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The Role of Ethnic Directors in Corporate Social Responsibility: Does Culture matter?

The Cultural Trait Theory Perspectives

Abstract

This paper investigates the effect of cultural differences among ethnic directors' in Corporate Social Responsibility (CSR) of Public Liability Companies (PLCs) in Nigeria. Using the cultural trait theory the study focuses on how the ethnic directors are influenced when making decisions concerning CSR. Adopting multiple regression analysis of data, the study investigates the three major ethnic group (Yoruba, Igbo and Hausa), and found cultural differences among the ethnic directors affect the adoption of CSR. Empirical results indicate that ethnic directors (Yoruba, Igbo and Hausa) were positively and significantly related to CSR. The paper contributes to the corporate governance and CSR debate concerning how ethnic directors' decisions impact on CSR activities, particularly on the directors who are individualistic and collectivists towards CSR.

Keywords: Corporate governance, Ethnic Minority, Corporate Social Responsibility, Public Liability Companies.

1. Introduction

Corporate Social Responsibility (CSR) has witness significant attention in recent times (Waldman et al 2006). Over the last decade, it has been subjected to considerably debate, research and theory building (Carroll and Shabana, 2010). The Millennium Poll on CSR (Environics International, 1999) write that most of this debate is based on the fact that companies are not only expected to maximize profit but to meet the

expectation of the society. As a result, companies have witnessed increased scrutiny by the public on their CSR practices (Ramasamy et al., 2007). These developments have made companies to become cautious on their CSR practices and disclosures (Hardjono and van Marrewijk 2001). The collapse of Enron and Worldcom in early 2000 (Dujuan 2009 and Mintz 2005) have challenged the idea of Milton Friedman's (1970) view, that the objective of an organization is not only to make profit. Scholars and practitioners are beginning to accept that companies are not only successful because of their profitability or shareholders value but due to the impact made by improving the society and ethical responsibilities (Hardjono and van Marrewijk, 2001).

Companies have different characteristics and are faced with different challenges which affect the information disclosed in the CSR (Robertson and Nigel, 1996; KPMG, 2008; Othman and Rashid 2009; Ali and Rizwan, 2013). Among these challenges are the socio-cultural factors which affect most companies. Some scholars have stressed the importance of top management values and attitudes when responding to the needs of the society (Ullmann, 1985; Thomas and Simerly, 1994). Wood (1991: 690) argued that management has a role to play in the settings of company's CSR. Wood further write that a company's CSR are not achieved by abstract organizational parameters but by human actors that played major role during decision making by choosing what should be included in the CSR or not. The choice of choosing what should be included in the CSR or not is part of the socio-cultural factors which shape the opinion of some management staff.

The attitudes of management with regards to ethical issues are affected by nationality (Langlois and Schlegelmilch, 1990; Jackson, 2000). Schlegelmilch and Robertson (1995) found that American managers are more concerned with issues regarding the use of company information and personal issues, on the other hand German and Austrian managers focus their attention more on local community involvement and political contribution than the UK and US. Jackson (2000) noted that ethical decision of managers are situational based, but differences exist between Hong Kong, Japanese and Korean managers.

Despite these studies on CSR, it is either the ethnicity of chief executive is ignored or assumed to be homogeneous (Ramasamy et al., 2007). An assumption that a country is monoculture may not be valid for countries that are multicultural, for instance Singapore, Malaysia or Nigeria. Due to globalization there have been movement of skilled workers from one country to another resulting in more national heterogeneity and cross border issues (McSweeney, 2002). Ramasamy et al (2007) wrote that cross cultural management need to have a shift of paradigm and change of assumption because the cross border issues are also affected by within border issues emanating from a country. In such scenarios, the ethical decision of managers may not only be affected by nationality but also by the culture of the society.

Culture can be used to illustrate the perceptions of loyalty to an ethnic group (Adigun, 1992). Ethnic group with different background represents a collection of people who share common values (Cohen, 1974) and accept the idea of kinship (Harowitz, 1985). Since culture varies from one

country to another (Hofstede 1980), it is expected that the CSR disclosures varies among countries depending on what they value or what they share as common interest (Ali and Rizwan, 2013). Even within a country the culture between ethnic groups may be different (Specter and Solomon 1990), especially where members of each ethnic group decide to keep their identity (Sendut, 1991). This idea of maintaining identity could affect CSR disclosures particularly when members of the board are composed of different ethnic group.

From extant literature and findings, the link between board diversity and CSR (Coffey and Wang, 1998; William, 2003), ethnic diversity and CSR (Van der Walt and Ingley, 2003; Singh, 2007) abound in developed countries such as US and UK. In Nigeria, there has been issue of board effectiveness (Ogbechie, 2010) and board composition (Sanda et al., 2010). While few studies has been conducted on the relationship between culture and financial performance (Aluko, 2003), the role of ethnic diversity and directors in CSR has been scanty in developing countries, including Malaysia (Haniffa and Cooke, 2005) and while in Nigeria it remains an understudied area. As a result this paper intends to fill that gap.

Therefore the research examines if ethnicity of the board members are vital in the adoption of CSR considering their background and orientations, the socio-cultural differences and multicultural nature of the board of directors. The study of the ethnicity of the directors within a country such as Nigeria is very important due to its historical and economic trends, social and political differences, religious dominance, family

settings, language barriers and educational structure. Indeed, of great interest is the need to focus this research in a country that demonstrates these ethnic and cultural differences and for this reason Nigeria provides an excellent background for this research.

Theoretically, this paper help to address the cultural issues as it affects CSR, which has been understudied in the literature. In particular, we introduce the cultural trait theory into the discourse on corporate governance and corporate social responsibility. This helps to provide a thoughtful analysis on ethnic directors, on their individualistic and collectivists approach towards CSR. In practice, it enables us to understand the dynamics within the board and how the directors make decisions on CSR policies and its implementations. The paper is organised as follows: First, we present the theoretical framework of our study, followed by, a discussion on the literature on CSR. Third, we outline our research methodology and thereafter present and discuss our findings followed by our conclusions. Next is the theoretical framework and literature review.

2.0 Literature Review and Development of Theoretical Framework

Different theories have been used by authors to explain CSR reporting practices. For instance the political economic theory was used to explain the environmental reporting practices (Haider 2010), legitimacy theory (Haniffa and Cooke, 2002; Thompson and Zarina, 2004; De Villiers and Van Staden 2006; Tsang 1998), legitimacy and political cost theory (Mohd. and Nazli, 2007); and also the stakeholder theory (Agle et al., 1999).

The stakeholders' theory has been a useful framework to evaluate CSR through examining the impact of directors on CSR (Jawahar and McLaughlin, 2001; Benson, 2009).

Most of these theories either ignore the traits of decision makers or look at the society as a whole. In this study the traits theory was adopted to investigate the effect between ethnicity of board of directors and CSR. In this case, the values learned from the environment affect the opinion, perception and traits of individuals. In corporate governance and social responsibility, the cultural trait theory focuses on habitual patterns of emotions, thought, behaviour and personality of ethnic directors (Ramasamy et al., 2007) and how these traits influence their CSR decision making processes.

The cultural trait is a psychological theory which focuses on human nature of personality. The traits are about behaviour, physical attributes and values. Also, it serves as a yardstick against which the leadership traits of an individual can be assessed, in this case, the board of directors. Finally, it gives a detailed knowledge and understanding of the leader element in the board (Mu, 2011). The cultural traits theory argues that directors are different individuals, with different thought, personality and emotional characteristics that influence their behaviours (Artiles, 2011). Also these different traits by directors are as a result of their different ethnic background which ultimately affects their decision making ability when formulating company's policies such as CSR.

In Nigeria, ethnicity plays a major role in employee morale and motivation (Adigun, 1992) and also the directors that processes unique traits and skills (Artiles, 2011). Likewise, the paper argues that these traits and values of ethnic directors influence them in adopting CSR. Also, this assertion is supported by Ramasamy et al (2007). Several authors have identified various employees as either collectivist or individualistic in their behavioural characteristics during decision making (Hofstede 1980; Adigun, 1992 and Aluko, 2003). Moreover, cultural psychologists argue that behavior may be more determined by traits in individualistic than collectivistic cultures (Hobfoll, 2001 and Mu, 2011). This means that individualistic people are more independent than the collectivistic person. The concept of independence here refers to independence of the mind rather than independence of appearance (Mu, 2011).

The implication of the cultural trait theory is that it gives constructive information about top management leadership. Managers utilize the information from the theory to evaluate their position in the organization and to assess how their position can be made stronger in the organization. Managers and directors get an in-depth understanding of their identity and the way they affect others in the organization. Also, the cultural trait theory makes the directors aware of their strengths and weaknesses and how they can develop their leadership qualities (Capara et al, 2011). Nonetheless, the limitations of the cultural traits theory include some subjective judgment in determining who is regarded as a ‘good’ or ‘successful’ leader or as a member of the board. Also, there is a disagreement over which cultural traits are the most important for an effective

leader or not, as the model attempts to relate physical traits such as, height and weight, to effective leadership. Most of these factors relate to situational factors (Seyranian, 2012). However in business organizations, these qualities or traits are not the requirements of an effective or ethnic director (Capara et al, 2011). Likewise, cultural influences might erode the Non-executive director's (NED) independence in the board, in this case ethnic directors thereby affecting their objective and decision-making ability as regards CSR.

2.1 The Board of Director and Culture: Implication for CSR

The works of (Carroll 1979, 1999; Wartick and Cochran, 1985; Wood, 1991) suggest that the way company chooses to achieve its CSR implementation is dependent on the top management of the company. The value of a firm is shaped by the values of its leader and the action of the leader determines the direction of the company (Ciulla, 1999). Therefore, culture and values of directors are vital to the formulation of CRS policies and its implementation. Empirically, Szekely and Knirsch (2005) studied CSR disclosures among 20 countries and found that CSR activities can only take place when an active leader is involved and he or she champions the organisation into sustainable enterprise. By this Chief Executive Officers (CEOs) and directors direct CSR activities of companies. The suggestion of Hambrick and Mason (1984) supports the findings of Szekely and Knirsch (2005), in that they use the 'upper echelon perspective' where the organisation's strategic decision and performance levels mirror the values of some powerful persons in the organisation. The political ideology of CEOs is reflected in their CRS

strategy (Chin et al 2013). Thomas and Simerly (1994) noted that most corporate social policies are a reflection of its management. The board of directors are part of these active leaders whose roles include information gathering, information dissemination and decision making.

Waldman et al (2006) proposed that societal values predict the values of a firm. They argued that the beliefs held by members of an ethnic group could influence specific beliefs of an organisation towards CSR practices where members of the group have a collective mind. They have been different studies of collectivism as a cultural dimension across management sciences and its effect on economic growth (Hofstede 1980, 2001; Earley and Gibson 1998; House et al., 2004). Recent studies have found that collectivism is made up of different dimensions (Triandis and Gelfand 1998; Gelfand et al., 2004; House et al., 2004) and these dimensions may affect the disclosures of CSR practices (Waldman et al., 2006).

Institutional theory has been adopted in studying how organisations use the societal values to attain legitimacy in its organisation environment (Dickson et al., 2004). Javidan et al (2006) found two different types of collectivism. These are the institutional and in-group collectivism. They viewed the institutional collectivism as the collective distribution of resources where the 'self' is interdependent with 'others'. On the other hand, the in-group collectivism is the ability for individuals to extend loyalty to their families or particular group of people rather than the society as a whole. Waldman et al (2006) argued that managers with higher institutional collectivism, their values focuses on long-term relationship with

stakeholders and takes into consideration the social welfare needs of the community during decision making. For manager with higher in-group collectivism, their focus will not be place on society or community rather the decision will be based on the needs of their in-group members (Waldman et al, 2006).

Swanson (1995) wrote that executive's sense of morality have a strong effect on organisations policies and programmes which form part of duties carried out by employees, and these policies include community benefits and developments. The findings from the study conducted by Abdul Rashid and Ibrahim (2002) showed that family up-bringing is the most important factor in determining the behaviour of top management towards CSR. Their findings support the work of Hofstede (1991) which showed that behaviour of employees at work is a continuation of behaviour learnt from family environment or schools. Waldman et al (2006) further showed that family integrity is one of the components that shape societies. Thus, the decision taken by board of directors depends if they held a strong morality on institutional or on-going collectivism and the outcome of decision can shape CSR practices.

The composition of the board to reflect diversity has been studied by different researchers (Ehikoya 2009; Sanda et al 2010). Lack of diversity or heterogeneity in the composition of board of directors can affect the board performances (Singh, 2007). Luring (2012) in studying diversity management affirmed the need to increase heterogeneity across groups. This includes ethnic diversity which encourages divergent views, values

and board independence. According to Coffey and Wang (1998:1596) diversity is the ... *variation among its members: ...these variations may be derive from multiple sources such as expertise and management background, personalities, learning styles, education, age and values. A board may be viewed as diverse when it is comprised of owners, non-owning managers and outside members.* The definition emphasises cultural traits as personality, leadership and leaning styles as a major feature of board diversity. Similarly, Campbell and Miguez-Vera (2008: 437) defined board diversity *as the variety inherent in the board's composition. This variety can be measured by a number of dimensions: gender, age, ethnicity, nationality, educational background, industrial experiences and organisational membership, among others.*

Within this context, ethnic diversity of directors means group of people that share common traditions, cultural values and interconnectedness that are different from other ethnic groups or culture (Barth, 1970). These cultural values of ethnic diversity are exhibited by ethnic directors on the board. It is this relationship of ethnic directors with different cultural background and their decision making on CSR activities that this study tends to uncover. Culture increases diversity and influences an individual's reasoning process and shape behaviour (Hofstede, 1998; Aluko, 2003). Hofstede (1998) noted that culture is a fuzzy concept that can be viewed from two perspectives that seems inter-related and confusing. The author states that culture could be seen from a narrow perspective to mean modernity revolving around words like thinking, feelings and acting. It influences both our preferences, decisions and our general perspective about the world around us. These preferences and different perspectives can be seen also among ethnic directors' decisions.

In terms of CSR practices, there has been increasing concern over the operations of companies in both developed and developing countries, most especially in how to improve CSR, reputation and legitimacy of company through diversity. Most studies found that ethnic diversity improves firm financial performance (See Marimuthu, 2008), while Adigun (1995) found that cultural diversity has little significance on employee performance. According to Haniffa and Cooke (2005) in their study of impact of culture on CSR of Malaysia companies (ethnic background of directors was used as a proxy for culture) found that there is a slight relationship between culture and CSR. The authors argue that the Malaysian board support CSR. In fact, they argue that CSR disclosure is not culture-free and the reason attributed to the government policy. However, Haniffa and Cooke (2005: 419) state that ‘CSR is used as a reactive legitimate strategy aimed at diverting attention from questionable business practices, cronyism, nepotism and close affiliation with the government as well as a proactive legitimate strategy to ensure a continued influential voice at both governmental and institutional levels’.

Others studies of CSR viewed the impact of national culture on CSR (Bode, 2012). The few empirical studies investigating how culture impact on CSR tend to focus on specific dimensions of cultural diversity within the board such as age, gender and skills (Van der Walt and Ingle, 2003; Singh, 2007; Brammer et al., 2007). This study departs from other studies and concentrates on the ethnicity of directors and how it influences their decision making process, particularly as it affects CSR. Next we discuss the ethnic background of Nigerians’ directors.

2.2 The Ethnic Background of Nigerian Directors

Section 55 of the 1999 Nigerian constitution states that Nigeria comprises three (3) major groups namely the Yoruba, Igbo and Hausa-Fulani constituting 71% of the total population. The remaining minorities groups are about 300 of them accounting for the remaining 29% of the total population. The Yoruba ethnic groups are mainly Christians with some as Muslim located in the west of Nigeria, and they speak Yoruba as first language. Their major occupation is farming and trading. As for the Hausa-Fulani ethnic origin, they are mostly Muslim located in the Northern part of the country, with Hausa as their first language. Their major occupation remains trading, agriculture and small scale commerce. The Igbo groups are mainly Christians located in the eastern part of the country, with Ibo as their first language. Their major occupation is commerce and trading.

2.3 Overview of the Nigerian System

Prior to British colonial era in Nigeria in the late 18th century, the Arabs have already settled in the Northern part of Nigeria and they brought with them the Islamic religion and sub-Sahara trade which they shared as they settled in the Northern part of Nigeria (Hausa land). When the Britons arrived in Nigeria, they settled in the south western part of the country (Yoruba land) before moving down to the south east (Igbo land). The British came with

their Western education which the Yoruba embraced. This Western education accompanied by technology and missionaries enabled civilization in Nigeria than the Arabs that settled in the North. This makes the Yoruba to be the most educated people with western education in Nigeria (Osemeke 2013).

Before the arrival of British colonies, Southern Nigerian believed in their cultural heritage. They were known for their pagan worshipping that had to do with worshipping idols. But, due to colonization, majority of the Yoruba and Igbo indigenes were connected to Christianity unlike the North where most of them are Muslims. Most of the companies that emerged during the colonial era were located in the Southern Nigeria. The Southerners became more exposed to western civilization than the northerners (Osemeke 2013). When Nigeria adopted English language as her official language during independence in 1960 (The World Bank) it became evident that an understanding of western education will be an added advantage on the society that embraces it since most of the business transactions were conducted in English Language.

When the Northerners found out that the southerners have abandoned their cultural heritage to accept Christianity as a result of introduction of western education most of them objected and refused to accept the western education (Adigun 1995). They believed accepting western education will result to lack of devotion in their Islamic belief. This makes most of the Hausa to be the least educated people with western education in Nigeria. Next we discuss the hypothesis formation.

2.4 The Hausa Directors and CSR

The Hausas have little formal education (Adigun, 1995). Nnoli (1980) argues that the structure of authority among the Hausa places a high premium on deference to authority, loyalty, obedience and sensitivity to the interests, opinions, views and demands of one's superiors. While, Aluko (2003) argues that the Hausas favour their custom characterised as favouring servility, respect for authority, allegiance to management or whoever is powerful, and submissive. Such a tradition frowned at the self-assertiveness of the worker. Their individual initiative and self-instigated actions towards goals not sanctioned by one's superior were negatively evaluated. This attributes of the Hausas clearly applies to Hausa employees too (Adigun, 1995) and Hausa directors too as argued in this study.

From empirical studies, Ouchi and Jaeger (1978) study on the impact of culture on employee morale and job satisfaction in America and Japan, found cultural differences among both countries. They found the American culture influences their job employment to be short term in nature, individualistic with rapid evaluation, assessment and promotion, whilst the Japanese culture are long term oriented with collectivist decision making approach, non-specialised career path and holistic in nature. However, in the Nigeria context, the Igbo ethnic group tends to be similar to the US which is individualistic in nature, while the Japanese approach is similar to the Yorubas and Hausas that are collectivist. Most of these studies are found in developed countries. However, there are few studies in developing countries, particularly, in Nigeria.

Adigun (1995) argues that the cultural background of employee has little differences on their employee morale and productivity. The author found the Hausa employees have little motivation from their jobs. Adigun (1995) argues that the Hausa employees' motivations are more than that of the Igbo and Yoruba ethnic groups. In contrast, Aluko (2003) finds a significant relationship between culture and financial performance. The author observes that the Hausa employees have little aggression, exhibits more religious values at work and are collectively oriented. Aluko observations about the Hausas are similar to that of Adigun (1995) findings. This paper suggests that the Hausa directors because of their cultural background may pursue the long-term interest of company thereby favouring CSR policies.

Based on the above argument and empirical evidence, we question whether the background of Hausa directors influences their collectivist nature and favour the company to adopt CSR policies and investments. Therefore, we hereby formulate the following hypothesis.

Hypothesis 1: There is a relationship between the Hausa directors and CSR policies by the PLCs in Nigeria.

2.5 The Igbo Directors and CSR

The Igbo culture as a whole is receptive to change and is achievement-oriented (Aluko, 2003). Their work ethos idealizes egalitarian, individualistic and anarchic pursuits as a result of age and tradition. Their struggle for survival is characterized by fierce individualistic efforts

and ruthless determination to succeed (Adigun 1995). A certain boisterousness and aggressiveness is expected at work. The energetic and industrious person who achieved greatness and fame in his chosen vocation was admired. Thus, Igbo people look down on individuals who accept superiors, depended on them, or relied on them for their progress. Subservience and unquestioning obedience signified weakness and a lack of masculinity (Aluko, 2000).

Among the Igbo, a man must be sufficiently self-motivated to work hard, as well as compete and challenge the power of his superiors. Again, the tendency towards individualism, the excessive self-seeking competition is balanced by a strong loyalty to the group. Adigun (1995) argues that the Igbo value hard work, discipline, thrift and excellence in all its ramifications. Therefore the Igbo as workers are extrinsically oriented and largely motivated by monetary rewards (Afonja 1986; Aluko 2000; 2003). Culturally, the Igbo are a group of great entrepreneurs that seek opportunity in any community or country they migrate to. Hence, the Igbo, more than the Yoruba and Hausa' employees can be argued to place more emphasis on achievement and value related activities (Adigun, 1995). Empirically Aluko (2003) found the Igbo employees are related to financial performance. The author argues that the Igbos have more motivation from their jobs by focusing more emphasis on individualism, rewards, premium and money than the Yorubas or Hausas. However, Adigun (1995) found that the Igbo employees' culture has little impact on their perceptions of job motivation.

Based on the above argument and empirical evidence, we question if the background of the Igbo directors influences their individualistic nature and makes them not to favour the company in adopting CSR policies. Following the fact that they pursue the short term goal of profit maximisation as against the long-term approach of satisfying the various stakeholders, we hereby formulate the following hypothesis.

Hypothesis 2: There is a relationship between Igbo directors and CSR policies by the PLCs in Nigeria.

2.6 The Yoruba Directors and CSR

With regard to the culture of work, the Yoruba ethnic group tends to strike a balance between the opposite extremes represented by the Igbo and Hausa typologies. While the Igbo groups are extremely individualistic, the Yoruba remains largely collective in nature. The Yoruba ethnic groups perform their work according to the need and dictates of the situation. The Yoruba had early access to Western education (Wells and Warmington, 1963). These pave way for their early acquisition of education, training and skills from the missionaries and scholars. As a consequence, the Yoruba group had access to industrial techniques and early rise in the organisational ladder of most corporate entity. All these translated into their rise in managerial and supervisory positions (Wells and Warmington, 1963).

Moreover, the Yorubas believe in the tradition of hard work and excellence just like the Igbos. However, they are more collectivist in nature than the Igbo man that is regarded as individualistic. Empirically, Aluko (2003) finds that the Yoruba employees are related to financial performance.

The author argues that the Yoruba groups are in-between Yoruba and Igbo groups in terms of social orientation. However, Adigun (1995) found the Yoruba employees have little impact on their perceptions of job motivation. The authors reasoned that the Yoruba employees have interpersonal, social orientation and family support values and this places them between the Igbo and Hausa ethnic groups.

Based on the above argument and empirical evidence, we question whether the background of the Yoruba directors influence their collectivist nature and support in adopting CSR policies. Therefore, we hereby formulate the following hypothesis.

Hypothesis 3: There is a relationship between Yoruba directors and CSR policies by the PLCs in Nigeria.

2.7 Statement of Non-Discrimination/Disclaimer

In our study and methodology, we tried to demonstrate non-biasness towards our use and description of ethnic minorities. By doing this, our approach to selecting ethnic directors and their decision making ability towards CSR was factual and real, measuring the real effects of ethnic directors on CSR. These tribal descriptions of ethnic minorities' directors reduce individual differences to a caricature which is why we prefer to use data to deduce the actual impact of directors on CSR.

Another way of reducing biasness in culture was to take into account its various definitions. For instance, there were problems associated with the definition of culture when trying to equate it with nations (Mataira 1994). One of the problems is trying to define a nation. For example, Hofstede (1994) uses political units to represent nations and argues that every person is expected to belong to one of these units – as it is shown on their passport. Groeschl and Doherty (2000) argued that passport nationality could only provide a shallow definition. This is because globalization has made it easier for people to work and live in places different from their own cultural background. This has enabled them to acquire, to some degree, a certain cultural value that is shared by the country where they work or live rather than their own country.

With these arguments it is questionable to use a country or nation as a surrogate for defining culture, and could be the reason why the results of most studies are inconclusive (Chenhall, 2003; Baskerville, 2003; Harrison & McKinnon, 1999; Young and Thyll 2008). Within a nation there might be other cultures and subcultures with different ethnic groups that are worth consideration when trying to define culture (Gernon and Wallace 1995; Mataira 1994).

Efferin and Hopper (2007) noted that it is very difficult to define culture without taking cognisance of multi-cultural societies. For instance, they noted that in China it could be problematic to say ‘who is Chinese’. This is because it is based on subjective rather than ancestry definition (Efferin and Hopper 2007).

Most times national boundaries are artificially created for political reasons that fail to represent the cultural homogeneity of that nation's population (Tayeb, 1994). The borders of most colonized nations have shown that the boundaries were a reflection of their colonial legacy. This means that the border of a nation represents the logic of the colonial powers, rather than the border of cultural elements that represent that nation (Hofstede, 1994). With this argument it becomes evident to classify culture based on the cultural elements of a nation. Therefore by using secondary data and annual reports and NSE fact book in this study, we were able to generate actual data and determine the real impact of ethnic minority directors on CSR. Hence the reliability, validity and replicability of data and its findings were enhanced.

3. Methodology

This research adopts the quantitative method approach. This methodology provide generalisation and breadth and detailed perspective on corporate governance practices from the board perspectives in Nigeria (Ritchie and Lewis, 2006; Adegbite et. al., 2012). The methodological approach was aimed at reducing sample error (Denzin and Lincoln, 2005), while at the same time allowing the research to capture the culture implications of ethnic diversity on governance practices in Nigerian PLCs. This also helped achieve data coverage and a high number of data respondents (Creswell, 2003). The quantitative method also allowed us to use findings from a representative sample to make predictions about a whole population (Creswell, 2003; Saunders et. al., 2007).

3.1 Data Collection

The data on CSR was collected as CSR investment from the annual reports of companies for the year 2003 to 2011. There were 240 companies listed on the Nigerian Stock Exchange but only 151 were usable due to availability of data or lack of CSR reporting. The multiple regression analysis of the data was adopted because the corporate governance framework was introduced in 2003 and revised in 2011.

The ethnic minority directors' data were collected from the Nigerian Stock Exchange and annual reports. The names of directors (surname and first name), biographies and photographs were used as an indication for their different ethnic group (Singh, 2007). This is similar to Singh (2007) ethnic minority classification using subjective process of names, photographs and biographies. Also, the independent variables are the Igbo directors, Hausa directors and Yoruba directors, while other ethnic groups were classified as others. In total there were 151 Hausa directors, 151 Yoruba directors and 151 Igbo directors. This is in line with the SEC and corporate governance rule of improving board diversity. Also, these are big companies with an average of 9 directors per board.

The quantitative method approach helped us to achieve a wide spread coverage of data across Nigerian PLCs and improved the generalizability power of our findings on the implications of corporate governance practices, culture and ethnic diversity in Nigeria. The spread in the secondary data helped to cover geographically wide samples. The PLCs who are widely dispersed were accessed and included in the sample. In particular, Nigeria is made up of 36 states with these companies widely dispersed across the states. This necessitated the use of the secondary method which

enabled that all the states and companies were covered. It further helped to avoid potential bias in data collection and interpretation common with interview (Denzin and Lincoln, 2005) and to minimize social response bias and invalid responses associated with the survey method (Saunders et. al., 2007).

3.2 Variable Measurements

In this study, CSR investments are the dependent variables. Mathematically, the dependent variables are denoted by 'y' function because its value is dependent on the value of the independent variable denoted by 'x'. We employed the Hausman test to check if the Ordinary Least Squares (OLS) estimates are consistent (Ramdani and Van Witteloostuijn, 2010).

The CSR investments are the amount spent by the company on CSR activities per year. These amounts invested in CSR are measured in Nigerian currency, the naira. In this study, the CSR data was obtained from audited annual financial statements and annual reports of companies while the independent variables are the corporate governance variables. The data on corporate governance variables such as Igbo directors, Hausa directors and Yoruba directors (used as proxy for ethnic diversity) were obtain from NSE fact book and company's annual report.

The following are the control variables; financial performance, risk, firm size, company age, industry effect, and debt. Multiple regression analysis was employed for the cross sectional data. The presence of multicollinearity and heterogeneity was tested and corrected to ensure reliability and validity of study.

3.3 Research Design

The Multiple regression analysis was employed for the cross sectional data. The motivation for this approach arises from the need to use secondary data set because it ensures the testing of the hypotheses and provides answers to the hypothesis. Through the formulation of hypotheses quantitatively, indicating the cause and effect relationships while taking into consideration the research aims and objectives, hence the research findings demonstrate that the goals are addressed and achieved.

The total directors for the board are 151 directors for the three ethnic groups (Hausa, Yoruba and Igbo). In the NSE there are 204 companies with an average of 9 directors per board per company. Out of the 204 companies a total of 151 Hausa directors, 151 Yoruba directors and 151 Igbo directors were chosen. This is to allowed an even spread.

3.4 The Sample

In order to achieve the research objectives, the population samples were selected in order to test the hypotheses and answer the research objectives. While it is occasionally possible to collect data from all members of a population, it is in most cases practically impossible, due to constraints of time, money, and accessibility to data. For these reasons, the results of data collected are used to generalise to the overall population and to address the research objectives. Therefore, the question of data collection method and the sampling strategies used for the quantitative aspects of a study (Teddlie and Yu, 2007) must be addressed with utmost importance and rigour. Also, irrespective of the method employed, it is important that clear inferences are capable of being drawn from the quantitative data (Teddlie and Yu, 2007); otherwise the time and resources committed into the research would amount to efforts in futility. The profiles of the respondents from data utilised are shown below, See Table 1A for details.

Empirical Model:

The resulting empirical model can be summarised below:

$$Y_i = \alpha + X_i \beta + \beta_2 Z_i + E_i \dots \dots \dots (i)$$

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

Where i denotes PLC, α is the scalar (constant), β is coefficient of determination and X_i is the observation on the independent variables. E_i is the error term. Z represents the control variables.

Where:

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

X = Different ethnic directors (Yoruba, Igbo and Hausa)

Z = Control variables

β_1 = the coefficient that gives the impact of X_i on Y_i

i = Public Listed Companies (PLCs) observations

E = Error or disturbance term

$$\ln CSR_i = \alpha + \beta_1 Hausa_{board_i} + \beta_2 Igbo_{board_i} + \beta_3 Yoruba_{board_i} + \beta_4 male_{dir_i} + \beta_5 female_{dir_i} + \beta_6 \ln compage_i + \beta_7 boardsize_i + \beta_8 \ln Noemployee_i + \beta_9 Industry_i + \beta_{10} Beta_i + \beta_{11} \ln Debt_i + \beta_{12} \ln marketcap_i + \beta_{13} \ln EPS + E_i \text{-----(1)}$$

See table 1B for explanation of variables

$$\text{The control variables (Z)} = \ln compage_i + \ln Noemployee_i + Industry_i + Beta_i + marketcap_i + \ln Debt_i + \ln EPS_i$$

4. Data Analyses

Two statistical techniques were used; correlation and multiple regression analyses. The correlation analyses show the relationship between variables employed in the study while the regression analyses shows the effect between ethnic minorities and CSR.

4.1 Descriptive Statistics

Table 2 presents the descriptive statistics for the 151 PLCs describing the pattern and trend in the dataset. The descriptive statistics analysis reveals that the lowest CSR investment value was 30,765 naira (approximately £123), while the highest CSR investment is 1.7 billion naira (approximately £6.8m) in 2010. The first column shows the variable names while the second column is the number of observations indicating the number of companies, 151 PLCs. The second, third and fourth column is the mean value for Igbo directors (1.6), Hausa directors (1.3) and Yoruba directors (3.2) respectively. The mean value for the board size stands at 9.1 directors per PLC. The mean value for female directors is (0.66) compared with male directors (8.4). The highest number of female directors is 3, whilst the male directors were 17.

On the company's profitability, the mean value of market capitalization (123 billion) indicating that the majority of companies are profitable, while the mean age for company was 37.7, that of the number of employees was 685. This suggests that the 151 PLCs were mostly made up of older, medium and larger companies.

The correlation analysis (Table 3) shows a predictive direction of the relationship between the dependent variables (CSR investment) and the independent variables (Yoruba directors, Igbo directors, Hausa directors, board size, male directors, female directors, risk, industry effect, number of employees, Debt, Market capitalization and earnings per share).

Table 3 shows that the Yoruba directors, Igbo directors and Hausa directors were positively related to CSR. This finding suggests that as the number of ethnic board directors increases the level of disclosure on CSR investment increases. This finding is consistent with Ramasamy et al (2007), Moan et al (2010), and Haniffa and Cooke (2002). Ramasamy et al (2007) argue that the level of disclosure among companies was related to the social issues affecting communities. At the same time, Moan et al (2010) noted that organizations recognize and become sensitive to their CSR initiatives when culture is recognized. These assertions were supported by Haniffa and Cooke (2002) when they found that culture is an important variable that drives information disclosures. They argue that the proportion of ethnic directors on the board was significantly associated with the extent of disclosure and therefore suggested that when the central attention focuses on culture it leads to the concealment of information from those who are not part of the group.

The effects of Yoruba directors on CSR are presented in Table 4. This tests hypothesis 3. The multivariate analysis produce a positive and significant results between the Yoruba directors on CSR investments ($b = 0.562$; $P=0.079$). The positive and significant results indicate that the

Yoruba directors influence CSR among PLCs in Nigeria. In other words, there were cultural influences on CSR activities. In the same line, this finding supports hypothesis 1 that predicted a positive relationship between the Yoruba directors and CSR. In the same line the effects of Hausa directors on CSR produced a positive and significant results between the Hausa directors on CSR investments ($b = 0.096$; $P=0.005$). Just like the Yorubas, the Hausa directors influenced the adoption of CSR programs in their companies. In other words, there are cultural influences on CSR investment. As a result, this finding supports hypothesis 1 that predicted a positive relationship between Hausa directors and CSR.

Also, in Table 4, the multivariate analysis produce a positive and significant results between the Igbo directors on CSR investments ($b = 0.23$; $P=0.002$). The positive and significant results (1%) indicate that Igbo directors influence CSR among PLCs in Nigeria. In other words, cultural traits influence the Igbo directors to adopt CSR investment. However, this finding rejects hypothesis 2 that predicted a negative relationship between Igbo directors and CSR.

As for the control variables, the relationship between the financial performance of the firm and CSR is positive and insignificant. This is measured by the market capitalization which produced a positive and insignificant relationship with CSR. This finding is supported by McWilliams and Siegel (2000) that find no significant relation between CSR and financial performance. The findings imply that CSR investment does not lead to improve market capitalization. Also, another financial performance measure is the earnings per share (EPS) and price per

earnings which were both positive and insignificant with CSR. The number of employees was positive and significant with CSR investments. This means that the higher the company size, the more it invests in CSR because of the huge asset and slack resources at its disposal. This is similar to Waddock and Graves (1997) that finds firm size to be related to CSR. According to Waddock and Graves (1997) large firms have slack resources that are channelled to CSR practices. Moreover, according to Dasgupta et al (1997) firm size does matter because of the huge resources at their disposal as larger firms are more likely to adopt CSR policies that improve environmental performances.

Moreover, this study reveals that age of company and industry effect on CSR was positive and insignificant. These findings imply that the age of company and industry effect does not matter in CSR investments. Other variables such as debt and risk are negative and insignificant. These findings imply that the debt and risk does not matter in CSR investments.

4.2 Theory perspective

In terms of the theory, cultural trait theory was used to develop a conceptual framework for assessing ethnic directors' roles in CSR. Hence, we extend cultural trait theory in the literature by contributing to the corporate governance and CSR framework. In this paper we take the first initiatives towards developing the cultural trait theory to explain the relationship and behaviours of directors towards how they allocate the company resources in achieving the long term goal and CSR target of the company. The application of CSR as a corporate philosophy is a

satisfaction of a wider stakeholder view which is in line with the Sub-Saharan African perspectives of sharing and togetherness that forms the bedrock for their values, traditions and community development.

The cultural traits theory suggests that certain traits such as individualism, materialism and collectivism matters in ethnic directors' decisions on CSR. Therefore the ethnic minorities bring their firm specific skills, experience and social linkage resources to the company. These external resources they bring to the board enables the company to differentiate themselves from competitors and gain competitive edge over others by satisfying their varying interests and at the same time focusing on the long-term goal of the company (See, Agle et al, 1999; Jawahar and McLaughlin, 2001; Heslin and Ochoa, 2008; Benson *et al*, 2009; Chai, 2010).

Furthermore, the cultural trait theory assumes that the human behaviour of top managers and their decision making processes are influenced by the traits and values inherent in the managers believes and experiences. These values enable the managers in their use of personal discretion and decision making. This creates the atmosphere and environment for win-win situation between the company and the communities.

4.3 Practical Implications

The influence of culture on ethnic directors' decision making processes differs from country to country. In Sub-Saharan Africa where infrastructural development is at a slow pace (Oyefusi, 2007), more involvement of companies in CSR are expected from stakeholders to help ameliorate the agitation of communities. Therefore ethnic directors' contributions do matter in CSR. As a result directors should be encouraged to allocate more companies' resources to CSR activities as a way of not only satisfying different stakeholder but also achieving the long term goal of company.

The formulation of CSR policies and its implementation should be developed taking into considerations, the following: the culture of the people, their peculiar circumstances, values and traditions. The way good community development is achieved determines the extent and seriousness of CSR activities within the companies.

In fact this paper contributes to the literature on CSR in sub-Saharan Africa and how ethnic directors carry out their responsibilities in relation to CSR. This presents implications for understanding practical challenges of directors in corporate governance and CSR. Also, this paper offers practical recommendation including the need to emphasize ethnicity and background of directors in their selection processes as regards CSR practices of companies.

Much of the literature on ethnic diversity on CSR is centred on developed countries. Our findings contribute to the growing literature on ethnic diversity and offer the robustness of developed countries findings, while its effect on CSR offers an insight into the imperative of having a diversified board, most especially ethnic minority's contribution to CSR.

5. Conclusion

We extend cultural trait theory to the literature on CSR, thereby contributing to the satisfaction of stakeholders and community development. We suggest and conclude that values and cultural background of ethnic directors are effective in decision-making and also in the allocation of resources to CSR activities.

Furthermore, by implication it shows that the practice of good corporate governance and those responsible for formulating CSR policies should take note of the heterogeneity in the board, especially among the ethnic minority directors so as to enhance organisation performance in the long run. Also, this demonstrates that ethnicity is a factor and ethnic minority group should be considered during recruitment of directors, in terms of the widening pool of talented directors.

Finally, a number of limitations were identified, for example the study focuses on PLCs and the findings may not be extended to the non-listed companies. Also, the data was secondary in nature and limited to only 2003 to 2011. Efforts should be made in future research to use the survey approach while the industry effect should be included too as a variable so as to capture the dynamic changes of CSR over a number of years.

Table 1A: Profiles of respondents in the Secondary Data	
Profile	Respondents
<p><u>Gender composition of board</u></p> <p>Male 65%: Female 35%</p> <p><u>Ethnicity of Directors</u></p> <p>Hausa 25%</p> <p>Yoruba 40%</p> <p>Igbo 29%</p> <p>Others 6%</p> <p><u>Nationality of CEOs and Directors</u></p> <p>(Non-Nigerians 14%; Nigerians 86%)</p> <p><u>Age Classification</u></p> <p>26-30 (30%)</p> <p>31-65 (55%)</p> <p>65 above (15%)</p>	<p>Top management employees, the CEOs, Deputy CEOs, directors.</p>

Table 1B: Lists of Variables

<i>Variable</i>	<i>Explanation</i>
<i>InCSRit</i>	Log of corporate social responsibility investment for ith firm and time t
<i>Hausaboardi</i>	The number of Hausa directors for ith firm
<i>Igboboardi</i>	The number of Igbo directors for ith firm
<i>Yorubaboardi</i>	The number of Yoruba directors for ith firm
<i>maledirectori</i>	The number of male directors for ith firm
<i>femaledirectors</i>	The number of female directors for ith firm
<i>boardsize_t</i>	The board size for ith firm
<i>InCOMPagi</i>	Log of company age for ith firm
<i>InNoempleei</i>	Log of number of employees for firm size for ith firm
<i>Industryi</i>	Industry effect or type for ith firm
<i>Beta_i</i>	Firm beta or risk for ith firm

$marketcap_i$	Market capitalisation for i th firm
$lnDebt_i$	Log of debt for i th firm
$lnEPS$	Log of earnings per share for i th firm
α	Alpha for i th firm
E_{it}	Error term or disturbance term
ln	Natural logarithm of variables

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
csrinvestm [~] t	151	6.23e+07	1.71e+08	30765	1.66e+09
igboboard	151	1.649007	2.355699	0	13
hausaboard	151	1.331126	1.477484	0	8
yorubaboard	151	3.278146	2.482362	0	13
maleboard	151	8.384106	2.828099	1	17
-----+					
femaleboard	151	.6688742	.8619501	0	3
boardsize	151	9.15894	3.115751	2	17
productivi [~] e	151	59020.89	207400.4	13.28	2247410
risk	151	.439404	.4878828	0	3.06
-----+					
industry	151	2.701987	1.253234	1	4

noofemploy~s	151	685.6821	549.064	23	1913
debt	151	2.06e+10	8.80e+10	2869141	7.71e+11
marketcapi~n	151	1.23e+11	3.52e+11	2.24e+07	2.74e+12
eps	151	4.554106	21.99989	-.23	213.44
-----+					
pe	151	295.9285	802.3362	-435.68	7224.58
age	151	37.66887	18.57479	4	115

Table 3: The Correlation of Dependent and Independent Variables

	csrinvt	boards~e	malebo~d	female~d	igbobo~d	hausab~d	yoruba~d	risk	industry	noofem~s	debt	market~n	eps
csrinvestm~t	1.0000												
boardsize	0.2502	1.0000											
maleboard	0.2206	0.9251	1.0000										
femaleboard	0.0169	0.2829	0.0689	1.0000									
igbobo~d	0.0453	0.3274	0.2976	0.2379	1.0000								
hausaboard	0.0488	0.3187	0.3523	0.0291	-0.0277	1.0000							
yorubaboard	0.0317	0.3244	0.3094	-0.0034	-0.2557	-0.1089	1.0000						
risk	0.0473	0.0595	0.0151	0.0766	0.0025	0.0539	0.0111	1.0000					
industry	-0.0520	-0.0732	-0.1104	0.1364	0.0998	-0.1372	0.1297	0.0188	1.0000				
noofemploy~s	-0.1181	-0.0359	-0.0468	-0.0468	-0.1448	-0.0149	-0.1214	0.0834	-0.0468	1.0000			
debt	-0.0526	-0.0022	-0.0044	0.0370	0.0261	-0.0476	0.0850	0.1614	0.1525	-0.1024	1.0000		
marketcapi~n	-0.0071	-0.1201	-0.1092	-0.0917	-0.1699	0.1641	-0.0784	-0.0226	-0.2730	-0.1117	0.1274	1.0000	
eps	0.0010	-0.1438	-0.1320	-0.0617	0.0441	-0.0832	-0.0446	-0.1078	0.1151	-0.0801	-0.0372	-0.0685	1.000

Table 4: The The Relationship between the three Ethnic Directors and CSR

Variables	Multiple Regression results
csrinvestm~t	
yorubaboard	0.562(0.079)**
Igboboard	0.23(0.003)***
Hausaboard	0.096(0.005)***
marketcapi~n	-0.021(0.011)*
Innoofempl~s	0.006(0.010)
debt	-0.001(0.001)***
lneps	0.67(0.340)
pe	0.765(0.450)
lnage	0.564(0.1240)
industry	0.471(0.890)
risk	0.471(0.6750)

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