

How Can Top Management Encourage Middle Management Buy-In for Corporate Social Responsibility?

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» Research Questions Addressed

Do managers invest more in CSR initiatives when investments are framed in a financial versus a non-financial way?

Do managers' personal attitudes towards CSR initiatives play any part in the financial or non-financial decision-making process?

» Primary Findings

Investment decisions can be framed financially or non-financially. This is known as the "measurement basis" of decision-making. In the case of CSR investments, local ("middle") managers may be asked to make decisions based on dollar amounts or non-financial units, such as the number of trees planted or meals served to those in need.

Managers who personally support CSR will invest more in their organizations' CSR initiatives when they are framed in non-financial units rather than as financial investments. This happens even if CSR negatively affects the managers' personal economic well-being.

By comparison, managers who do not personally support CSR will not change their level of investment—regardless of whether the investment is framed in a financial or non-financial way.

» Keywords

Corporate social responsibility (CSR)
Financial measures
Non-financial measures

» Firms Appearing in Research

Bertelsmann
Enterprise Rent-A-Car
Hyatt Hotels
KPMG
Toyota





» Highlights

The traditional business viewpoint is that a company's fundamental responsibility is to maximize stakeholders' interests, thus making CSR difficult to justify. The contrasting perspective is that companies have a responsibility to a broad set of stakeholders that extends beyond shareholders to include employees, customers, suppliers, and local communities.

One might presume that managers who personally support CSR will always invest more in CSR than managers who do not support CSR. However, somewhat counterintuitively, that is not always the case.

When investments are framed as dollar amounts, there is, in fact, no difference in the level of investment between CSR-supportive managers and non-supportive managers.

The CSR-supportive manager only invests more than the non-supportive manager when the investment is framed in non-financial units.

» Topic Overview

While CSR decisions have traditionally been made at an executive level, companies are increasingly decentralizing CSR by delegating decision rights to middle managers. Decentralization helps the organization meet local needs and increases managerial engagement. It also leaves companies grappling with an implementation issue: Even if top level executives want to promote CSR, how do they get middle managers to buy in? After all, CSR investments often lower the financial gains of both the company and the managers. We provide insight into a potential solution for this problem.

» Implications for Sustainable Business

Companies should be cognizant that the manner in which CSR investments are presented (in financial or non-financial terms) can influence managers' decision-making.

Companies should consider hiring middle managers who share their CSR values, as managers' personal attitudes towards CSR can sometimes affect the amount of investment. Companies should also consider tailoring the measurement system to highlight the non-financial aspects of CSR to further increase the investment level among a certain group of managers (i.e., those who are personally CSR-supportive).

» Link to Academic Paper

Church, B., Jiang, W., Kuang, X., & Vitalis, A. (2019). A dollar for a tree or a tree for a dollar? The behavioral effects of measurement basis on managers' CSR investment decision. *The Accounting Review*, 94(5), 117-137. doi.org/10.2308/accr-52332

» Related Link

Church, B., Kuang, X., & Liu, Y. (2019). The effects of measurement basis and slack benefits on honesty in budget reporting. *Accounting, Organizations and Society*, 72, 74-84. doi.org/10.1016/j.aos.2018.05.005