerce but, significantly, he concentrated on the money lenders. There are many, many passages in the Bible that cast a shadow over wealth making, over trying to profit in life. The good book proposes that there is a conflict between trying to save your soul and at the same time live a profitable, economically successful life.

Skipping to the modern era, perhaps the most influential moral thinker has been the German philosopher Immanuel Kant. Kant was perhaps more influential in our understanding of morality, both in the academic and the general community, than anyone else. Only Aristotle comes close but he was a very different kind of ethical philosopher whose work was lost to the West for a long spell of time. And today moral philosophy is mostly being guided along lines developed in the philosophy of Immanuel Kant.

The unique thing about Kant's position on ethics is that according to it if one is a morally or ethically good person, it isn't because one is being impartial, not seeking any goal at all, certainly not because being morally good contributes to one's happiness, well being, or success in one's life. That is exactly the opposite of what Aristotle thought for whom ethics was supposed to guide one to a successful human life. It was supposed to lead to eudaimonia, which means one's "good self," and there are a number of virtues that are supposed to assist us in this pursuit.

In Kant, in contrast, ethics is not supposed to have anything to do with succeeding as a human being in life. It is supposed to have to do with certain pure ideals or duties that have no bearing on specific consequences, goals, or benefits of any kind. One's ethical motivation is supposed to be completely devoid of concern with practical consequences.

There's an expression in English, namely, "It's the thought that counts," which means that one's intentions are what is most significant from "the moral point of view," not what one has accomplished. What counts is the purity of one's motive and this purity is achieved only if one lacks any personal interest in what one is doing, if one does something entirely out of a sense of duty.

Now this is very difficult to reconcile with commerce and the profession of business. It appears to be possible to reconcile it with art, science, education, or medicine because they can all be viewed as disinterested service activities or professions, ones that help others, not oneself. But it is not possible to reconcile the impartial attitude about what one is doing with commerce or business because few if any in business can pretend not to be interested in beneficial consequences—in profit. It is true, at least, that one aims in business to provide oneself with the opportunity to choose to what end one's resources will be contributed. One's own interest, in at least that sense of what we considers important, will be at the center of what commerce and business is all about.

Anyone serious about any arm of business—whether a CEO, a CFO, a personal manager, an advertiser or accountant—one carries out tasks that produce valuable, beneficial consequences or at least consequences that one will have a decisive say about. If any such action is devoid of moral merit—if any such action is ipso facto irrelevant to one's moral character—that basically means that the profession of business is devoid of moral standing. It cannot have moral significance except in the rare case where an agent seeks profit entirely disinterestedly, impartially. Not even Bill Gates or Warren Buffet would qualify, despite their huge contributions to charity and philanthropy. Certainly by this Kantian outlook on ethics, people in business cannot gain moral credit for being competent, conscientious, and successful persons in the profession of business. Why? Because the profession of business is inherently concerned with leading to good consequences, to profit or to prosperity—the bottom line!

Why Business Gains No Respect

Now what has happened over the years in light of this influential ethical view by Immanuel Kant—which is very much a part of moral teachings in most universities, in most ethics courses, and courses in applied ethics or morality—is that business ethics is viewed as an virtual oxymoron. All discussions of the discipline tend to start off with this default position, namely, that Kant is substantially right.

A very attractive aspect of this Kantian stance is the that the only important thing about morality is that one must act in a principled, dutiful way, never mind what results one produces. So there is plausibility in Kant that resonates with many people: if you are moral, you don't think of anything else except acting on principle. This is what the word "integrity" often signifies. A person of integrity is someone who is only interested in making sure that the ideals one accepts are sound. Never mind what they are supposed to accomplish. (Their soundness is, of course, a complicated issue and upon close scrutiny, the Kantian idea looks like an impossible, even empty, idea!)

What are the ways in which all this has had a very terrible effect on business? One is that the profession that studies business most systematically—economics—has completely avoided moral problems. This despite the fact that Adam Smith, the author of The Wealth of Nations, which was published in 1776 also wrote a book, The Theory of Moral Sentiments, that is steeped in moral philosophy. Smith, who is credited with having founded the science of economics, was actually a moral philosopher. Yet, many economists who followed him, including those in our own time, completely reject any connection between ethics and economics. For them, everyone is what is a homo economicus—meaning, everyone acts primarily to satisfy one's desires. When one acts, even when sitting here listening to me, the economists basically says, "what you are doing is you are satisfying your desires."

Oddly, Kant actually shares this view as far as how people overtly behave. Where Kant differs is that he is concerned with what we ought to do in our minds, as far as our will is concerned, because the mind is the only free agent. Our bodies are fully subject to the laws of mechanics.

Kant's position also carries with it the view of human behavior that it is fully determined, with no room for agency; in other words, we are not really free to choose our objectives, we are not really free to decide what we will do in life, we have a hard wiring that drives us to maximize this desire satisfaction or to use the more technical term amongst economists, to be what many economists call a utility maximizer. Utility maximizers always—indeed, they must—seek to enhance what is important to them in life. As the late George Stigler, a Nobel Laureate in economic science, said, ". . . Man is eternally a utility-maximizer—in his home, in his office (be it public or private), in his church, in his scienti¬fic work—in short, everywhere[4]." So human beings are what amounts to robots engineered to pursue profit; we are all like this and there is nothing we can do about it—that's our nature. In fact the word "motive" comes from motion, suggesting that we are being moved to act like this and there is no choice in the matter.

Dodging Ethics via Economics

Economists thus have avoided the issue of whether seeking to prosper, pursuing profit is ethical, morally justified. Since there is nothing we can do about such a built in motive, it is neither ethical nor unethically. It is like breathing or the beating of one's heart. It's all involuntary. So according to most economists, people engaged in commerce and professionals in business we can't help the way they are. We must all pursue profit.

One implication of this idea is that one doesn't have to give a moral justification for being a profit seeker. If it is something one has to do, then one needs no warrant for it and no one can be criticized either. In this way in professional economics has lifted the burden of moral justification from business, unlike professions such as medicine, education, science, and

[4] George Stigler, Lecture II, Tanner Lectures, Harvard University, April 1980. Quoted in Richard McKenzie, The Limits of Econo¬mic Science (Boston: Kluwer-Nijhoff Publ., 1983), p. 6.

the arts, whose members can always be asked, "Are you doing the right thing?" Business can reply that this kind of question is irrelevant because we just do what we have to do—there is no if or but or anything about it. It is just the way we are.

And in the modern age there is a great deal of support for this. Every day one learns of research that explains our behavior by reference to our genetic make-up. So we are being driven by our genes; we are driven by our DNA; there is no choice in what we do. There is intellectual support, even scientific support that this amoral perspective on human life, especially in business, gains in the modern era. Unfortunately for economists and for those who view this and want to study it, morality is really not escapable. You can't dodge it. You can create all sorts of models of human behavior as to why we are driven to pursue profit—the fact is that now and then, we do make choices. That is inescapable because choice is involved even in discussing choice. For example, you could be listening to me and saying, "Machan is not treating this subject rightly or properly or intelligently", and then you are criticizing. Whenever you criticize, not just an intellectual opponent, you're assuming that that person has a choice about the matter about what is being said or being done. In a way, even though some scientists have tried to escape the moral dimension in human life, leave it behind, not have to worry about people like Aristotle and Kant and moral citizens, it keeps coming back. Whenever there is an election, whenever people worry about politics, whenever they worry about international relations, whenever they worry about conduct of their friends, or their spouses or their children, morality comes right into the picture.

So while at a professional intellectual level, the idea of escaping morality is very appealing, in a every day practical level, it can't be done. We are always involved in it. You are nearly always looking at other human beings judgmentally. Even when you say "don't be so judgmental" you're criticizing someone for being judgmental. It's almost inconceivable that human life can be viewed without reference to values, standards, moral principles. It keeps coming back; that's one of the reasons of course the field of business ethics as well as many other professional ethics like engineering ethics, legal ethics, medical ethics is at the forefront of our educational concerns. We do, in spite of the fact that we have one discipline that dismisses morality and other disciplines that focus on it very intensely. What can we do if there is really a moral dimension to human life including the life of those in business—what can we do?

Replacing Kantian Ethics

If Kant is our best candidate, if indifference, impartiality about life, not caring about anything, is the moral ideal, you have to reject. That is simply not a viable, ethical perspective for human life. We have to return to the Aristotelian perspective with which some modifications (after all Aristotle lived 2500 years ago) his ideas about how human beings should live have to be improved and updated. But at least the right tone—the proper focus—the focus is how should I live my life, including all the dimensions of it, among which an important one is the commercial, economic dimension.

Here is where one would have a more positive view of business starting with a fundamentally Aristotelian ethics, assuming, of course, that this ethics is sound. By Aristotle's ethical system striving to prosper is part of a good life, just like striving to have good health, education, aesthetic experiences and so forth. A life lived guided in part by the virtue of prudence would make it entirely moral to embark upon commerce and to take up the profession of business.

Life is to be guided by ethics, by a moral standard, so that it amounts to a successful undertaking, a good life. That's the Aristotelian approach. That is the approach that should be taken by business ethics as well. Instead of complaining that business is too much focused on satisfying ourselves, on striving for prosperity, in this framework it can be understood that that's a perfectly legitimate function of business specialists in a human community, namely, to focus on how individuals, groups, and the entire community in general can prosper.

So instead of rejecting morality, economists and those in business whom the economists study need to take a look at that profession and say, "Look, you can be an upright profession like medicine or education or science is." The question then can be raised, how does one carry out commerce and business ethically, how to do these properly, rather than dismissing business ethics as an oxymoron.

Law is no Substitute for Ethics

It is because the questions of ethics are not asked in the business community very often, since the economists have dismissed morality from business, that all the problems with corporate mismanagement arise—corporate malpractice, business misconduct. The reason is that those in business, when they go to business school, they are basically not given any awareness that their profession requires ethics. Instead what they are told is that their profession requires being tamed, regulated by the government. So they are only concerned with whether they are doing what is legal. They are concerned mainly with whether they are aligned with the law, with the regulators, with the regulatory edicts. So when a decision is made, the first question isn't "Is this morally right?" "Is this proper?" "Does it meet with the standards of a business ethics?" No, the question is, "Can one get away with it without provoking the regulators or the department of justice?" or "Is it possible to achieve these business objectives without running afoul of the law?"

The law and regulations varies constantly, from state to state, from country to country, from community to community, and there is no fundamental stability here. It depends on who is in charge, and in democracies, what the majority believes. It depends on who has the greatest persuasive powers—best lobbyists—in the political arena, and so government regulations are extremely variable—constantly moving from one to another objective, from one concern to another concern.

Accordingly, what corporations and businesses rely on with respect to their professional tasks is lawyers. That's why their legal departments are constantly increasing. That is why the lawyers can raise their fees. Because they are experts at telling managers in the business community what it is they can get away with. Managers are not concerned with what they ought to do but with what they are permitted to do. It is as if when you bring up a child, instead of worrying about whether one is a decent parent, one needed always to consult some legal authority in the community and ask, "Can I get away with giving this or that direction to my kid?" "Can I get away with not feeding the child, or with taking the child on a vacation?"

In the profession of business—as well as numerous other professions—one is always seeking the advice from legal experts rather than cultivating an ethical conscience. In broad terms, one's awareness of one's moral nature has been completely diminished by the community in which one lives.

CSR Begs the Question

This is especially true now in the United States, where in most cases when people go to business schools, they get their education from economists, and they are basically told that they are utility maximizers – these machines that are constantly seeking to profit. In a reaction to this approach, however, a kind of ethical outlook has surfaced. I am referring to the doctrine of stakeholder theory or the corporate social responsibility of business (CSR).
CSR is now being foisted upon the business community via classes and textbooks in business ethics everywhere, including business schools. But the very idea of it is highly question begging. It assumes business professionals have a primary social responsibility prior to doing their business successfully. Why should they have this social responsibility?

When one enters a profession such as education, science, art, engineering or agriculture, one isn't typically asked what is one's social responsibility. Mostly what is deemed important is whether one knows one's craft. There may be some talk of one's social responsibility at some point, or rather of what besides competent and conscientious service one might need to perform.

It is well understood that these areas of concern, such as education, science, agriculture, engineering, art and so forth are legitimate areas of any society (other than some in which an ideology or religion fails to sanction them). Why is that not the case with business? Why must businesses "give back to society"? Did they steal something from society? Did they rob society of something that they now need to return apologetically? Why must they be socially rather than professionally responsible? They have no left over obligation to give anything back, despite that cynical notion that at the beginning of every great fortune must be a great crime. Businesses engage in trade, exchanges, and in that relationship both sides need to give and receive. Anything else is pro bono, or philanthropy.

If one understands business properly, one realizes that the way that people in business earn their living is by succeeding in providing other people with what they want in return for agreed upon payment. So it is a entirely proper and decent exchange, an exchange where normally both parties come out ahead. They may not gain exactly the same value but both of them do reap greater benefits than losses, at least as they understand it all, otherwise there is no trade.

So just in the course of normal trade customers—members of society—are getting things back. In a crucial sense they are fulfilling their central "social" responsibility by fulfilling the promise to deliver good products and services to those whom they ask to pay for these products and services. Then, what about the social responsibility of business and of "giving back"?

Plundering versus Earning Wealth

The idea reveals, in fact, a crucial misunderstanding of economic life. It is, however, an "understandable misunderstanding" because up to 300 or 400 years ago, and in some parts of the world even today, the source of wealth has been conquest and luck. The wealthy were not like Bill Gates who delivers goods and services being invented, developed and produced at Microsoft Corporation for which then he is paid so that there is a win-win relationship not a zero sum game in play. In earlier times most wealthy people were conquerors. They robbed their wealth and in the long term memory of humanity a great deal of wealth-getting is still understood in these terms, namely, if somebody gains, someone else must loose.

A great many of non-economist intellectuals throughout the academic community and general culture actually still have this view. That's why they blame poverty on the rich, because they think that in order for someone to be rich, one has to have robbed the poor of something. Otherwise how could one become rich? There is no such thing as creating wealth or making money, there is only robbing and plundering.

This is a wide spread belief and in many cases throughout human history, it was correct, and it is still widely believed despite how obsolete the idea is in much of the contemporary world. It is a bad habit of mind that too many people embraced and so they look upon people in business who succeed as necessarily morality tainted.

There a number of factors that contribute to the bad reputation of business and that's one of the reasons when I get on these planes and I tell people what my profession is, they intimate that the concept "business ethics" is an oxymoron. They claim there can't be such as thing as ethics in business; after all, business is like the mafia—inherently crooked. How could you have a business ethics for the mafia? It can't be done any more than there can be an ethics of child molestation. Because business is supposed to be exploitative, unfair, rapacious and so forth, there can't be any ethics for business. Yet, that is not at all the way to understand it. It is not the way to understand business in the modern world, especially in largely free economies where the only way the customer and merchant can get together is if they choose to get together. The process of making a profit or achieving prosperity does not amount to the parties getting together at the point of a gun. They are not typically hurting each other as they interact. They are not combatants but cooperative members of society.

Business is Business

It is true of course—and this is often pointed out about business—that sometimes people wish that business were something other than what it is. Business is not an intimate family affair; it is not a club or one's team or fraternal organization. People who interact within the business world don't usually care, first and foremost, about each other's families, friends, or headaches. Instead, what is at stake is striking a prudent deal. Occasionally that can develop into a more intimate relationship, but largely people in business interact as strangers. They make voluntary use of one another.

When one goes to a grocery store and pays for groceries at the checkout, one rarely asks about whether the cashier's or proprietor's children are doing well, whether their lives are turning out well or badly, not at least as a first concern. And that is offensive to some people because they have a utopian vision of human's social life. They would like all communities to be fraternal organizations.

In my book, Revisiting Marxism—A Bourgeois Reassessment (Hamilton Books, 2006), I discuss that the kind of society that Karl Marx envisioned at the end of pre-human and beginning of genuine human history is akin to jam session with a jazz band. There everybody blows spontaneously without a director, without anybody telling anybody what to do, without any thought of external rewards as in a paying gig.

Now for small groups of people, embarking on loving tasks, that's possible. A friendly game of bridge or golf can be like that because all participants have intimate knowledge of one another. The problem is when you blow this up into a blueprint for a social system. Everything becomes askew because in large human communities most of us don't know each other.

Commercially we can interact because it is on a limited basis. That is so in medicine or even psychiatry. But as far as friendships, family, religious communities are concerned, for that we need intimate personal knowledge and connection and common purpose with all those involved. To try to make one into the other is a serious fallacy and to criticize business because it is not an intimate organization is to commit what in philosophy is called a category mistake. It is like criticizing a marriage for not being like a tango. A tango is a dance with perfect harmony and everything and marriage is too cluttered with all sorts of problems to be like a tango. If you use the model of the tango to criticize marriage, you will always find marriage lacking. If you criticize business as the model of an intimate association that you find in a club or a small group, like a convent or a monastery, you will always misjudge business. Business isn't like that.

From Commerce to Intimacy

One of the wonderful things about business is that people taking part in it don't need to know one another other intimately. They have the luxury of ignoring each other's personal lives as they interact. Most of us on most occasions do just that and then, once we are done, go home to take part in our several intimate, familiar groups.

When one goes out for lunch with somebody in the business world, there can, of course, be some perfunctory inquiries about family and friends, but mostly the agenda is business. That is how it is achieved. To ask more is to overload commerce or business with concerns and tasks that are extraneous to them.

So, accordingly, the ethics of business is not the ethics of family life. It is not the ethics of friendship. It is not even the ethics of an athletic team where members need to coordinate and act in unison much of the time. In some particular context of course—say, in the management of a company or a private firm—some elements of these smaller organizations may emerge. But generally speaking, business does not involve an intimate personal relationship.

That, by the ways, is why we can embark upon global business without having to embrace all of the cultural practices of those people we do business with. We can leave that aside. Sometimes there is a conflict, but most of the time, we can manage to be Muslim or

Roman Catholic or atheist or agnostic and still carry on with business. And this is actually a great advantage to most of us (except if we are missionaries aiming to convert everyone).

Of course, all those other spheres of our lives can quite often develop from commercial or business relations. That is why it is unrealistic to think of people in business—or, indeed, any other profession—as forbidden to ever form personal relationships with each other. One does often come to know others quite well through business transactions, at the office, in the market place, in the board room and one learns there that they're appealing, dependable, reliable, and responsible.

Health and Wealth Care!

Let me conclude by saying a little about a favorite idea of mine that compares business with medicine. Just like in medicine people talk about health care, it can be helpful to see business as wealth care. It is a humanistic way of understanding business instead of the way that promotes a kind of robotic endeavor by human beings where they have no soul or conscience only raw drives.

If one acknowledges this as the proper understanding of business, clearly the idea that business can be ethical will not appear to be oxymoronic. If commercial success is actually a legitimate goal in human life, though by no means the only or highest goal, then the question of how to carry on ethically, decently, can legitimately arise even though that is not at all equivalent to seeing business as some kind of social service profession as the promoters of the CSR doctrine would have it.

Consider that when one goes to the doctor and seeks help with one's health, it doesn't imply that health is one's only or primary concern in life. Most of us are interested in achieving goals way beyond our good health yet it is completely unobjectionable to be seriously concerned about one's health. The same way there should then be nothing ethically objectionable about people's efforts to care seriously about their wealth, their prosperity.

The profession that helps them do so, mainly business, should receive the appropriate respect—just like the profession that helps us care for our health, medicine, receives the appropriate respect. There should be nothing fundamentally demeaning about this. The saddest thing here is that too many people in the business world accept about themselves this negative view—that they are only being practical, realistic, the farthest thing from being concerned with right and wrong, with moral ideals.

Only when people in the business world themselves begin to acquire a measure of professional self respect and self esteem, will it become a live issue for them to stand up against those who would demean them.

The Realities about Corporate Social Responsibility Activities of Mobile Telecommunication Firms in Ghana

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Abstract

Purpose: The purpose of this paper is to throw light on CSR activities of mobile telecommunication companies in Ghana. The major and minor players in the Mobile Telecommunication Industry in Ghana all appear to believe that fulfilling their social responsibility is a way of keeping their customers and stakeholders satisfied and hence have recently embarked on massive investment to this effect. The purpose of this paper is also to suggest ways that these CSR activities can be guided and monitored by policy for the overall betterment of the Ghanaian society.

Design/ methodology/approach: The main method used is review of existing literature on CSR activities in Ghana and checking websites of all the players in mobile telephony industry in

Ghana . Literature review to derive research conclusions is applied.

Findings: The paper identifies CSR activities of all the major players in the Mobile telecommunication companies in Ghana as more of a strategic tool than mere philanthropic activities. Our investigation also revealed that there has been a surge in CSR activities in the telecommunication industry in recent years. However, these activities appear to have been mere strategic and marketing tool for gaining competitive edge rather than purely ethical and philanthropic motives.

Originality/value: The paper contributes to a better understanding of how CSR can be embedded into business organizations strategy in Ghana and Africa and suggest some ways of making CSR activities an integral part of Africa's development.

Application: The paper suggests strategic direction for corporate bodies with regard to ethical operation of businesses as well as policy direction for future government regulations of these bodies.

Introduction

It is universally recognized that Corporate Social Responsibility (CSR) has become an indispensable tool in the growth and profitability of businesses throughout the world. Accordingly, corporate managers now have the difficult task of balancing business priorities with that of CSR activities in the creation of successful businesses. CSR has become a blistering subject of western management community after several decades of arguments (Chen & Wang, 2011). Although, various schools of thought support the need for CSR, the debate continuous as there exist differences in opinions. Irrespective of the view point of the various schools of thought, it is concerned with some sort of social contract between corporations and society. This social contract implies some form of selfless behaviour – the converse of selfishness – whereas self-interest connotes selfishness (Crowther & Aras, 2010). It is obvious that CSR activities have an effect on both the internal and external environment within which the organisation resides. Although businesses recognize that CSR is of growing concern in contemporary globalised economy, there is no consensus on the specific CSR activities. The choice of these activities is mostly geared towards the fulfillment of corporate goals. The thinking being that it has become a strategic tool for companies to gaining competitive edge over rivals.

Literature has explored the impact of CSR on corporate performance, corporate image, and customer loyalty among others. However, most CSR research has been conducted in western countries. There are still relatively few studies published in the African context. For example a review of the CSR literature on Africa between 1995 and 2005 found that only 12 of Africa's 53 countries have had any research published in core CSR journals, with 57% of all articles focused on South Africa and 16% on Nigeria (Visser, 2006). This partly explains the reason why some companies in Ghana and other African countries hesitate in taking social responsibility due to lack of theoretical guidance, though the goal of these businesses is to provide value and incentive to its stakeholders.

Amposah-Tawiah and Dartey-Baah (2011) also maintain that CSR concept in Ghana has become synonymous to the mining industry where there appear to be more environmental and human rights concerns, with various interest groups calling for ethical, social and environmental responsibility from companies operating in the area. This notwithstanding, the stiff competitive environment in which the mobile telecommunication companies operate for strong customer base and superior customer satisfaction, places enormous demand on these companies to act responsibly towards the environment. Hence there is a great need for intensifying the amount research on CSR activities in Africa. Specifically, this paper explores CSR activities in the mobile telecommunication industry in Ghana.

Literature Review

The concept of corporate social responsibility (CSR) has dominated business, academic, political and social debate for nearly a century now. The main focus of this debate has been to address the question of what the proper role of business is in society. According to Chen & Wang (2011), the concept of corporate social responsibility (CSR) was first mentioned by Shelton in 1924 but as Carroll (1999) notes, the modern era of CSR began in the 1950s with Bowen's (1953) publication of Social Responsibilities of the Businessman in which the author set forth an initial definition of the social responsibilities of businessmen as: “It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (cited in Carroll, 1999: 269). Since then, the definition, perspectives, nature, scope and the impact of CSR activities on business performance keep changing with varying emphasis and conflicting results.

Perspectives on CSR can be said to exist on a continuum. On the one end of the continuum are those who argue that the job of business is to create wealth with the interests of the shareholders as the guiding principle. It is not the job of business organisations to be concerned about social issues and problems or to help in solving those problems. This perspective of CSR, based on the principles of the free market is exemplified in the views of Milton Friedman (1962) that: "Few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as they possibly can" (cited in Moir, 2001:17). Thus the one and only social responsibility of business is to use its resources and engage in activities designed to increase its profit so long as it operates within the law and engages in open and free competition, without deception or fraud.

On the other end of the continuum is the perspective that businesses owe a moral and ethical duty to help in solving society's problems whether or not they contribute to creating those problems and in cases where economic interests of business conflict with critical social demands, business interests must be moderated or sacrificed in order to fulfill basic social obligations. This perspective is exemplified in 2001 when 40 international drug companies under pressure from civil society groups and transnational activists' campaigns withdrew their suit to block implementation of a law in South Africa that would allow the government to manufacture or import affordable generic versions of patented HIV/AIDS drugs (cited in Florini, 2003). This according to Florini demonstrates that: "Increasingly, however, civil society groups are holding corporations to new standards of social responsibility that go far beyond existing legal requirements" (p2). Thus corporations that try to conduct business as usual ignoring negative social consequences and crucial social problems which society believes they can help resolve may find themselves the targets of activists' campaigns through national and international activist networks.

Between the two extremes, lie a plethora of terminologies, definitions and perspectives on the nature and scope of what is generally called corporate social responsibility. Waddock (2004) illustrates the definitional quagmire by cataloguing the terminology and ideas currently in use including: corporate social responsiveness, corporate social rectitude/ethics, corporate social performance, corporate responsibility, stakeholder approach/theory, business ethics and values corporate community involvement and corporate citizenship (p388). Moir (2001) also observes that the area defined by advocates of CSR as constituting the corporate responsibilities of businesses increasingly covers a wide range of issues such as plant closures, employee relations, human rights, corporate ethics, community relations and the environment. Moir (2001: 18) defines corporate social responsibility as: "… the continuing commitment by 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."

Other perspectives within the CSR spectrum is derived from, social contract, stakeholder and legitimacy theories. The social contract perspective of CSR is based on the idea that business organisations do not exist in a vacuum but must interact with their environment from which they derive their inputs and upon which they rely for the disposal of their outputs in their efforts to provide goods and services that society needs to survive and to develop. Business organisations, society and the general environment are therefore interdependent upon one another. Since the corporation only exists because of social permission, society is said to be able to legitimately demand that a corporation perform certain activities that the owners and managers do not wish to perform. The basic idea of corporate social responsibility according to Wood (1991) is that business and society are interwoven rather than distinct entities. Thus, business should not only act in a responsible manner because it is in its commercial interest, but because it is part of how society implicitly expects business to operate. Society expects lots of different things from businesses. As Carroll (1999: 275) notes, "Although they seem to be always expanding, they nevertheless exist as expectations "over and beyond legal requirements". The Business Impact (2000, p. 1.02) lists these social expectations as:

- to treat employees fairly and equitably;
- to operate ethically and with integrity;
- to respect basic human rights;
- to sustain the environment for future generations;

• to be a caring neighbour in their communities

As Meehan et al (2006: 939) observe: “When organisation-wide commitment to robust ethical standards is deficient, due to a consistent focus on short-term profits across the value network, corporate legitimacy will likely decline”

However, as Moir (2001) notes, social contract theory could explain the initial motivation, it might not explain the totality of firms’ involvement. It might be regarded as part of the commercial benefit of enhanced reputation, but also links to gaining and maintaining legitimacy, manipulating society by diverting attention away from the issue of concern or changing external expectations about its performance. A business might undertake corporate social behaviour, because: the activity relates to the business primary or secondary activity and that there is a business return (Preston and Post, 1975) or business wishes to influence particular stakeholder groups. “There is a need to examine any particular corporate behaviour within its context and in particular to look for alternative motivations” (Moir, 2001:5).

Meehan et al. (2006) also maintain that adoption of corporate responsibility (CR) in the commercial world has been limited, to those areas offering economic gains, because scholars have not provided adequate conceptual resources to help managers integrate other aspects of CR into their corporate strategies and operations. The authors propose a 3C-SR model which aims at providing guidance on how to gain and maintain competitive advantage through “social resources” emphasising ethical and social commitments, connections with partners in the value network; and consistency of behaviour over time to build trust (p391). Meehan et al. (2006) conclude that consumers are adept at seeing through a veneer of credibility and demand long-term consistency of behaviour from organisations purporting to be socially responsible. Hence any strategy seeking competitive advantage by leveraging social resources will not succeed unless those resources are the product of a coherent and sustained commitment to widely accredited socially oriented business practices.

The stakeholder theory of CSR was popularized by Freeman (1984) who sees the firm as a series of connections of stakeholders that the managers of the firm attempt to manage. He defined a stakeholder as “any group or individual who can affect or is affected by the achievement of the organization's objectives” (p. 46). The main proposition of the stakeholder theory is that corporations have more extensive duties to key stakeholder groups like employees, communities, customers, suppliers, and society as whole, than is strictly required by law. However, as Fontaine et al. (2006) pointed out, "The definition of a stakeholder, the purpose and the character of the organization and the role of managers are very unclear and contested in literature and has changed over the years" (p4).

Supporters of this perspective like Gibson (2000) for example, argue that shareholders are but one of a number of important stakeholder groups. "In the same way that a business owes special and particular duties to its investors…it also has different duties to the various stakeholder groups" (Gibson, 2000: 247 cited in Heath & Norman, 2004: 2). However, Heath & Norman argue that this idea of "shareholders as just another stakeholder group" is not one that underlies corporate law in most market economies. In corporate law, shareholders are given preeminent status as the owners of the firm. In effect, the shareholders have the right to treat the firm as a vehicle to maximize the return on their investment. Using the example of Enron, Heath and Norman argue that "Stakeholder theorists have underestimated the extent to which shareholder interests and shareholder control are crucial to furthering the interests of other stakeholders of the firm" (p2).

The above position was first highlighted by Carroll (1979) who argued that among the four types of social responsibility of businesses which he identified, the economic responsibility was the preeminent one upon which all the other responsibilities depend. Carroll's pyramid of CSR depicted the economic category as the base (the foundation upon which all others rest), and then built upward through legal, ethical, and philanthropic categories arguing that without economic responsibility, it would be impossible to take other responsibilities. Carroll (1999) insists that economic viability is something business does for society as well, although we seldom look at it in this way and for CSR to be accepted by the conscientious business person, it should be framed in such a way that the entire range of business responsibilities is embraced. As Lord Sieff, the former chairman of Marks & Spencer plc rightly pointed out: "Business only contributes fully to a society if it is efficient, profitable and socially responsible" (cited in Moir, 2001).

The modern view of the firm ascribes to the idea that it is in the enlightened self-interest of business to undertake various forms of CSR. In this view, CSR is thus seen as a strategic management and marketing tool. The idea here is that business benefits from being more socially responsible and that this can help to build sales, the workforce and trust in the company as a whole. The objective is to build sustainable growth for business in a responsible manner (Moir, 2001). CSR is said to improve the company's profitability and financial performance (Van der Laan et al., 2008; Ruff et al., 2001), create customer loyalty (Mandhachitara & Poolthong, 2011), and enhance firm reputation (Chen and Wang, 2011) and contribute to the continuing health and growth of business (CCPA, 2000).

Galbreath (2008: 116) explored how corporate social responsibility (CSR) can be effectively built into firm strategy. The author observes that in crafting its strategy, strategic managers must endeavour to build CSR into the six key areas of strategy – the firm's mission, strategic issues, markets, customer needs, resources, and competitive advantage. When assessing market segments strategically for example, the "social dynamics" variable will include "the underlying expectations that a given market segment places on the role of business in society currently or possibly in the future" and must reflect the potential changing nature of societal expectations.

According to Amponsah-Tawiah and Dartey-Baah (2011), due to low per capita income, weak currency, capital flight, low productivity and low savings among others, CSR activities in Ghana are spearheaded by large scale multi-national companies. The question here is, is CSR undertaken by corporations in Ghana especially the telecommunication firms a mere business strategy for amassing profit and yet presented as socially responsible acts directed at improving the lot of needy Ghanaians so as to conceal the real social problems created by their activities or are these genuine efforts at helping in the development of the country? How can these organisations whose operations are key to national development but who adopt unethical business practices that are a danger to society and inimical to national development adopt a wholistic approach to CSR that promotes corporate objectives as well as community and national development in an ethical manner?

CSR Activities of the Telecommunication Firms in Ghana

Five main telecommunications firms are currently in operation in Ghana – MTN, Vodafone, Tigo, Airtel and Espresso all of which are involved in a variety of CSR activities and projects in communities throughout the country. This telecommunication industry has its own unique characteristics compared to other industries. The industry is deregulated, the business environment is highly competitive, and there is constantly mounting calls for improvement in services.

MTN Ghana, the largest telecom firm operating in the country for example, conducts its CSR activities through the MTN Foundation established in 2007 among others “to enhance socio-economic development in our operating areas” (:info@justmeans.com). The MTN foundation in Ghana has focused mainly on Education and Health. Through its flagship project, MTN foundation refurbished the second floor of the labour ward of the Korle-Bu Teaching Hospital’s Maternity Block at the cost of $600.000. MTN Ghana has also been engaged in building schools for basic education and implemented a scholarship scheme from which 1000 people have benefited. Mr. Michael Ikpoki, the CEO of MTN Ghana maintains the foundation’s activities were driven by business decision aimed at sustainability than a mere publicity stunt or a gimmick.

Vodafone Ghana has also been involved in a number of philanthropic deeds aimed at providing certain needed services to rural communities across the country. Notable among these is the commission of 20 boreholes in 12 water deprived communities and institutions. Vodafone has also launched its 24 hour health helpline that aims at providing round the clock health advice to all Ghanaians. “CSR- the Vodafone way” also includes the provision of free medical treatment for a number of needy afflicted Ghanaians through its TV programme, “Health Line”. In education, Vodafone has contributed close to GHs30, 000 to a number of educational funds of traditional councils across the country. The company recently launched its “World of Difference” project, an initiative to provide ordinary Ghanaians the opportunity to contribute their skills to community development projects of their choice. The community impact programme gave 20 Ghanaians the chance to offer their time, skills and experience to make a change in a charity they are passionate about with Vodafone paying their salaries and allowances for two months (http://csrdaily.csrafrica.net). Also, through its community assistance programme, the company has also helped light up the street of the Kwame Nkrumah University of Science and Technology under the street lighting project valued at GHs 50, 000 (Vodafone Sustainability Report, 2010).

Airtel Ghana, the rebranded Zain, has also joined the CSR band wagon in its bid to establish itself as the fastest growing and the preferred brand. Airtel recently signed a memorandum of understanding with the Ministry of Education to support deprived public schools in the country as part of its school adoption CSR initiative. A pilot project of the scheme has seen Airtel refurbish a community primary school in the Western Region as well as donation of teaching aids, furniture, school uniforms and footwear for the students. Airtel also donated items worth GHC5, 000 to children of an orphanage in Frafraha in Accra. Airtel staff also adopted all 37 children of the orphanage to make regular contributions towards their upkeep (http://accra-mail.com). Tigo Ghana has also launched a new CSR project under which it will support four social entrepreneurs to fight for the rights of children in Ghana.

It is clear from the above discussions that almost all the telecommunication companies operating in the country are engaged in one form of CSR activity or the other. It is no denying the fact that the various telecommunication companies have strived to display their social responsiveness towards the Ghanaian community. However, as Yeboah (2010) notes, these companies have not significantly helped the country in finding solutions to the country's development challenges and consequently fighting chronic poverty. Indeed, the mobile telecommunications firms have worsened the lots of most Ghanaians by charging exorbitant fees for their services without any substantial improvement on service delivery to some remote parts of the country. It is therefore no exaggeration to say that these telecom companies are contributing to poverty in the country rather than alleviating or eradicating it. Further, all the mobile telecom firms are increasingly accused of indiscriminate siting of telecom masts throughout the country in close proximity to residential housing and markets posing potential health hazards for local communities due to emission of cancer causing toxins. One wonders what the true motives of these commendable CSR projects are. The answer could be found in one of the objectives of the MTN CSR Foundation namely: "To enhance the MTN brand in all operating areas of community development" (info@justmeans.com).

Besides, the laudable CSR initiatives by Vodafone are at variance with its recent retrenchment exercise that rendered nearly two thousand employees jobless. Does Vodafone's idea of CSR not include the interest of one of its most important stakeholders - the employees? According to the stakeholder theory (Gibson 2000), just as business owes a duty to its shareholders to make profit, it also owes a duty of care to other stakeholders like employees and their families. “Even though downsizing was part of the Sale & Purchase agreement (SPA) signed by the government of Ghana and Vodafone PLC, the way management went about it has aroused some resistance from stakeholders – the local and national labour unions and the minority shareholder, government” (GNA, 21/09/2009). Thus although the mass retrenchment was in the interest of efficiency and profitability, Vodafone should have taken the interest of employees into consideration and implemented measures to at least limit the number of those laid off or provided a better exit package. Are these recent so-called socially responsible projects only mere publicity stunts aimed at correcting Vodafone’s public image that was somehow damaged as a result of the mass layoffs?

Strategy Implications and Policy Directions

The contributions of multinational companies especially the telecommunication firms operating in the country are enormous. The ever-increasing globalisation of the free market economy with its emphasis on profit maximization, and the continuous negative impacts of their activities on host economies, mean that these companies should augment efforts of government in fighting poverty and not be concerned only with their profit-making agenda. The following issues need to be given careful strategic considerations by the telecom companies if they are truly serious about contributing to the development of this country: (1) Improvement of service delivery; (2) Reasonable pricing of services; (3) Doing business in an ethical manner by taking the health implications of their telephone masts into account when siting such devices; (4) Treating employees and other stakeholders in an ethical manner; (5) Demonstrate consistency in their CSR activities; (6) Engaging in CSR activities that have real impact on people’s lives rather than those meant for mere publicity; (7) Weaving CSR into the strategy making function of the firm considering the six key areas of strategy (Galbreath, 2008).

It is evident that various institutions and civil society groups are increasingly mounting pressure on telecommunication companies in Ghana for improve services as well as act responsibly. For instance, communications experts in Ghana have vehemently called on the government, as a matter of urgency, to set up a National Corporate Social Responsibility (CRS) Framework, to define parameters for CSR in the country”, (http://www.modernghana.com/news). According to Yeboah (2010:1) “The lack of easy blueprints for examining the responsibilities of companies does indeed point to the need for a critical consideration”. The time has come for government to act proactively in ensuring that these companies operate within the confines of the laws regulating their operations. Companies should also be concerned with the quality of life of their employees and the general wellbeing of the communities in which they reside and this should form part and parcel of their CSR agenda. It will therefore be worthwhile to conduct empirical investigation into the activities of these corporate entities to examine the extent to which these CSR activities are impacting the lives of ordinary Ghanaians and the ultimate growth of the organisations involved.

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Perceptions of Prospective Job Applicants on Corporate Social Responsibility Performance: ISE Corporate Governance Index Companies in Turkey[5]

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1. INTRODUCTION

Today's organizations are naturally more competitive with each other for qualified employees. Because nowadays their market or general performances are directly depend on their intelligent capacity of work forces. Thus it is important for firms to become attractive for well-qualified job seekers. However little research has investigated the factors that influence applicants' initial attraction to a firm which in turn influences their decision to interview with the firm (Barber & Roehling 1993, Gatewood, Gowan & Lautensclager 1993) According to signal theory; the applicants have incomplete information about organizations, they interpret information they received from outside the organization. Logically, the individuals use the information obtained from a recruitment source to decide whether or not to pursue possible employment with an organization. Thus those signals and information about organizations determine the job choice decision and set attraction of organizations.

Researchers mentioned that organization's social responsibility performance and programs may attract potential applications serving as a signal of working conditions inside the organizations. As also applicants' familiarity with firms may serve as a signal of firms' suitability as employers with more familiar firms considered more attractive (Luce, Barber & Hillman 2001) Schollars also suggested that initial applicant attraction to a firm is based on

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perceptions of the firm's image, which is thought to be influence by the firm's corporate social performance (Fombrun& Shanley 1990). As also some evidence suggested that firms with higher social responsibility performance are perceived as more attractive employers than firms with low social responsibility performance (Turban & Greening, 1997).In this framework social responsibility performance rates or scores emphases working conditions which in turn provide organizational attractiveness among job candidates. Thus it is assumed that corporate social responsibility has influence on job seekers in job application process (Turban & Greening, 1997, 2000, Luce, Barber & Hillman 2001, Backhaus, Stone & Heiner 2002). For example, certain companies such as IBM, General Motors and Microsoft are sending out brochures to prospective applicants promoting their companies philanthropic and environmental programs, indicating that some firms are using social responsibility as recruitment tool (Turban & Greening 1991, 2000).

Building on existing studies suggesting that corporate social responsibility is important in the applicants' job choice decision process; this study investigates that whether better social responsibility performance may provide a large pool of candidates or high social responsibility performance is positioning organizations to be the first choice of prospective job applicants or giving preference to firms. Thus we postulated that Corporate social performance associated with firm attractiveness among job applicant by mediating effect on firm familiarity.

2. Theoretical Background

Corporate social responsibility (CSR) can be generally defined as the organization's responsiveness to the needs of its stakeholders (Wood, 1991). A stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization's objectives (Freeman 1984). CSR is significant for companies because it influences all aspects of a company's operations and its relationships with stakeholders. Crowther and Rayman-Bacchus (2004) supports this argument by indicating that an organization should be accountable to a wider audience than simply its shareholders. Another definition of SCR by Werther and Chandler (2011) is that a view of the corporation and it role in society that assumes a responsibility among firms to pursue goals in addition to profit maximization and a responsibility among a firm's stakeholders to hold the firm accountable for its actions.

The definition of EU concerning CSR is:

"… *a concept whereby companies integrate social and environmental concern in their business operations and in their interaction with their stakeholders on a voluntary basis*"

The definition of World Business Council for Sustainable Development:

"…the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community an society at large to improve their quality of life."

According to the definition of ILO World Commission on the Social Dimension of Globalization CSR is:

"…concerned with treating the stakeholders of the firm ethically or in a responsible manner."

All of the definitions mentioned above agreed that CSR is naturally and completely behaving ethically on a voluntary basis, for the interest of all stakeholders. CSR is a social and environmental issue and the voluntary initiatives that enterprises undertake are over and above their legal obligations.

A central purpose of our study is to determine the role firm familiarity plays in the relationship between corporate social responsibility and job applicants' perceptions of organizational attractiveness.

The results of Gatewood et al. (1993) and Turban and Greening (1997) are suggestive of the importance of familiarity as a contributor to organizational attractiveness. To date, however, we have found no studies that have explicitly assessed the relationship between potential employees' levels of familiarity with a firm and attractiveness of its employment image. Gatewood et al. and Turban and Greening restricted the firms being rated in their studies to those with which respondents were (or were likely to be) familiar and, therefore, did not measure respondents' overall level of familiarity with the firms they were rating. During the actual employment process, however, firms with which candidates are less familiar are included in the pool of employers attempting to recruit applicants, as are those firms with which the applicant is more familiar. If familiarity serves as a signal for job applicants regarding organizational attractiveness as an employer, then the level of an applicant's familiarity with a firm is an important variable to include in our theoretical models in this area of research.

3. Methodology

3.1. Sample

In order to investigate whether a firm's corporate social responsibility is a determinant for their job choice decision we followed Turban & Greening, (1997) procedure. We accepted Uludag University and Anadolu University Faculty of Economics and Administrative Sciences senior class 500 students as prospective job applicants. We sended 500 questionnaire to faculties however 460 usable questionnaire is returned. The 78 percentage of respondents' age is 20-23 and 53 percentages of them female.

3.2. Measures

Corporate social responsibility (CSR)

The CSR construct has evolved from Bowen's (1953) early work on the social responsibility of the businessman and Davis's (1973) essay on the pros and cons of corporate social responsibility (CSR); to Carroll's (1979) CSR model of economic, legal, ethical, and discretionary domains; to Wartick and Cochran's (1985) addition of "issues management"; to Wood's (1991) seminal, multilevel, theoretical framework of the principles, processes, and outcomes of CSR. More recently, Mitchell et al. (1997) looked at one of Wood's (1991) three processes of CSR (i.e., stakeholder management) and suggested that power, legitimacy, and urgency are associated with the "salience" of firm stakeholders. Rowley (1997) advanced our thinking to include a network perspective on stakeholder management as part of Wood's larger CSR model. In consequence based on different multi dimensional approaches about corporate social responsibility conceptualizations, various measures have been used for measuring CSR (Carroll 2000). Rowley and Berman (2000) reported that corporate social responsibility have been measuring at least fourteen different way thus it was difficult to find out consistent and comparable results among research findings.(Rowley and Berman 2000)

CSR disclosure measurement consists of content analysis of annual reports, letters to shareholders, 10Ks,and a number of other corporate disclosures to the public as surrogates of CSR. Content analysis is employed to compare units of text against particular CSR themes in order to draw inferences about the organization's underlying social responsibility performance (Orlitzky et.al 2003, Abbott and Monsen 1979)A second approach to measuring CSR is the use of ratings such as Fortune magazine ratings of a corporation's 'responsibility to the community and environment' (for example, Conine and Madden 1987; Fombrun and Shanley 1990; Gatewood et.al 1993) ,Kinder, Lydenberg, Domini (KLD) ratings (Berman et al.,1999; Greening & Turban, 2000; Johnson & Greening, 1999; Turban & Greening, 1997) or CEP ratings (Chen and Metcalf 1980). On examining those researches we could notice that most research focuses on only 5 (employee relations, the natural environment, product quality, treatment of women and minorities, and community relations). Although these 5 dimensions are the ones most commonly used in CSR research, no empirical evidence has been presented to support the inclusion of these 5 dimensions over any others.

In this framework if we examining researches which were focused on CSR and Prospective employee relationship or attractiveness of firms to prospective employee under the concept of CSR, it was remarkable that authors accepted KLD index as social responsibility indexes. (Turban & Greening, 1997, 2000, Luce, Barber & Hillman 2001, Backhaus, Stone & Heiner 2002). KLD collects information regarding firms on five primary corporate social responsibility dimensions: community relations, employee relations, diversity issues, product issues, and environment issues. The KLD rating scheme has been tested for construct validity by Sharfman (1996) and has been found to be one of the best measures of corporate social responsibility to date.

On the other hand, no academically or practically acceptable social responsibility ratings like in foreign countries exist in Turkey. Thus we accepted Istanbul Stock Exchange Corporate Governance Index listed companies (28 companies) which are ranked according to their corporate governance rating scores as companies that have high social responsibility scores.

"ISE Corporate Governance Index (XKURY) is the index in which companies applying Corporate Governance Principles are included. XKURY aims to measure the price and return performances of ISE listed companies with a corporate governance rating of minimum 7 over 10. the corporate governance rating is determined by the rating institutions incorporated by

Capital Market Board in its list of rating agencies as a result of their assessment of the company's compliance with the corporate governance principles as a whole.

Unfortunately in Turkey a social responsibility and sustainability index does not exist like KLD ratings. For this reason we accepted the stakeholder sub-section (which includes social responsibility performance) score of the companies as social responsibility ranking scores. ISE Corporate Governance Indexs' (XKURY) stakeholder sub- section covered by 7 parameters such as companies policies about stakeholder, stakeholders participation on corporate management, conserve company assets, human resource policies, consumer and supplier relations, ethic rules and social responsibility performance. Than we were implementing content analysis on KLD ratings and ISE Corporate Governance Indexs' (XKURY) stakeholder sub- section parameters. Based on content analysis we noticed that stakeholder sub- sections' seven parameters mostly covered KLD ratings five diementions. Thus we accepted and used ISE Corporate Governance Indexs' (XKURY) stakeholder sub- section scores as 28 companies CSR scores than we rate them according to their scores for reaching CSR ratings.

Firm Familiarity

We measured firms which were ranking on ISE Corporate Governance Index with the question "How familiar are you with this company?" on a 5-point scale ranging from completely unfamiliar to very familiar. Point values from 1 to 5 were assigned to their responses so that a higher score represented a greater degree of familiarity with the firm which method used by numerous researches (Turban & Greening, 1997, 2000, Luce, Barber & Hillman 2001, Backhaus, Stone & Heiner 2002).

Organizational Attractiveness for prospective job applicants

We want respondents rated the attractiveness of each organization as a prospective employer by answering question: "How attractive is this company to you as an employer?" Ratings were on a 5-point scale ranging from very unattractive (or very unwilling) to very attractive (or very willing). Point values from 1 to 5 were assigned to students' ratings on question so that a higher score represented a higher level of attractiveness or willingness applicant for a job.

Control variables

We included control variables such as measures as total assets, return on assets and profitability which variables used by other researchers.(Luce et.al 2001, Barber et.al 1999). We also take overall corporate governance rating scores of companies which were given in Istanbul Stock Exchange Corporate Governance Index to investigate attractiveness among prospective job applicants.

3.3. Analysis

Table 1 provides the descriptive statistics and correlations for all variables in our study.

Table 1 Descriptive Statistics and Correlations Between Variables For sample(28)

Variables	M	Sd	1	2	3	4	5	6	7
1.Familiarity	4	1	1						
2.Attaractiveness	3	1	.78***						
3.CSR	89	7	.38*	.15	1				
4.Profit 188507	395139	.33	.22	.28	1				
5.ROA	3	7	.19	.-07	.49**	.53**	1		
6.TAsset 3884342	40354	.56***	.43*	.37	.64***	.21	1		
7.Governance	84	3	.43*	.40*	.52**	.001	.-02	.23	1

*p<0.05, ** p<0.01, ***p <0.001

As it seen on Table there was a significant and highly correlation existing between firms familiarity and Attractiveness (r=.78, p <0.001) On the other hand corporate social responsibility and familiarity are lowly but significantly correlated with each other.(r= .38 , p<0.05) as also CSR correlated highly and significantly with Return on asset (r= .49, p<0.01) and Overall corporate governance score (r =. 52, p<0.01) . Results also show that Total asset is statistically significant correlation with firm familiarity (r =.56, p <0.001),and firm attractiveness (r =.43, p<0.05) on the other hand it was not existing any significant relation with corporate social responsibility.(r= .37, non significant) As expected Corporate governance is highly and significantly correlated with firm familiarity (r = .42, p<0.05), attractiveness (r= .39, p<0.05) and CSR (r =.52, p<0.01)Remarkable finding is Corporate social responsibility has low and significant relation with firm familiarity (r= .37, p<0.05) however we could not find any correlation between CSR and firm attractiveness.

Hierarchical regression was performed to analyze variable interactions. Hierarchical regression analysis with mean-centered variables was conducted (Kenny et al., 1998; Cohen and Cohen, 1983). Four conditions have to be met to in order to demonstrate mediation: (1) the initial variable (i.e. corporate social responsibility)should be related to the mediators (i.e. firm familiarity) (2) the initial variable should be related to the outcome variable (i.e. firm attractiveness), (3) the mediators should be related to the outcome variable(firm familiarity should be related with firm attractiveness) and (4) the association between the initial variable and the outcome variable should be reduced when the mediators are included in the predictive model. Based on this procedure we tested the hypothesis which was accepted that Firm familiarity has mediating role between Corporate social responsibility and attractiveness. Table 2 shows the findings of regression.

Table 2 Results of Hierarchical Regression

Predictors	Step 1	Step 2	Step 3
Profit	-.04	.102	.134
ROA	.113	.13	.22
TAsset	.497*	.356	.04
Governance	.32	.393	.138
CSR	.02	.15	.13
Familarity			.789***
R2	.42	.31	.68
AdR2	.28	.15	.584
F	3.044***	1.97***	7.09***

As it seen on Table 2 we could not met any conditions by no means of hierarchical regression conditions. Regression results only showed that Firms attractiveness mostly explained by firm familiarity and Corporate social responsibility has not any effect on this model. Thus we could not support our hypothesis.

4. Conclusion

Our results show that corporate social responsibility has not have any statistically significant effect on firm attractiveness to prospective job applicants. This result is part from similar foreign researches findings. (Turban and Greening 1997, Luce et. Al 2001, Backhaus et.al 2002) On of the reasons of this results should be the limitation of firm number .We were only included 28 well known company in to the our analysis however foreign research's which were investigated corporate social responsibility and attractiveness' to job applicants relationship mostly implementing their analyses on several firms (more than hundered). Thus as limitation of company number effecting results and this would be causing this unexpected result. And second reason will be the high educated unemployment rate of Turkey. Based on September 2010 data's of Turkish Statistical Institute , population of Turkey over 15 age is 52 718 000 and unemployment rate of this young population is 24.3 % and 26810000 individual could not included to workforce. Thus main problem of young populations in Turkey is unemployed and they are seeking job. While reviewing our firm sample it is easily seen that the 28 firms that were included to our study are well-known and have well reputation firms thus based on unemployment rates and our findings we could say that, a prospective job applicant here is senior students, corporate social responsibility is not the main determining factor for their job application; because finding job or attaining to working force, is the primary aim of the students. Thus they find attractive to firm according to their familiarity.

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Corporate Governance and Financial Performance in India: An Empirical Study

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Abstract

Corporate Governance is one of the most important indicators of a company's performance. In India, all listed companies have an entire section on Corporate Governance included in their annual reports. This is as per the recommendations of the Narayana Murthy Report, 2003. The purpose of the present study is to determine the impact of corporate governance score on financial performance of companies in India. The sample considered in the study is that of Nifty 50 companies and the sample period is from 2000 to 2009. The sample selection is based on the assumption that Nifty 50 Index is a true representative of all the major sectors of India. The study aims to find out the impact of corporate governance on firm performance through the computation of a corporate governance score. The capital governance scores to the companies are given as per the guidelines of Narayana Murthy committee report on Corporate Governance. The study undertakes the designing of corporate governance score and thereafter analyzes the impact of this newly constructed corporate governance score and 8 other relevant variable on financial performance (Tobin's Q) of Nifty 50 companies in India. Tobin's Q is essentially an indicator of firm's performance. In the regression model, Tobin's Q is the dependent variable. Net Sales, Profit After Tax, Net Fixed Assets, Inventories, Price-Earnings Ratio, Return on Equity, Depreciation, Earnings Per Share and the Corporate Governance Score as the independent variables. The analysis highlights that Corporate Governance Score, Net Fixed Assets, Profit after Tax, Price Earnings Ratio and the Return on Equity have a significant impact on financial performance (Tobin's Q) of companies in India.

Keywords: Corporate Governance, Financial Performance, Nifty 50

JEL Classification Code: C31, G3

1. Introduction

Corporate Governance can no longer be termed as an emerging issue. In today's scenario, it stands as one of the most important indicators of a company's performance. The days when a corporate used to be assessed only on the basis of its quantitative performance are over. In this globalised world, where organizations operate in multiple and diverse environments and risks are universal in nature, a qualitative analysis as well of firms has become quite essential. In this regard, corporate governance can be rightly said to be an important parameter to assess a company on.

Corporate Governance denotes a set of rules, regulations, and laws that provide the direction to and controls the manner in which a company operates. It provides the backdrop for relationship between stakeholders. A company's functioning affects both internal and external parties and they must be judged as per whether they are acting in the best interests of all such parties. Of late, the interest in corporate governance practices has enhanced. This may be attributable to failure of companies such as Enron. In 2002, the US government enacted the Sarbanes-Oxley Act that was intended to restore the shaken public's confidence in corporate governance practices. In the same way, in Europe the Cadbury Committee report includes the OECD principles of corporate governance[7]. In India, as per the recommendations of the Narayana Murthi Report, 2003, all listed companies must include an entire section on corporate governance in the annual reports. As India was exposed to globalization, there was a greater focus on meeting global standards and norms. Therefore companies try to retain best employees by providing them with global opportunities. Employee retention depends on how the organization is able to take care of specific needs[8]. Maintaining highest levels of transparency in customer interactions, with suppliers and even business partners ensures sustained long term relationship with each of these. This makes corporate governance quite significant as it is indicative of a company's relationship with its stakeholders[9]. Inadequate

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transparency and corporate governance standards are believed to be the major factors resulting in the 1997 Asian Crisis.

In a way, corporate governance results in lowering relatively the cost of capital by reducing the risk levels on one hand and enhancing the firm appraisal via the real investments[10] on the other. Effective corporate governance practices ensure superior resource distribution leading to increase in return to capital. Sound corporate governance may considerably diminish the risk of economy-wide fiscal crises. There is a significant converse association between currency depreciation and the superiority of corporate governance[11].

Indian business environment is characterized by the presence of crude equity market, basic market analyst action, dominance by family run businesses, history of top management-agency problems and a generally high level of corruption. These features make corporate governance a predominantly significant issue in India[12].

There is a growing need to align the interests of shareholders and the top management of an organization. This is the typical principle-agent problem that requires to be solved. Executive possession of a business's equity may have interesting insinuations for the firm value. Firm value shall probably grow as managerial ownership, as a percentage of total shares, increases till a point, and then it diminishes and finally rises again[13].

Efficient corporate governance requires a good legal mechanism in any country which shall ensure the protection of rights and interests of various investors and other stakeholders like creditors. Legal systems are also important for the protection of various other stakeholders such as creditors, suppliers, vendors, etc[14].

The main distinction among legal structures in relatively more advanced nations vis-a-vis developing nations is in the enforcement and not in the type of laws. How laws may be

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enforced plays a vital role compared to quality of regulations and procedures as adopted in the books in significant events such as the CEO turnover[15].

Despite substantial dissimilarities in the economic environment, legal and political histories, many Asian nations witness prevalence of family-run commercial businesses on a massive scale[16]. Also public sector enterprises and state owned companies play an important role in Asia, particularly China and India. Corporate governance practices in such state run firms are invariably substandard.

The enactment of corporate laws still stands as the foundation to the legislative and corporate governance system. In India, however there still exists much scope for further improvements and enhancement. Improvements are often essential for the enforcement of regulations, standards and procedures, for instance, those pertaining to listing of stocks in major exchanges, violations of the Company's Act and insider trading. Issues arise as a result of unsettled questions on jurisdiction issues and authorities powers of the SEBI.

2. Literature Review

In a pioneering study by Chakrabarti[17] on corporate governance in India, he finds the issue of governance of private corporations, huge majority corporate entities in India, is still unaddressed. Management-agency issue is less significant in many cases since control and ownership are usually not as divorced. Exploitation of minority shareholders however is a central issue. Improvement of guidelines, standards and regulations is a step towards the enhancement of corporate governance. Proper execution and implementation of such rules at the base level is what poses a major threat.

Good corporate governance policy shall result in several internal and external benefits being generated at multiple levels[18]. The firm is better equipped to avoid corruption at a managerial level and facilitates the enhancement of a firm values, meeting in an appropriate

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manner the interests of shareholders and mitigating financial and investment risks associated with individual projects and the organization at large[19] .

Black & Khanna, (2007) conducted a study share price fluctuations of companies associated with regulations moved and implemented in India. It concluded that while mid-sized companies reacted in a speedy manner faster growing firms which need external equity capital hence placed a greater emphasis on governance rules benefited relatively more[20] .

Attiya Y. Javed and Robina Iqbal[21] in order to examine the relationship between corporate governance and firm performance, develop a corporate governance index (CGI) as a proxy for firm-level governance quality with a variety of different governance practices adopted by listed firms. Tobin's Q is used as a valuation measure. The study finds a positive and significant relationship between the Corporate Governance Index and Tobin's Q supporting their hypothesis that corporate governance affects firm value.

Lawrence D. Brown and Marcus L. Caylor[22] focused on corporate governance and Tobin's Q using 2,327 firms based on 51 corporate governance provisions provided by Institutional Investor Services (ISS) as of February 1, 2003. They considered six performance measures from three categories: operating performance (return on equity, profit margin, and sales growth), and valuation (Tobin's Q), and shareholder payout (dividend yield and share repurchases). A broad summary measure of corporate governance was created, Gov-Score, which sums 51 corporate governance factors where each factor is coded 1 (0) if it does (not) represent minimally acceptable governance. The study finds ninety-five percent or more of their sample firms met at least one of five governance provisions, including no interlocks exist among compensation committee, and directors and the CEO serves on two or fewer boards of other public companies.

Mohanty, found his computed corporate governance index to be positively associated with financial performance measures like Tobin's Q and industry-adjusted excess stock

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returns. The same paper reports that the development financial institutions have lent money to companies with better corporate governance measures. In most of the work on corporate governance, a measure of financial performance, like Tobin's Q, is usually used as a proxy for corporate governance. However, Mohanty has developed a new measure of corporate governance and then made anattempt to understand the relationship of that corporate governance measure with some financial performance measure. He has defined Tobin's Q as the sum of market value of equity and book value of debt divided by the book value of total assets.

The Global Investor Opinion survey conducted by McKinsey (2002), over 50% of the respondents felt that 'corporate governance is equally or more important for a business'. Over 70% of the respondents were willing to pay 'premium' for the shares of a company following good governance practices. 78% of the investors felt that Good Corporate Governance enhances shareholder value. 56% respondents felt that Governance factors appear as important if not more, than financial issues in stock selection[23].

Between late November 2008 and early January 2009 a survey was conducted on, "The State of Corporate Governance in India: 2008"[24] by KPMG in India's Audit Committee Institute. Involving close to a hundred respondents who are well known CEOs, CFOs, independent directors and similar leaders, the poll revealed some interesting insights, views and position of corporate governance in India.

Leng, and Chang (2004), closely tracks the reasons behind the East Asian Crisis and concludes that the deterioration of investor confidence was a major factor behind the exacerbation of the financial crisis. Implicitly corporate governance practices would have a significant impact on share prices and hence are important while evaluating the financial performance of firms[25].

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[23] Brown, L. D., Caylor, M. L. (2004), "Corporate Governance and Firm Performance", http://papers.ssrn.com/sol3/papers.cfm?abstract_id=586423

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Maher and Anderson (1999)[26] identify the impact of corporate governance on both corporate performance and economic performance. The study explores effects a corporate governance framework may have on the development of equity markets, innovative and entrepreneurship and also on research and development activity and hence indirectly impacts economic growth. It also states that there can be 'no single model of corporate governance and each country has through time developed a wide variety of mechanisms to overcome the agency problems arising from the separation of ownership and control'. (Anderson 1999)

Standard & Poor's[27], September 2009 paper titled Corporate Governance and Market Value: Preliminary Evidence from Indian Companies examines the relationship between corporate governance and the firm level performance. For the analysis the CG score obtained is used as a proxy for firm level governance quality and select financial indicators/ ratios and Tobin's Q as measure of firm level performance. The study has used the fixed effect regression technique to empirically test the nature of relationship between governance score and market value as measured by Tobin's Q. Since stock prices move in accordance with changes in expectations about the future cash flows and the cost of capital, this is a forward looking measure of a firm's performance. In this way, a higher Tobin's Q indicates higher valuation by the market.

3. Research Design

The model developed has Tobin's Q as the dependent variable. The independent variables identified for the purpose of study include sales, return on equity, price earnings ratio, net operating profits after taxes, net fixed assets, inventories, earnings per share, depreciation and corporate governance score.

The dependent variable Tobin's Q is a ratio devised by James Tobin of Yale University. He hypothesized that the combined market value of all the companies on the stock market should be about equal to their replacement costs. Tobin's Q as a measure of stock valuation is the driving factor behind investment decisions. This is often considered as a better indicator

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[27] Alka Banerjee, S. G. (2009), Corporate Governance and Market Value:Preliminary Evidence from Indian Companies. Standard & Poor, report downloadable from http://www2.standardandpoors.com/spf/pdf/index/CG_and_Market_Value.pdf

of a firm's performance and hence has been taken as a dependent variable in this study to analyze the impact that corporate governance may have on it. We strive to see whether good governance actually has a significant impact on this measure of stock valuation.

The following are the independent variables employed in the study:

Sales: Sales directly boost the revenues and hence the profits enjoyed by the firm. We may thus conclude that it shall have a significant impact on Tobin's Q.

Return on Equity: The return on capital equity is indicative of what an investor shall receive for the entire amount of capital invested by a firm.

Price Earnings Ratio: A valuation ratio, the price earnings (PE) ratio, of a company's current share price compared to its per-share earnings. It is expected that there shall be a close relationship between Tobin's Q and price – earnings ratio which we strive to analyze through this study.

Net Operating Profit after Tax: NOPAT is a more accurate look at operating efficiency for leveraged companies. Profits after tax directly impact the amount investors earn and hence affect market capitalization accordingly.

Net Fixed Assets: Net fixed assets are the worth of fixed assets after accounting for depreciation. A company's asset base shall be indicative of its earning capacity and hence sales. Sales in turn may affect Tobin's Q and hence we have chosen it as an independent variable.

Inventories: Inventory represents one of the most important assets that most businesses possess, because the turnover of inventory represents one of the primary sources of revenue generation and subsequent earnings for the company's shareholders/owners. Earnings per Share (EPS): The portion of a company's profit allocated to each outstanding share of common stock. Higher the earnings, higher will be the resultant market capitalization of the company.

Depreciation: Higher the depreciation accounted for lower will be the profit and distributed income and hence it shall impact profit through its impact on residual income.

Earnings Per Share: This variable measures what is earned on per share basis in one financial year.

Corporate Governance Score: The study aims to find out what kind of impact, if at all corporate governance may have on Tobin's Q. For this a corporate governance score has been computed. Each of the companies included in the sample are allotted these scores and the score is taken as the independent variable. After conducting regression analysis we strive to understand the impact corporate governance may have of Tobin's Q of these firms. The scores to the companies are given as per the guidelines of Narayana Murthy committee report on Corporate Governance. The scores (Samontaray, 2010) are given in the manner such that for each company if they have followed as per recommendations then the score of '0.5' is given, otherwise '0' (Zero). A total of 10 score points are related with Corporate Governance. As far as assigning scores is considered, only annual reports have been considered as the recommendations made by the committee are exclusive for annual reports of the companies.

Table 1: Computation of Corporate Governance Score

Financial Reporting		
Balance Sheet	0.5	
Profit and Loss Statement	0.5	
Cash Flow Statement	0.5	
Segment Reporting	0.5	
Accounting Policies	0.5	
Other Financial Performances (Ratios)	0.5	3
Awards and Recognitions (Including Ratings)	0.5 + 0.5	1
Corporate Social Responsibility		0.5
Board Report		
Composition of Board	0.5	
Board Meetings	0.5	
Remuneration	0.5	
Dividend	0.5	
Appropriation of Reserves	0.5	2.5
Investment and Project Details		0.5
Recent Changes		0.5
Future Strategy		0.5
Risk Management		0.5
Complaints and Non-Compliance Issues		0.5
General Information about Subsidiaries		0.5
Total Score		10

In the regression model, we take Tobin's Q as the dependent variable with the Net Sales, Profit After Tax, Net Fixed Assets, Inventories, Price-Earnings Ratio, Return on Equity , Depreciation, Earnings Per Share and the Corporate Governance Score as the independent variables.

A sample of 43 companies is chosen from the representative sample of the population out of Nifty 50 Index for this analysis. 7 companies have been left out due to inadequacy of available data. The selection is based on the assumption that Nifty 50 Index is a true representative of all the major sectors of India. The data source and data type if of the following nature. The Annual reports of the chosen companies for the year 2000- 2009 are collected.

We must find the significant variables affecting Tobin Q, and thus to form an equation of only significant variables, cross sectional regression analysis is to be carried out several times, till the time we get all the variables significant. The first regression analysis comprised in the form of following equation:

Tobin's Q = C + (X1).Net Sales + (X2).Profit After Tax + (X3).Net Fixed Assets + (X4).Inventories + (X5).Price-Earnings Ratio + (X6).Return on Equity + (X7).Depreciation + (X8).Earnings Per Share + (X9).Corporate Governance Score

Wherein, 'C' is constant and X1, X2…X9 are coefficients of the independent variables.

Ordinary Least Square (OLS) regression analysis using E-Views software has been undertaken for this study. This regression analysis is being carried out thrice, reducing the number of variables each time and limiting it to the extent of significant variables only.

For each regression, the first analysis is done based on correlation table which establishes the relationship between various variables. A correlation of above 0.5 will mean that the two variables are having high correlation and hence dependent upon each other. It must be noted that under such circumstances the p-value must be less than 0.05 (to have significant dependency).

The Durbin-Watson test is used for checking problem auto-correlation in the data being used, whose value must be close to 2 (actually it ranges from 0 to 4) for no auto-correlation. The Durbin Watson value in actual test has been closer to 2 and hence acceptable level of auto-correlation is present in the model at each regression analysis. Further tests of autocorrelation have been conducted for all variables and all the data considered in this study.

Also, if the significance value of the F statistic is small (smaller than say 0.05) then the independent variables do a good job explaining the variation in the dependent variable. As the independent variables are measured in different units, the standardized coefficients are an attempt to make the regression coefficients more comparable.

But for better comparison, t statistics should be used. The t statistics helps in determining the relative importance of each variable in the model. Any t value more than 2 and less than -2 is considered as useful predictors.

Before running the regression, the Levin, Lin & Chu test is conducted to check for stationarity of the data. It is the common unit root process that has been applied to the data. The probability should be zero if data is stationary. Also, the pair-wise Granger Causality tests have been conducted on the data. This has been conducted to check the direction of causality between variables. The basic data analysis of each of the variables, both dependent and independent, has been considered.

The results of all the above mentioned tests have been found to be satisfactory for the purpose of undertaking the presence study.

Summarized below is the basic data analysis conducted on the raw data:

Table 2: Basic Data Analysis

Particulars	CGS	DEP	EPS	PE	ROE	PAT	SALES	NFA	INV	TOBIN'SQ
Mean	5.99	471.73	1639.86	20.03	21.26	23.97	11662.44	43.18	99.80	2.96
Median	6.00	189.94	660.47	15.09	19.19	1.21	5933.83	22.48	8.34	1.60
Maximum	8.00	10496.53	16767.56	756.07	114.14	1606.73	192091.9	753.33	9144.00	30.96
Minimum	4.00	0.00	-2369.36	0.00	-112.71	0.00	0.00	0.00	0.00	0.00
Std. Dev.	0.31	867.89	2817.23	39.59	18.64	143.17	18352.55	76.51	546.10	3.89
Skewness	-4.06	5.47	3.12	15.15	0.25	8.54	4.78	5.22	12.32	2.94
Kurtosis	35.96	49.45	14.32	279.46	13.08	81.40	36.36	38.54	187.10	14.13
Jarque-Bera	20654.17	40813.27	3000.46	1385896.	1825.74	115390.3	21588.43	24588.67	618191.4	2842.57
Probability	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sum	2577.00	202845.7	705141.8	8613.87	9143.52	10307.28	5014848.	18570.95	42915.78	1275.40
Sum Sq.	41.479	3.23E	3.40E	672470.2	149105.2	8794543.	1.44E	2511722.	1.28E	6524.95

Dev.		+08	+09				+11		+08	
Obs	430	430	430	430	430	430	430	430	430	430

Note that all probabilities are of zero value. This implies that data is not normalized. We must therefore first normalize the data before running tests on it. In order to normalize we consider log values of the data. The same has been done in this study.

First, the Levin, Lin & Chu test was conducted on the data. This was to check if the data is stationary. It was noticed that all the data was not stationary. Hence the first difference of the log values of the data was considered. Again, the common unit root test was conducted on the data. This time around it was found that the data was stationary. The results of the test conducted on the log values of the data at the first difference are summarized below:

Table 3: Results of Levin, Lin & Chu Test

Variables	Statistic	Prob.**
CGS	-8.27920	0.0000
Earnings Per Share	-22.2794	0.0000
Inventories	-7.53198	0.0000
Net Fixed Assets	-15.9987	0.0000
Profit After Tax	-7.11917	0.0000
Price Earnings Ratio	-8.11996	0.0000
Return on Equity	8.42741	0.0000
Sales	-12.6697	0.0000
Depreciation	-13.4653	0.0000
Tobin's Q	-9.86777	0.0000

Regression Model results: The following Table 4 represents the summary of results as per the first regression analysis:

Table 4: Summary of First Regression Analysis Results

Dependent Variable: DLOG(TOBINSQ) Method: Panel Least Squares

Date: 03/11/11 Time: 15:56

Sample (adjusted): 2001 2009

Cross-sections included: 33

Total panel (unbalanced) observations: 234

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.010835	0.022731	-0.476686	0.6341
DLOG(CGS_NEW)	1.034043	0.416316	2.483794	0.0137**
DLOG(DEP)	0.180008	0.065773	2.736813	0.0067**
DLOG(EPS)	0.038810	0.061797	0.628015	0.5306
DLOG(INVENTORIES)	-0.034414	0.072741	-0.473109	0.6366
DLOG(NFA)	0.122851	0.031968	3.842892	0.0002**
DLOG(PAT)	0.321606	0.085116	3.778425	0.0002**
DLOG(PE)	0.694467	0.027807	24.97480	0.0000**
DLOG(ROE)	0.525549	0.067514	7.784345	0.0000**
DLOG(SALES)	-0.263005	0.108889	-2.415339	0.0165**

R-squared	0.808032	Mean dependent var	-0.031905
Adjusted R-squared	0.800319	S.D. dependent var	0.467384
S.E. of regression	0.208853	Akaike info criterion	-0.252573
Sum squared resid	9.770823	Schwarz criterion	-0.104910
Log likelihood	39.55107	F-statistic	104.7625
Durbin-Watson stat	2.652228	Prob(F-statistic)	0.000000

**significant at 1% level *significant at 5% level

Here we notice that 7 variables are significant at 1% level of significance. This conclusion is arrived at by checking their probability values, which are less than 0.01. These variables include Corporate Governance Score (CGS), Depreciation (DEP), Net Fixed Assets (NFA), Profit after Tax (PAT), Price Earnings Ratio (PE), Return on Equity (ROE) and Sales

(SALES). Note that R2 indicates that about 80.8% of the dependent variable can be explained by the independent variables. The Durbin-Watson statistic is close to 2, which indicates a good model. The Prob (F-statistic) is zero, which indicates a good model.

The following Table represents the summary of results as per the second regression analysis (taking only the 7 significant independent variables as per the first regression analysis):

Table 5: Summary of Second Regression Analysis Results

Dependent Variable: DLOG(TOBINSQ)				
Method: Panel Least Squares				
Date: 03/11/11 Time: 15:57				
Sample (adjusted): 2001 2009				
Cross-sections included: 35				
Total panel (unbalanced) observations: 253				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.008151	0.019892	-0.409761	0.6823
DLOG(CGS_NEW)	0.795923	0.406390	1.958518	0.0513*
DLOG(DEP)	0.117893	0.054997	2.143614	0.0330**
DLOG(NFA)	0.124212	0.031547	3.937337	0.0001**
DLOG(PAT)	0.234020	0.079303	2.950974	0.0035**
DLOG(PE)	0.681978	0.026620	25.61870	0.0000**
DLOG(ROE)	0.542035	0.046358	11.69249	0.0000**
DLOG(SALES)	-0.154246	0.098003	-1.573885	0.1168
R-squared	0.801423	Mean dependent var		-0.026041
Adjusted R-squared	0.795749	S.D. dependent var		0.467758
S.E. of regression	0.211399	Akaike info criterion		-0.239028
Sum squared resid	10.94895	Schwarz criterion		-0.127300

Log likelihood	38.23700	F-statistic	141.2538
Durbin-Watson stat	2.669769	Prob(F-statistic)	0.000000

**significant at 1% level *significant at 5% level

Here we notice that four variables are significant at 1% level of significance. This conclusion is arrived at by checking their probability values, which are less than 0.01. These variables include Net Fixed Assets (NFA), Profit after Tax (PAT), Price Earnings Ratio (PE) and Return on Equity (ROE). Also note that the Corporate Governance Score (CGS), Depreciation (DEP) is significant at 5% level of significance since its probability value is less than 0.05. Note that R2 indicates that about 80.1% of the dependent variable can be explained by the independent variables. The Durbin-Watson statistic is close to 2, which indicates a good model. The Prob (F-statistic) is zero, which indicates a good model.

The following Table represents the summary of results as per the third regression analysis (taking only the 6 significant independent variables as per the second regression analysis):

Table 6: Summary of Third Regression Analysis Results

Dependent Variable: DLOG(TOBINSQ)

Method: Panel Least Squares

Date: 03/11/11 Time: 15:52

Sample (adjusted): 2001 2009

Cross-sections included: 35

Total panel (unbalanced) observations: 253

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.011665	0.015447	0.755133	0.4509
DLOG(CGS_NEW)	0.821308	0.407287	2.016533	0.0448*
DLOG(DEP)	0.078858	0.049235	1.601682	0.1105
DLOG(NFA)	0.121866	0.031606	3.855721	0.0001**
DLOG(PAT)	0.157384	0.062781	2.506861	0.0128**
DLOG(PE)	0.684689	0.026644	25.69752	0.0000**

DLOG(ROE)	0.534738	0.046263	11.55856	0.0000**
R-squared	0.799415	Mean dependent var		-0.026041
Adjusted R-squared	0.794523	S.D. dependent var		0.467758
S.E. of regression	0.212033	Akaike info criterion		-0.236873
Sum squared resid	11.05965	Schwarz criterion		-0.139111
Log likelihood	36.96442	F-statistic		163.4021
Durbin-Watson stat	2.682778	Prob(F-statistic)		0.000000

**significant at 1% level *significant at 5% level

Here we notice that 4 variables are significant at 1% level of significance. This conclusion is arrived at by checking their probability values, which are less than 0.01. These variables include Profit after Tax (PAT), Net Fixed Assets (NFA), Price Earnings Ratio (PE) and Return on Equity (ROE). Note that the Corporate Governance Score (CGS) is significant at 95% level of significance since it has a probability value of less than 0.05. Note that R2 indicates that about 79.9% of the dependent variable can be explained by the independent variables. The Durbin-Watson statistic is close to 2, which indicates a good model. The Prob (F-statistic) is zero, which indicates a good model.

The following Table represents the summary of results as per the fourth regression analysis (taking only the 5 significant independent variables as per the third regression analysis):

Table 7: Summary of Fourth Regression Analysis Results

Dependent Variable: DLOG(TOBINSQ) Method: Panel Least Squares Date: 03/11/11 Time: 15:58 Sample (adjusted): 2001 2009 Cross-sections included: 35 Total panel (unbalanced) observations: 255				
Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	0.002787	0.013942	0.199900	0.8417
DLOG(CGS_NEW)	0.894173	0.413307	2.163461	0.0315*
DLOG(NFA)	0.116024	0.032063	3.618607	0.0004**
DLOG(PAT)	0.142384	0.062386	2.282307	0.0233*
DLOG(PE)	0.669771	0.026565	25.21248	0.0000**
DLOG(ROE)	0.535798	0.046960	11.40961	0.0000**
R-squared	0.789909	Mean dependent var		-0.025584
Adjusted R-squared	0.785691	S.D. dependent var		0.465969
S.E. of regression	0.215714	Akaike info criterion		-0.206482
Sum squared resid	11.58655	Schwarz criterion		-0.123159
Log likelihood	32.32652	F-statistic		187.2407
Durbin-Watson stat	2.619731	Prob(F-statistic)		0.000000

**significant at 1% level *significant at 5% level

Here we notice that all variables are significant. Three variables are significant at 1% level of significance. This conclusion is arrived at by checking their probability values, which are less than 0.01. These variables include Net Fixed Assets (NFA), Price Earnings Ratio (PE), and Return on Equity (ROE). Also note that the Profit after Tax (PAT) and the Corporate Governance Score (CGS) is significant at 5% level of significance. Note that R2 indicates that about 78.9% of the dependent variable can be explained by the independent variables.
The Durbin-Watson statistic is close to 2, which indicates a good model. The Prob (F-statistic) is zero, which indicates a good model.

From our regression analysis we may construct the following equation:

DLOG (TOBINS Q) = 0.002787 + 0.894173 DLOG (CGS) + 0.116024 DLOG (NFA)
+ 0.142384 DLOG (PAT) + 0.669771 DLOG (PE) + 0.535798 DLOG (ROE)

Note that all coefficients in the above mentioned equation are positive. This indicates that there is a positive correlation between each of the independent variables and the dependent variable, Tobin's Q. Notice that corporate governance score has a significantly lower coefficient which indicates Tobin's Q is not dependent to as large an extent on the value of corporate governance score. Also Tobin's Q significantly depends on the value of PAT and ROE which indicates firms profitability significantly impacts its market capitalization, which is indicated through Tobin's Q. It is also worth noting the significantly higher R2 value for the second model as compared to the first model which shows that the chosen independent variables are better able to describe Tobin's Q rather than share prices. This may be due to several reasons, such as, the share prices being affected by stock splits and bonus shares. It may be worthwhile exploring a more relative measure like year on year growth in market value of share.

4. Summary & Recommendations

The purpose of the present study is to determine the impact of corporate governance score on financial performance of companies in India. Through the course of this study, a sample set of forty three companies, have been analyzed over the past ten years. However, in India corporate governance as a concept is still taking off. The parameters on the basis of which scores have been assigned to various companies are largely derived from the Narayana Murthy Report 2003. The study undertakes the designing of corporate governance score and thereafter analyzes the impact of this newly constructed corporate governance score and 8 other relevant variable on financial performance (Tobin's Q) of Nifty 50 companies in India. Tobin's Q is essentially an indicator of firm's performance. In the regression model, Tobin's Q is the dependent variable. Net Sales, Profit After Tax, Net Fixed Assets, Inventories, Price-Earnings Ratio, Return on Equity , Depreciation, Earnings Per Share and the Corporate Governance Score as the independent variables. The analysis highlights that Corporate Governance Score, Net Fixed Assets, Profit after Tax, Price Earnings Ratio and the Return on Equity have a significant impact on financial performance (Tobin's Q) of companies in India. The major limitations of the present study include:

- For years prior to 2003, companies have been assessed on rules and regulations which had not yet been established at that time. Hence, the analysis may be biased.
- Since 2003 there have been many developments in the field of corporate governance. These may not have been adequately reflected in the scoring mechanism.

• Some companies which are a part of the set of Nifty 50 companies as of now were not established in as early as 2000. In this way, data of some companies was not available for all ten years.

• Data for a few companies, for certain variables and years were not available which may hamper the results and analysis.

Corporate Governance is a highly qualitative parameter and it is difficult to objectively assign a quantitative score to it. Hence, the analysis is not completely free from biases and may suffer from a certain degree of subjectivity.

As far as the scope for further research is concerned, the research may be taken forward with the inclusion of more independent variables like debt equity ratio and equity held by foreign investors, among several others. In addition, the relationship between long term credit ratings given by rating agencies like CRISIL, ICRA, CARE, etc. and good governance needs to be explored thoroughly. Finally sectoral studies relating corporate governance and firm performance may be undertaken for sunrise sectors such as Information Technology (IT), telecom sector, etc.

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Cairn, India case study

India has made considerable progress in social and economic development in recent decades, which is clearly visible from its improved social indicators of life expectancy, infant mortality and literacy rate. Empowerment of people is the only gateway to growth, security and sustainability. For the communities in Thar Desert of Rajasthan it has encouraged them to gain the skills and knowledge that will allow them to overcome obstacles in life or work environments.

In Rajasthan, Barmer district is part of the Thar Desert. Communities in these villages have been living under extreme conditions in a spread out manner, in Dhanis amidst difficult circumstances. The nature has been harsh to them, with scanty rainfall, desert terrain, very limited availability of water, and hilly regions and these problems are further compounded by lack of roads and electricity, limited communication and transport facilities, and general lack of education/awareness. The society by far and large is orthodox and illiterate in these areas.

Barmer is located in the western part of Rajasthan forms a part of the Thar Desert. It has a population of 20 lakh and has been regulated to the boondocks of development due to harsh climate, scarcity of water, frequent droughts and lack of communication infrastructure.

Rajasthan has one of the highest livestock populations in the country. Despite this, the milk production in Rajasthan is very low due to the extreme climatic conditions. However, Livestock breeding has been the traditional subsistence strategy in the rural areas of Western Rajasthan for the sections of the society with limited or no land resources.

Barmer contributes approximately 10% of the total cattle (no authentic data) milk production of Rajasthan and hence a sustainable intervention in the field of dairy was planned. The project emphasized on organizing marginalized farmers into Societies and Self Help Groups, Self Help Groups are informal groups whose members pool savings and re-lend amongst themselves on rotational or needs basis. These groups are formed based on specific activity, promote savings among members and use the pooled resources to meet emergent needs of members, including consumption as well as production needs.

Cairn India a leading oil and gas, exploration and production company operating in the region believes that SHGs are an effective platform for women empowerment rather just a Micro-credit project.

The programme has 865 members. 13 societies and 10 Self Help Groups have been formed to ensure that the benefits of the programme reach all the members of the community.

Case Study: Pawni Devi

Hailing from Maliyon Ki Dhani, a tiny village in the southern part of Barmer district in Rajasthan, Pawni Devi comes across as any other ordinary village woman. But behind this façade of ordinariness, Pawni is a woman of steely determination, popular in her village for her extraordinary courage with which she leads her life. About 20 years back, her world came to a standstill when her husband died, leaving her with no means and the responsibility of six daughters. Unlike many, Pawni did not break down, but took the challenge head-on by getting herself a job in the local Anganwadi (Govt. centre for providing pre and post natal care). Her hard work paid off and her savings helped her get all her daughters comfortably married.

However troubled times revisited Pawni two years back when two of her daughters came back owing to failed marriages. Having exhausted all her savings for their marriage, she had little to fall upon now except for the meager salary she got as an Anganwadi worker. Under these circumstances, she had no clue what the future had in store for her.
Pawni Devi once again chose to do what she did best – she refused to bow down to adverse circumstances. Instead she went ahead and became one of the first to join the Dairy Development programme initiated by Cairn India. Pawni began by supplying 3-4 litres of milk everyday, which not only helped her to supplement her earnings, but also enabled her to save some more. It wasn't long before she could buy new cattle, increasing the overall milk production and so the sales. In a short span of two years, Pawni Devi has increased her daily milk sales to the milk cooperative to 10ltrs, and has been a source of inspiration for fellow women.

Looking at the success and determination of Pawni Devi, SURE, the partner NGO for the project encouraged and helped Pawni to form a SHG (Self Help Group) with the other women of the village. These groups have members who pool in their savings and re-lend amongst themselves on rotational or need basis. These groups are formed based on specific activity, promote savings among members and use the pooled resources to meet emergent needs of members, including consumption as well as production needs. Cairn India believes that SHGs are an effective platform for Women Empowerment and not just a Micro-credit project. Pawni led the other women in her village in forming the SHG and she has been contributing Rs.30/month to the SHG, for two years now.

Life has taken a full circle for Pawni. She now earns Rs.150 - Rs. 200 per day and has managed to take her family from days of dismay to days of contentment. The SHG has become a big support for all the members of the group. Pawni can now take a loan from the SHG whenever there is an urgent need of money in the family. Her days of dismay are over.

For further details see www.cairnindia.com

Book Review: *Confronting Managerialism. How The Business Elite And Their Schools Threw Our Lives Out Of Balance*

Author: Robert R. Locke & J.C. Spender. Publisher: Zed Books, London & New York

Review by Rachel English, De Montfort University (renglish@dmu.ac.uk)

When I was handed this book to read I was curious on how it was going to guide the reader through the complexes of the financial crises and also relate to business schools and the business elite. As this is such a vast area where do you being?

The text starts with a preface to the history of managerialism not management and provides a definition of managerialism. It then goes on to state the intent of the authors by showing how the methodologies provided in business schools combine with managerialism which foster today's world out of balance.

The introduction provides an in depth view of how business schools have incorporated managerialism within their education between 1920 –1970. While some readers might wonder as to why go back this far, it does provide a very good building block to the rest of the text. There is a focus on how the American and British have their educational traditions, especially after the 2nd world war. They also look at the German story in relation to how the business schools developed. i.e. the development of a science of business economics and the rejection of management suitable for academic study. The story of how business schools started to gain academic status is portrayed in a detailed but not overwhelming way, so the reader is able to digest the information in an effective way.

Chapter 1 goes on to discuss the failure of management science and the US business school model. This chapter is built upon informed contemporaries who witness events and at times participated within this field. The authors review the American business schools being able to change their angle to incorporate research. This in the mid-1980's included the Japanese manufacture challenge along with the evolving information technology. The chapter critiques the operations research method and compares Japan's educational environment to the US. This provides a very interesting comparison between various countries such as UK, US, and Japan and their different styles to the education of the business manager. At times the reader is wondering which direction the text is going to take, but the authors carefully guide you through to the conclusion of the chapter.

Chapter 2 questions the morality of US mangerialism and business schools and the effects within the global economy. This provides an interesting read as you are able to relate the question to the current economy and the current state of the US home affairs. The authors explore the religious aspects of Christianity, Islam and Confucianism within the business world. It questions the managerialism's morality or lack of. They review various countries main religions and try and establish the overall influence this may have had on managerialism. While this is an unexpected angle it does provide some thought provoking text, for example:- they highlight that a high percentage of Americans live in poverty and they have big issues in relation to childhood nutrition. The authors certainly know how to hold the reader's attention, by providing such statics, which underlines the morality of managerialism.

Chapter 3 investigates managerialism and the decline of the US automobile industry. This was my favourite part of the book. It provides an overview of the rise and fall of the automobile industry and reviews the US, German and Japanese automobile industry. The management style of all three countries is explored and the value of the education of employee's.

Interestingly the German way is to have people who know how to the job become decision makers in their own right. Thus creating distance between the academics of the business schools and what is actually taking place within the manufacturing corporations. The US however, had business schools offering MBA programs to firm employees. The Japanese lean production lines had an effect on both the German and US automobile industries. For those of us who enjoy the more practical side of academia, it provides a valuable insight to how the manufacturing process has developed since the 2nd world war, by exploring the different work cultures and how high education has developed along-side the large automobile corporations.

You are then guided into the fourth and final chapter which provides you with in depth knowledge on how the mathematician were quintessential to the crises and how AIG-FP came to make financial decisions as early as 1998 which started to escalate towards the financial crisis in 2008. It provides you at the beginning of the chapter with a brief history of finance and investment banking, incorporating the investment of information technology i.e. Silicon Valley and the role venture capital played in the start up of companies within this field.

Germany and Japan are compared to the US with regards to the how the main corporations are run. For example how they differ with regards to the various boards set up to control a company. Interestingly the authors state that "the US management caste has always dislike German and Japanese governance and ownership systems." To which some of us might find alarming due to the large amounts of finance involved. Perhaps the US may pay a little more attention to governance from now on?

In summary the overall achievement of the text is that it provided some thought provoking reading, while ensuring that you have reasonable knowledge of the history behind the business schools and the methodology to the approach the students received. Allowing the students to become some of the most elite financial managers. The old school network has made way to the mathematicians who have made lots of money and personally gained from the financial markets over the last 20 years. It also ventures into the manufacturing sector and investigates again how the business school students have influenced the manufacturing process within Germany, US, UK and Japan.

The authors integrate the US business school model within the automobile industry and the current financial crisis very well. They explain in depth how each section relies on each other to a certain extent. At times you wonder what direction the text is going to take, however, it is pulled together very well and suddenly the various topics covered in relation to managerialism seem to make sense.

The authors conclude that the US business schools have had their day as they are too distant from the actual reality of running a company. The US has in the author's eyes, placed greed above community. This has been acknowledged by many economies outside of the US and the refusal to adopt the American way is becoming more wide spread. After all it's promoting that greed is good which helped to fuel the current global financial crisis. I question whether the USA has had its day, after all the US business schools have helped to create many very affluent elite individuals and with money comes power. So I wonder if these individuals are going to let the US business school model have its day but try and recreate a more update business academic system. Overall the book provides a very interesting and thought provoking read.

11th International Conference on Corporate Social Responsibility
8 – 10 May 2012
Lahti University of Applied Sciences, Finland

For our 11th conference in this series we will be visiting Finland where the conference will be held in Lahti and hosted by Lahti University of Applied Sciences. It will be organised by Faculty of Business Studies, Lahti University of Applied Sciences and in conjunction with the Social Responsibility Research Network (SRRNet).

Call for Papers

As usual the conference is intended to be interdisciplinary and welcomes contributions from anyone who has a perspective on this important issue. This time we will be focusing on one of the most urgent issues of the present. So at this conference there will be a focus on the theme of

CSR and Risk Management

In the CSR literature, Corporate Social Responsibility is often associated with the risk management. In practice, CSR has become increasingly important part of the corporate risk management. For example in The Ernst & Young Business Risk Report 2010, social acceptance risk and CSR was mentioned as one of the top 10 risks for business. From corporate risk management point of view, it is important that we do responsible things but also that we do things responsibly. Thus the conference is not focused only on risks associated with different CSR dimensions and activities but also CSR as a part of responsible management, especially a part of responsible risk management. The key question is not only how negative CSR impacts can be minimised but also how CSR opportunities can be maximised and CSR used as a value enhancing concept. Additionally there will be a special focus on the relationship between CSR, business ethics and management related criminality.

Although the conference will be focused on CSR and Risk Management, papers addressing all other areas of CSR are welcome. Thus papers are welcome on any topic related to this broad theme and suggested topics for papers include:

- Risks and different dimensions of CSR
- Risks associated with CSR activities
- CSR and business risks (e.g. compliance, financial, strategic and operational threats)
- CSR and business ethics
- Responsibility management
- CSR and management systems
- Reputation management and risk
- Corporate governance and risk management
- Risk assessment and management
- Evaluating CSR activities
- Risk communication, communicating CSR risks
- CSR reporting and risk management
- Responsibility assurance and auditing

- Risk of irresponsibility
- Relationship between CSR and corporate performance
- CSR and value creation
- CSR and management related criminality (e.g. grey economy and corruption, white-collar crime)

Offers to run workshops, symposia, poster sessions, themed tracks or alternative events are especially welcome. Please contact Ulla Kotonen (csr.conference@lamk.fi) with suggestions.

Although preference will be given to full papers, abstracts of 200-500 words will also be considered. All papers and abstracts should be sent by 10th January 2012 by email to davideacrowther@aol.com. No more than 2 papers will be accepted from any author. We will publish proceedings and full details concerning other publishing opportunities for the papers presented at the conference will be provided during the conference.

Doctoral Colloquium

This year we will again be running a doctoral colloquium on one day of the conference. The aim will be to give detailed feedback to doctoral researchers concerning their papers. Feedback will be specific to each person and their research, and will be given by an experienced academic in the field. The colloquium will be an integral part of the conference and all delegates will be expected to participate fully in the conference but the sessions will give extra time to presenters – to allow for discussion and formal feedback. This colloquium will be organised by Professor Dr Güler Aras and abstracts of 200-500 words should be sent by 10th January 2012 by email to guleraras@aol.com. In order to allow detailed feedback full papers will be required in advance of the conference – full details will be given to participants upon acceptance.

Following the tradition established at the 6th conference in Kuala Lumpur, a Young Academician award will be made during this colloquium.

Venue of the Conference

The conference will be held in the Lahti University. The conference fee will be announced later and will include accommodation, meals and conference materials. An optional sightseeing tour will be organised at the end of the conference; full details will be available later. We look forward to welcoming you to Finland in 2012 for the 11th conference in the series.

Full and updated details can be found at the conference website: www.davideacrowther.com/11csrhome.html

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