

PERFORMANCE SATISFACTION, SHAREHOLDER AND STAKEHOLDER ORIENTATIONS: MANAGERS' PERCEPTIONS IN THREE COUNTRIES ACROSS CONTINENTS

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Accepted: September 2012

Abstract

Managers working in South Africa, Peru and the United States were classified as stakeholder- and/or shareholder-oriented along the Perceived Role of Ethics and Social Responsibility (PRESOR) scale. The relationship between stakeholder/shareholder orientation and perceptions of organisational performance was further explored. In South Africa and overall, respondents with both high stakeholder and low shareholder orientations reported the greatest performance satisfaction. In Peru, managers with a high stakeholder orientation reported the greatest satisfaction with organisational performance. A significant link between stakeholder or shareholder orientation and performance satisfaction was not found in the United States, however. Directions for future research are outlined.

Key words: PRESOR, shareholder, stakeholder, stockholder, ethics, corporate social responsibility, Peru, South Africa, United States

JEL: M140

1 Introduction

Increased globalisation in recent years has led to considerable discussion and debate regarding the fundamental purpose of the modern firm and the requirements for managerial success in today's business environment (Handy, 2002; Pienaar, 2010; Scherer, Palazzo & Matten, 2009; Sen, 2009). Essentially two distinct perspectives have emerged on the nature of the pursuit of sustainable high firm performance. These perspectives constitute what is commonly viewed as two competing viewpoints, the stakeholder and shareholder perspectives on firm governance (Crilly, 2011; Garcia-Castro, Arino & Canela, 2011). Proponents of the shareholder or shareholder primacy view argue that aside from ethical obligations—engaging in moral and legal transactions—firms should be managed in the sole interest of their shareholders or owners, and to that end seek to maximise profits. Firms are best equipped to serve their interests and ultimately those of society by meeting the demand for goods and services in such a way that they maximise both

financial returns and client satisfaction in the process. Business organisations should engage in social endeavours only to the extent that in doing so they enhance the prospects of higher short- or long-term financial returns. Social considerations not linked to shareholder considerations are seen as matters of personal initiative, private charities and foundations, or the responsibility of government. As conceptualised in this paper and in others, we refer to this as the *shareholder* or *shareholder primacy* view (see Prahalad, 1994; Armour, Deakin & Konzelmann, 2003; Rodin, 2005; Reberrioux, 2007; Schwartz, 2007; Keay, 2008), but it may also be termed the *stockholder* view (see Freeman & Reed, 1983; Bierema & D'Abundo, 2004; Charron, 2007; Dias & Gonçalves, 2007; Strine, 2008; Matwijiw & Matwijiw, 2010).

Proponents of the stakeholder view focus on a different set of priorities. They recognise the growing influence of individuals and entities that are directly affected by a firm's actions—employees, governments, suppliers, distributors, clients, consumers and others—and suggest that business success has evolved to include

more than just traditional objectives like profit maximisation, but other concerns such as environmental sustainability as well (Goodpaster, 1993; Kay & Popkin, 1998; Moura-Leite, Padgett & Galan, 2011; Orlitzky, Siegel & Waldman, 2011). Proponents of the stakeholder perspective argue that this evolution is substantial, to the extent that financial returns are often tied directly to the social and sustainability concerns inherent in the perspective (Schwalb, Ortega, García & Soldevilla, 2003; Schwalb, García & Soldevilla, 2005; Flores & Ickis, 2007; Gil, 2009). Given recent attention to factors such as carbon emissions, energy prices and increased public pressure for greater corporate transparency and consultation, business success would depend on a firm's ability to satisfy the needs of an array of stakeholders other than shareholders alone. As such, the modern business enterprise should develop partnerships with a broader range of relevant stakeholders to achieve and sustain the highest financial performance possible for shareholders, and in so doing address the needs of a much broader group of constituents on whom the firm's continued success depends as well.

Efforts to link or debunk notions of managerial ethics and social responsibility with organisational performance have been pervasive over the past few decades (Quinn & Rohrbaugh, 1983; Zahra & LaTour, 1987; Vitell & Hunt, 1990; Aquilar, 1994; Garcia-Castro et al., 2011). Different measurement tools have been developed that help contribute to our understanding of the relationship between performance and the ethical and social responsibility orientations of organisational decision makers (Singhapakdi, Vitell, Rallapalli & Kraft, 1996). Most have been developed in western industrialised countries, and the majority of these in the United States. While substantial progress has been made in that regard, competing conceptualisations of and measurement schemes for ethics, social responsibility, and performance have heightened the challenge (Shafer, Fukukawa & Lee, 2007; Vitell, Ramos & Nishihara, 2010).

However, there remains a dearth of published work assessing ethical orientations and their prospective links with organisational performance in the developing world (Robertson, Olson, Gilley & Bao, 2007). Several cross-

cultural applications of specific measurement tools such as those of Axinn, Blair, Heorhiadi and Thach (2004), Vitell and Paolillo (2004), Shafer et al. (2007) and Vitell et al. (2010) have been conducted, but additional work is needed. This study explores the interrelated perceptions of business performance, ethics and corporate social responsibility (CSR) in a comparative, cross-continental study of South Africa, Peru and the United States. More specifically, this study seeks to determine whether managers in these disparate nations hold similar or contrasting views on the importance of stakeholder and shareholder considerations with regard to their decision-making, and to gain insights into managers' appreciation of the relative importance of shareholder and stakeholder well-being in defining organisational success.

2

Global and country contexts

The overwhelming majority of scholarly work on ethics and CSR focuses on developed western societies, particularly the United States. Given the long history of CSR in the United States (Bowen, 1953) and its growing importance among United States multinational firms (e.g. Porter & Kramer, 2002) one would expect American preference for a stakeholder orientation. Nonetheless, the United States has also had noteworthy advocates (Friedman, 1993) and more recent proponents (Karnani, 2011) of the shareholder perspective. In practice, United States corporations and their chief executives offer many examples of both points of view, from the days of Hewlett Packard (Handy, 2002) to the recent period of Wall Street excess (Kliksberg, 2009).

Interest in the interaction between CSR and entrepreneurial activity outside North America and Europe has increased recently (Lenartowicz & Johnson, 2003; Belausteguigoitia & Portilla, 2004; Jain & Pisani, 2008; Parnell, 2008), in large part because of four developments. The first was the publication of the Brundtland Report, titled 'Our Common Future' in 1987 (WCED, 1987). The report highlighted the importance of focusing global attention on the needs of the poor in developing countries and calling for a more inclusive notion of economic

development. Furthermore, it christened the notion of *sustainable development* in which the needs of the future were not to be compromised in meeting the needs of the present, and put the concept of intergenerational equity on the agenda of governments and multinational companies in industrialised and developing countries.

Second, the United Nations Development Program's 1992 global conference on the environment in Rio de Janeiro led to the launch of World Earth Day, which raised global awareness of environmental protection. In business circles this increased an awareness of the link between a sustainable environment and sustainable business.

Third, many nations in Africa, Asia and Latin America adopted policies to reduce the size and influence of the public sector, ceding greater influence to private firms through programs of privatisation, liberalisation of domestic markets and free trade agreements (Robles, Simon & Haar, 2003; Casanova, 2005). At the same time governments' and civil society's expectations of the private sector's contribution to economic growth and social progress took on greater importance (Reficco & Ogliastri, 2009).

Fourth, many businesses operating in developing countries saw their growth prospects adversely affected by the recent financial crisis in the industrialised nations (Kliksberg, 2009).

In short, firms today are confronted with the multiple challenges of achieving greater competitiveness in light of trade liberalisation, sustainability, civil society's expectations and the added pressure of the global financial crisis. These have resulted in the awareness of a responsibility towards a broader constituency than simply shareholders, and a more detailed set of performance indicators than simply maximising profits (Casanova, 2005; Reficco & Ogliastri, 2009; Scherer et al., 2009). Hence, the notion of business success and what it means from a societal perspective has in recent years received considerable attention around the globe.

South Africa is a middle-income emerging economy. While its economy is no longer defined by race as it was in the apartheid years before 1994, inequality remains and its Gini

coefficient is amongst the world's highest (Bosch, Rossouw, Claassens & du Plessis, 2010). Its economy is the largest and most competitive in Africa although the economic gap between South Africa and some of its neighbours is narrowing. In certain areas such as financial market development and private institution accountability it is globally competitive. In areas such as labour market efficiency, crime prevention, health and education, however, it ranks very poorly (WEF, 2011). CSR and business ethics are prominent concerns in South Africa with the institutionalisation of standards of corporate governance through, for example, wide adoption in the early 1990s of the codes of conduct of the King Committee's Report on Corporate Governance and their revisions in 2002 and 2009 (Rossouw, van der Watt & Malan, 2002; Rossouw, 2005). Firms are expected to supply information on their CSR programs and to have them independently assured (Institute of Directors, 2009), and the degree of assurance in South Africa compares favourably with that in developed countries (Marta, Singhapakdi & Higgs-Kleyn, 2001; Ackers, 2009).

One may, therefore, expect South Africans to demonstrate a high stakeholder orientation. South Africans would not see profits as the exclusive objective of business activity; moral values would probably be seen as central to success in business. 'Good' business people tend to be successful, and business ethics are not merely a public relations concept (Moore & Radloff, 1996; Sims & Gegez, 2004). The prominence given to the King Committee's codes (Rossouw & Van Vuuren, 2003) and their wide adoption would suggest that great value is placed on ethics and social responsibility. The importance of business ethics has increased in South Africa, in part because of legislative requirements (Edwards, 2007; Johnston, 2011). Pienaar and Roodt (2001), for example, found no demand for business ethics training among industrial psychologists, but within five years Barnard and Fourie (2007) found a significant call for such training.

Certain South African managers may, on the other hand, exhibit a shareholder orientation or indeed a pure profit motive that

extends beyond the shareholder view. Historically, South Africa has tended to follow the US business model (Rossouw & Van Vuuren, 2003; Goosen & Van Vuuren, 2005); and while business formally endorses good governance and ethical conduct, ethics training in organisations is generally brief (Malan & Smit, 2001; Nicolaides, 2009) and unethical conduct is rife (Erasmus & Wordsworth, 2004; Lloyd & Mey, 2010), suggesting that the pure profit motive remains paramount, and for some that goal overrides ethical considerations.

Peru experienced drastic changes in government economic policy, social and political upheaval, and bust-to-boom shifts in its business environment over the last four decades (Jaramillo & Silva-Jáuregui, 2011). The country survived a military dictatorship from the late 1960s through the 1970s, intense terrorist activity in the 1980s, and hyperinflation exceeding 7000 percent in the early 1990s (Murakami, 2007). In 1991, the government responded with efforts geared toward aggressive privatisation and the pursuit of free trade (ADEX, 2005; González Vigil, 2009). An influx of foreign investment followed and has continued up to the present (De Althaus, 2007; Dube, 2011). Political stability, macro-economic caution and the aggressive pursuit of free trade enabled the nation to emerge as one of the fastest growing economies in Latin America (Tello & Tavera, 2010). This economic expansion created heightened interest in the link between corporate activity and society (De Althaus, 2007; Flores & Ickis, 2007; Quiroz, 2008; Gil, 2009; Jaramillo & Silva-Jáuregui, 2011).

In the case of Peru, a predominant stakeholder orientation would be plausible because of its Roman Catholic tradition, the growing influence of civil society (Caravedo, 1998; Perú 2021, 2010; Tromben, 2011), repudiation of corruption (Quiroz, 2008) and increased interest in social equity and inclusion (Jaramillo & Silva-Jáuregui, 2011). Indeed, Peruvian managers appear to have a greater tendency towards idealism than their counterparts in other nations (Robertson et al., 2007). The recent, sustained economic boom, however, brought conspicuous tangible benefits, with corporate success receiving wide publicity and admiration in the media (De Althaus, 2007;

Anon., 2008; Parnell, 2008; Anon., 2009; Tello & Tavera, 2010), suggesting that a shareholder orientation may also be plausible in Peru.

CSR has been discussed in various business, political, and academic circles in Peru (Schwalb et al., 2003; Schwalb et al., 2005) but research suggests that the concept is still in its operational infancy (Burton & Goldsby, 2009; Tromben, 2011; Marquina, Goñi, Rizo-Patrón, Castelo, Castro, Morice, Velasquez & Villaseca, 2011). While many firms engage in philanthropy or public image initiatives, the relatively few that consider CSR to be something more have focused on community relations and the environment (Schwalb et al., 2003; Portocarrero, Sanborn & Camacho, 2007; Caravedo, 2009) rather than labour or other internal issues (Garavito, 2008).

3

The perceived role of ethics and social responsibility

Numerous scholars and practitioners argue that decision-makers should incorporate ethical and social responsibility considerations into their strategic decision-making processes (Velasquez, 1996; Shafer et al., 2007; Vitell et al., 2010). Singhapakdi et al. (1996) developed the Perceived Role of Ethics and Social Responsibility (PRESOR) scale to measure individual orientations toward ethics, social responsibility and profits. Three PRESOR factors were included in their original work, including social responsibility and profitability, long-term gains, and short-term gains. The PRESOR scale is appropriate for international comparison because national culture is a significant factor in ethical decision-making (Buller, Kohls & Anderson, 2000; Sims & Gegez, 2004; Singhapakdi, Vitell & Leelakulthanit, 1994).

Although their initial analysis supported the existence of these factors, additional work suggested that modifications were appropriate, while the cross-cultural context of many of the studies suggests their validity in diverse national settings. Etheredge (1999) applied the PRESOR scale to part-time Chinese MBA students in Hong Kong and identified only two factors, 'importance of ethics and social responsibility' and 'subordination of ethics and

social responsibility.’ Axinn et al. (2004) assessed the original data of Singhapakdi, Kraft, Vitell and Rallapalli (1995) as applied to MBA students in Malaysia and the Ukraine, with results also coalescing along two themes—stakeholder and shareholder views—with the former further divided into two sub-dimensions. The cross-cultural study by Axinn et al. (2004) lends credence to the instrument in Malaysia and Ukraine. The Spanish application in Vitell et al. (2010) supported the instrument’s general structure as well. Research in the United States and China reported by Shafer et al. (2007) supports a two-factor solution with five shareholder view items and eight stakeholder view items.

From these studies and less formal operational observations, two different characterisations of managers’ perceptions have emerged. Some managers possess a predominantly shareholder orientation, emphasising the fiduciary responsibility of a firm to its owners. Others are more stakeholder-oriented, giving more credence to the interests of multiple organisational stakeholders rather than emphasising just shareholders. Broadly speaking, a stakeholder orientation reflects a general thrust in CSR literature (see Orlitzky et al., 2011). More specifically, it is consistent with Sen’s (2009) notion of heightened concern for ethics and social responsibility as an integral part of managing the firm.

4

Hypotheses

This paper tests the extent to which an individual’s responses along the PRESOR scale are associated with perceptions of organisational performance. Four hypotheses are proposed and tested in South Africa, Peru and the United States.

The relationship between PRESOR category and organisational performance is intriguing. *Prima facie*, one might expect individuals with a shareholder orientation to outperform their counterparts on traditional measures of performance, that is, to demonstrate greater satisfaction with performance as defined by their satisfaction with firm profits.

H1a: In the United States, respondents with a high stakeholder orientation will report

greater satisfaction with performance than respondents with a low stakeholder orientation.

This hypothesis postulates a link between organisational performance, ethics and CSR. As previously suggested, one might initially expect a stakeholder orientation when traditional measures of organisational performance are employed in the United States. The next hypothesis postulates a link between performance satisfaction and an approach that is more narrowly focused on profit and benefits to shareholders. This assertion assumes that ethics may be traded for profits in many decisions, and that individual predilections are associated with perceptions of performance (i.e. profitability) at the organisational level.

H1b: In the United States, respondents with a high shareholder orientation will report greater satisfaction with performance than respondents with a low shareholder orientation.

In Peru, the case for stakeholder and shareholder orientations could be supported by recent organisational performance and economic success (De Althaus, 2007), on the one hand, and the growing interest in ethical issues related to the operations of public and private organisations on the other (Quiroz, 2008; Caravedo, 2009). The picture is clouded, however, given the limited track record and awareness of such initiatives (Marquina et al., 2011) and the expectation that they would be more evident in developed countries with deeper traditions of CSR and formalised ethical approaches to business (Garavito, 2008; D’Alessio & Marquina, 2009). Nevertheless, the business environment in Peru is evolving and expectations regarding organisational behaviour are changing (Tromben, 2011; Jaramillo & Silva-Jáuregui, 2011). Select case studies documenting the practice of CSR refute the notion that such practices are not undertaken or are impractical in Peru (Schwalb et al., 2003, 2005; Sanborn, Del Castillo & Chávez, 2006; Flores & Ickis, 2007; Portocarrero, Sanborn, Del Castillo & Chávez, 2007). In some instances these studies quantify the contribution of CSR to firms’ financial success rather than confirming a popular notion that they represent only a cost with little net positive impact on the firm’s financial performance. The following hypothesis postulates a link between performance satisfaction

and a broader ethical approach to business in Peru.

H2a: In Peru, respondents with a high stakeholder orientation will report greater satisfaction with performance than respondents with a low stakeholder orientation.

A link between a shareholder orientation and stronger performance outcomes seems consistent with two factors in Peru: recent rapid growth of the economy, despite growth being concentrated in traditional sectors such as mining and agribusiness (Tello & Tavera, 2010); and the absence of widespread initiatives linking business performance to CSR (Garavito, 2008; Marquina et al., 2011). This is postulated in the following hypothesis.

H2b: In Peru, respondents with a high shareholder orientation will report greater satisfaction with performance than respondents with a low shareholder orientation.

In the case of South Africa, there is support for the view that managers reporting a stakeholder orientation would report greater satisfaction with performance. It is widely held that ethics and organisational success are linked (Rossouw et al., 2002; Van Vuuren, 2002; Rossouw & Van Vuuren, 2003). The following hypothesis postulates a positive link between performance satisfaction, ethics and CSR.

H3a: In South Africa, respondents with a high stakeholder orientation will report greater satisfaction with performance than respondents with a low stakeholder orientation.

However, opposition to this perspective is also evident. Some believe that directors focus too heavily on CSR, that 'codes of behaviour have been driven to such a degree that they now derogate from the essential requirement... to run successful businesses' (Johnston, 2011: 62). The idea that a preoccupation with ethics hinders business is not uncommon. In South Africa, it could also be expected that a shareholder orientation would correspond with greater satisfaction than would the stakeholder orientation. A lack of morality is not the equivalent of a shareholder orientation, although both may share a profit focus. Coldwell (2010) identifies 'amoral' management as a profit-driven approach with little sensitivity to ethics, but recognises that such an orientation and its prevalence is unmeasured. The following hypo-

thesis postulates a link between satisfaction with organisational performance and a shareholder orientation in South Africa.

H3b: In South Africa, respondents with a high shareholder orientation will report greater satisfaction with performance than respondents with a low shareholder orientation.

One's management perspective can change when one progresses through an organisation's hierarchy. Indeed, top managers often view strategic and other considerations differently from their counterparts at other management levels (Parnell, 2005). The extent to which stakeholder or shareholder orientation might differ is unclear, however. The final hypothesis postulates no difference in orientation by level of management.

H4: There will be no significant differences in stakeholder or shareholder orientation across management levels.

5 Methods

This study utilised the previously validated PRESOR scale of Singhapakdi et al. (1996) as the theoretical frame for the further measurement of subjective perceptions of organisational performance. Qualitative measures of organisational performance have been utilised in a number of studies to assess subjective areas of performance such as the satisfaction of managers, customers and other stakeholders. Invoking a qualitative perspective of performance can provide insight into organisational processes and outcomes that cannot be seen via financial measures (Ayadi, Dufrene & Obi, 1996; Parnell, O'Regan & Ghobadian, 2006). Hence, self-reporting scales that assess relative competitive and objective performance in the present study were adopted from Ramanujam and Venkatraman (1987).

The present study employed these scales in South Africa, Peru and the United States. Targeting a minimum of 60 respondents in each country for a multi-nation comparison is consistent with the protocol suggested by Malhotra, Agarwal and Peterson (1996). The questionnaire was presented in USA English in the United States, in UK English in South Africa, and in Peru it was translated into Spanish and checked for accuracy. Respondents

were graduate business students and working professionals across professions and industries, and all were practising managers.

6 Findings

A total of 532 usable responses were collected, including 180, 142, and 210 from Peru, South

Africa, and the United States respectively. A summary of the national samples appears in Table 1.

Factor analyses were conducted to assess the integrity of both PRESOR subscales (see Table 2). Results were generally supportive, including coefficient alphas above .70 and solid factor loadings, with only one below .500 and four below .600.

Table 1
Sample characteristics

Variable		Peru (n=180)	South Africa (n=142)	United States (n=210)
Mgt Experience (years)		5.55 (sd=4.56)	7.54 (sd=7.28)	9.83 (sd=9.65)
Org Experience (years)		6.44 (sd=6.33)	6.99 (sd=6.80)	10.00 (sd=10.17)
Age		34.28 (sd=7.75)	37.18 (sd=9.31)	36.81 (sd=12.40)
Sex	Male	137 (76.1%)	84 (59.2%)	114 (54.3%)
	Female	43 (23.9%)	58 (40.8%)	94 (44.8%)
Level	Lower	60 (33.3%)	32 (22.5%)	48 (22.9%)
	Middle	61 (33.9%)	72 (50.7%)	86 (41.0%)
	Upper	59 (32.8%)	38 (26.8%)	76 (36.2%)

Table 2
Presor subscales

Variable	Peru	SA	US	Composite
Shareholder view				
<i>Coefficient alpha</i>	.771	.794	.835	.807
1. The most important concern for a firm is making a profit, even if it means bending or breaking the rules.	.628	.718	.750	.713
2. To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.	.791	.823	.847	.824
3. If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.	.845	.851	.825	.844
4. Efficiency is much more important to a firm than whether or not the firm is seen as ethically or socially responsible.	.730	.644	.738	.701
5. If the shareholders are unhappy, nothing else matters.	.639	.695	.718	.684
Stakeholder view				
<i>Coefficient alpha</i>	.843	.803	.826	.834
6. Being ethical and socially responsible is the most important thing a firm can do.	.513	.694	.648	.608
7. The ethics and social responsibility of a firm is essential to its long-term profitability.	.707	.694	.676	.706
8. The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.	.728	.737	.678	.714
9. Business ethics and social responsibility are critical to the survival of a business enterprise.	.826	.773	.747	.785
10. A firm's first priority should be employee morale.	.734	.539	.525	.626
11. Business has a social responsibility beyond making a profit.	.735	.653	.694	.715
12. Social responsibility and profitability can be compatible.	.724	.446	.701	.647
13. Good ethics is often good business.	.577	.637	.698	.644

The national samples were categorised along the PRESOR scale. Following the distinction in Shafer et al. (2007) between shareholder and stakeholder views, each respondent was classified as high or low in shareholder and

stakeholder orientations if the factor score for each measure was one-half of one standard deviation or greater from the mean. Those with factor scores within one-half of one standard deviation from the mean were not classified. In

other words, respondents with factor scores greater than 0.5 were considered high, those less than -0.5 were considered low, and those

between -0.5 and 0.5 were excluded from the test. Table 3 provides category membership by nation.

Table 3
Shareholder and stakeholder categories across nations

Category		Peru	South Africa	USA	Composite
Stakeholder	Low	70	78	57	205
	%	38.9%	54.9%	27.1%	28.9%
	High	44	25	85	154
	%	24.4%	17.6%	40.5%	28.9%
	Excluded	66	39	68	173
	%	36.7%	27.5%	32.4%	32.5%
Shareholder	Low	50	28	85	163
	%	27.8%	19.7%	40.5%	30.6%
	High	57	66	47	170
	%	31.7%	46.5%	22.4%	32.0%
	Excluded	73	48	78	199
	%	40.6%	33.8%	37.1%	37.4%

The performance satisfaction scale was also factor analysed to assess integrity (see Table 4). One item in the performance satisfaction scale (item 3) did not load well in the Peruvian

and composite samples but the coefficient alpha statistics were acceptable across all national samples, so no items were removed from the analysis.

Table 4
Performance satisfaction

Variable	Peru	S.A.	U.S.	Total
<i>Coefficient alpha</i>	.686	.954	.865	.827
1 Sales growth	.802	.858	.730	.816
2 Growth in profit after tax	.796	.885	.786	.831
3 Market share	.296	.843	.639	.383
4 Return on assets (ROA)	.851	.869	.705	.816
5 Return on equity (ROE)	.874	.920	.737	.857
6 Return on sales (ROS)	.880	.890	.726	.848
7 Overall firm performance and success	.851	.880	.752	.842
8 Competitive position	.826	.830	.662	.787

H1a and H1b were not supported. While high stakeholder and shareholder orientations were associated with performance satisfaction in the United States, the differences were not significant (see Table 5) and the hypotheses were not supported.

H2a was supported. Managers in Peru with a high stakeholder orientation reported a greater satisfaction with performance than did those with a low stakeholder orientation.

H2b was not supported. In Peru, managers

with low and high shareholder orientations reported performance satisfaction levels near the mean; the difference was therefore not significant. The view that a high shareholder orientation is associated with greater performance in Peru was not supported.

H3a was supported. Managers in South Africa with a high stakeholder orientation reported significantly greater satisfaction with performance than did those with a low stakeholder orientation.

Table 5

Results of t-tests of significance for performance satisfaction

Category		Peru	South Africa	USA	Composite
Stakeholder	Low	-.200	-.026	-.182	-.308
	High	.138	.441	-.313	.389
	t-value	2.929	2.255	.453	5.139
	significance	.004	.026	.652	.000
Shareholder	Low	.037	.530	-.478	.221
	High	-.012	-.090	-.089	-.136
	t-value	.571	3.468	1.419	2.872
	significance	.568	.001	.159	.005

H3b was not supported. Managers with a high shareholder orientation did not reflect greater performance satisfaction. In fact, South African managers with a *low* shareholder orientation reported the greatest satisfaction with performance with over one-half of one

standard deviation below the mean.

H4 was supported. None of the differences in stakeholder or shareholder orientation across management level were significant (see Table 6).

Table 6

Stakeholder and shareholder orientation across management level

Category		Peru	South Africa	U.S.A.	Composite
Stakeholder	Low	.916	1.156	.875	.957
	Medium	.885	1.111	.837	.941
	High	.932	1.132	.855	.942
	f-value	.047	.029	.039	.019
	significance	.954	.972	.962	.981
Shareholder	Low	.933	1.00	.895	.936
	Medium	.836	.931	1.200	1.009
	High	.864	.763	1.070	.931
	f-value	.250	1.241	1.971	.610
	significance	.779	.292	.142	.544

7

Discussion

The data presented in this paper suggests several key differences in stakeholder and shareholder orientations. Indeed, results were mixed, suggesting differences across nations. A number of findings warrant elaboration. In Peru - unlike South Africa and the United States - there is a long history of business corruption which is a significant hindrance to business (Lopez-Claros, Porter & Schwab, 2005; Lopez-Claros, Porter, Sala-i-Martin & Schwab, 2006; Porter & Sala-i-Martin, 2007; Quiroz, 2008). Hojman and Perez (2005) have identified the tumultuous influence of multiple cultures in neighbouring Chile that result in

ambiguity, inconsistency and contradiction. Peru has similarly experienced a mosaic of sharply contrasting cultural perspectives that go with the visible, outward embrace of market capitalism that may not reflect many Peruvians' true position. While the view was not corroborated in this study, previous research also suggests that significant differences exist in the attitudes of middle and lower managers and those at senior executive level (Parnell, 2008) while expatriate professionals with whom Peruvians work may also affect perceptions (Delmestri, 2006).

When compared to both Peru and the United States, the percentage of South African managers categorised as stakeholder-oriented was lower, and the percentage categorised as

shareholder-oriented was substantially higher (see Table 3). On close examination the percentage of South African managers with a low stakeholder orientation was far greater than the percentage with a high stakeholder orientation; and the percentage with a high shareholder orientation was far greater than the percentage with a low shareholder orientation. While South African stakeholder and shareholder orientations were originally considered as a possibility, their extremity was unexpected, and particularly so when compared to Peru and the United States. It is surprising given the overt attention paid to CSR in South African business, legislation and research, and in the light of earlier cross-national studies such as those of Moore and Radloff (1996) or Sims and Gegez (2004). The finding may also point to the possibility that there is a degree of 'CSR fatigue' amongst South African managers, as expressed in Johnston (2011).

A key shortcoming of the PRESOR scale is noted. Ethics is an individual construct associated with moral decision-making. Social responsibility is an organisational construct and refers to the notion that firms have an obligation to society beyond that of producing profits for their shareholders. The PRESOR scale includes social responsibility considerations as part of a broader ethics orientation. Rejection of social responsibility appears as rejection of managerial ethics, which is not necessarily the case. Moreover, in some nations high degrees of CSR can co-exist with low or varying degrees of individual honesty, morality and fairness, and vice-versa. Hence, the scale may measure the perceived importance of CSR for the business enterprise more than it does the individual's imperative for managerial ethics. Moreover, there is the assumption that managers are willing to sacrifice ethics in their pursuit of shareholder profit. For example, the item, 'The most important concern for a firm is making a profit, even if it means bending or breaking the rules,' is two-dimensional, assessing *both* shareholder orientation *and* a willingness to compromise ethics. PRESOR presupposes that ethical concerns underpin a shareholder orientation. Hence, additional scale modifications might be necessary to categorise managers with greater precision.

The links between stakeholder/shareholder categories and organisational performance are not causal and should not be interpreted literally. Greater satisfaction with firm performance in one category does not mean that alignment to that category always results in higher performance, especially at firm level. Given the influence of organisational culture, one's ethical perspective is often shared - at least to some extent - by other members of an organisation, but this is not always the case (Parnell & Dent, 2009). Moreover, ethical views are assessed at the individual level, whereas performance is assessed at the organisational level. Hence, the findings reported here are promising, but additional work is warranted.

Stakeholder and shareholder orientations are, in addition, not mutually exclusive. Put another way, some managers may be oriented toward a stakeholder *or* a shareholder orientation, but others might be oriented toward *both*, or possibly neither; trade-offs between the two extremes are not inherent. Indeed, the extent to which choices must be made between ethics and profits has been widely debated (Parnell & Dent, 2009; Vitell et al., 2010). Some scholars and practitioners emphasise the maxim that 'good ethics is good business' - a perspective also reflected in PRESOR item 13 - while others highlight the myriad decisions executives face whereby profits can be maximised at the expense of ethical considerations. Managers with *both* stakeholder *and* shareholder orientations eschew the notion that interests in ethics and profits are mutually exclusive.

The notion of a combined stakeholder/shareholder orientation may be more common in some nations than in others. For example, such a combination may not be as pervasive in Peru because of the relatively few examples of firms embodying such a perspective (Schwalb et al., 2003; Schwalb, 2010; Marquina et al., 2011). In a sense, respondents are probably less likely to opt for something that is practised on a limited scale and hence not readily seen.

Another distinction warrants clarification - the examination of short- and long-term perspectives on performance. Although a shareholder orientation might lead to high profits in the short run, one could argue that

maximising *long-term* shareholder returns only occurs when the needs of all stakeholders are considered (Jones & Wicks, 1999). In this regard, individuals with stakeholder and shareholder orientations appear to focus on the convergence of both sets of interests in the long run.

8

Conclusions and future directions

The evidence presented in this paper supports the notion that many, albeit not all, business professionals in the United States, Peru and South Africa tend to see beyond a narrow profits-only orientation in their quest for high organisational performance. Although there is evidence of a range of perceptions amongst managers and differences in and across countries, the study's findings dispel the notion that outside of industrialised countries managers do not link firm performance to questions of ethics and social responsibility. It also suggests that trade-offs do not necessarily exist between concerns for ethics and profits.

There are similarities and differences across nations with respect to the link between stakeholder and shareholder orientations and organisational performance. The composite results presented in Table 5 underscore the reality that relationships differ markedly across nations.

A re-examination of the conceptual foundation for a high orientation in *both* stakeholder and shareholder orientations is germane. If all stakeholders benefit in the long run from superior firm performance and shareholders benefit from attention given to the needs of other stakeholders (see Jones & Wicks, 1999), then such a perspective is the most rational. The distinction between a high stakeholder orientation alone and combined high stakeholder and shareholder orientations categories is therefore modest at best. Given these considerations, it would follow that organisations should consider social obligations within the context of long-term performance and 'manage' CSR as they do other business considerations.

On the other hand, if the needs of shareholders and other stakeholders do not converge over the long term, then proclaiming

both orientations simultaneously is naïve. Only those with stakeholder and shareholder orientations understand the necessary short-term *and* long-term trade-offs that must be made with regard to myriad conflicting stakeholder interests (see Asher, Mahoney & Mahoney, 2005; Jacoby, 2005).

Most scholars and practitioners occupy a middle ground between these two extremes, assuming partial convergence of shareholder and other stakeholder interests (Garcia-Castro et al., 2011). Numerous positions between these two extremes can be identified, however, each accepting a different degree of possible convergence and favouring one extreme over the other. Additional scholarly work is needed to clarify this conundrum.

A number of opportunities for future research have been identified. First, the blending of managerial ethics and social responsibility in the shareholder portion of the PRESOR presents a challenge to scholars attempting to categorise managers on various ethical, CSR, or profit orientations. Additional research on the prospective combinations of stakeholder and shareholder orientations would be fruitful. Individuals possessing mixed orientations reject an either/or perspective on profits and ethics. Embracing the two perspectives simultaneously is plausible and can be associated with high organisational performance.

Replications of the present study in other emerging and newly industrialised countries (NICs) may identify factors that are associated with economic development status. The need to understand the cultural impact of the relationships among behavioural variables in organisations has never been more important (Hutchings, Metcalfe, & Cooper, 2010). Whereas scholars have typically viewed findings in western industrialised organisations as generalisable (Boyacigiller & Adler, 1991), research highlighting the influence of culture and other factors suggests that is not always the case (Lenartowicz & Johnson, 2003). Additional scholarly work investigating the role of culture and other factors in organisational processes and performance in developing nations is needed (Elbanna, 2007; El-Amir & Burt, 2008).

The relationship between managers' performance satisfaction, shareholder and stakeholder

orientations in developing countries bears monitoring. Perceptions are affected by the pace and nature of development and current economic conditions, hence, managers should be assessed to establish whether more unanimous perceptions emerge over time. This is particularly significant in countries such as South Africa and Peru where economic transition is rapid and management ethos in a greater state of flux than is the case in more established economies.

Individuals aligning along specific PRESOR categories across national boundaries could have more in common than they would with those in other categories within their own countries. Following this logic, exploring the differential construction of the categories across national boundaries, and the degree of similarity of those aligning along particular categories across national boundaries in terms

of management variables other than ethics, represent fruitful endeavours for further study.

Problems arise when constructs and surveys are modified or translated to suit samples in other cultures (Punnett & Shenkar, 1994; Parnell & Hatem, 1999), while the universality, hegemony and cultural encroachment of theory, methodology and practice based exclusively on experience in western industrialised economies is increasingly resisted and challenged (McDonald, 2010; Sams, Khan & Ospina, 2011). While methodological consistency is desirable, many western management constructs are inappropriate in emerging economies and NICs, including those in Latin America and Africa. Existing theory should be applied with allowance made for theoretical modifications when findings cannot be readily explained by prevailing approaches.

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