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# Corporate social responsibility in the wake of the Asian tsunami: an empirical study

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## **Keywords**

Corporate, social, responsibility, wake, asian, tsunami, empirical, study

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# **Corporate Social Responsibility in the Wake of the Asian Tsunami:**

## **An Empirical Study**

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# **Corporate Social Responsibility in the Wake of the Asian Tsunami:**

## **An Empirical Study**

### **ABSTRACT**

This paper provides input on how the leaders of two leading Sri Lankan private sector organisations engaged in CSR initiatives during the first 11-months after the Asian tsunami. Amidst stakeholders' overwhelming outpouring of spontaneity to engage in CSR activities, the paper reports on the decision-making and leadership challenges of business leaders after a high magnitude human tragedy. The paper specifically examines as to what extent the CSR initiatives following the tsunami disaster were a reflection of leaders' authentic moral conduct. Due to the magnitude of the devastation from the tsunami, one would assume that the CSR initiatives that follow such a massive natural disaster would be without any strategies for material gain or corporate reputation. The findings suggest otherwise. After mapping the corporate responses to the damage caused by the Asian tsunami, the study proposes a conceptual model.

*Keywords: Corporate social responsibility, tsunami, spiritual leadership, transcendental leadership, right decision-making, unbounded rationality*

## INTRODUCTION

The paper is based on my experiences as a Sri Lankan born expatriate-academic, researching into post-tsunami leadership behaviour. I interviewed formal and informal donors, civil society leaders, business leaders and victims of the Asian tsunami. This paper aims to report the findings on the corporate social responsibility (CSR) of two leading Sri Lankan private sector organisations. It provides input on how these organisations engaged in CSR in the wake of the Asian tsunami. This paper is based on a case study methodology. The study addresses decision-making and leadership challenges in identifying appropriate CSR initiatives amidst various stakeholders' overwhelming outpouring of spontaneity to engage in CSR activities. Vålanda and Heidea (2005) examined how a company can handle 'bad episodes' related to corporate social responsibility and introduced a conceptual model in which a corporate social responsibility event passes through three 'regulators' which influence the significance of the episode. Depending on the significance of the episode and influenced by the regulators, Vålanda and Heidea (2005) outlines three responsive strategies.

One was to follow a management strategy by applying existing CSR internal tools. This option is generally preferred the CSR incident is sufficiently small to be managed and employees in the company basically agree towards the response. If the management strategy fails, the researchers propose a second option; surgery strategy. Normally used for more significant incidents, surgical action may result in significant changes to the processes and people of the organization. If the surgery strategy fails, Vålanda and Heidea (2005) propose the need of a mitigation strategy. This strategy is used for more severe incidents, such as a large environmental disaster, where the focus is on managing the external variables.

Noting that Vålanda and Heidea's (2005) views were limited to company created 'bad episodes', the present study adopts their model to propose a new model for explaining CSR initiatives to 'bad episodes' such as natural disasters where the company had no direct influence.

The paper is organised as follows. I start with an introduction to basic concepts, and the state of CSR in Sri Lanka before the Asian tsunami. Thereafter I continue with the methodology and case

descriptions. The subsequent section includes findings, followed by discussions and managerial implications. In the final section, I discuss limitations and suggest further research.

The concept of corporate social responsibility has a long and an impressive history in the management literature (Windsor, 2001; Carroll, 1999 and 1979). Conceptually, Windsor (2001) notes that there are significant difficulties in distinguishing whether business behavior is truly moral conduct or instrumental adoption of an appearance of moral conduct as useful reputational strategy. He argues that voluntary acceptance of material loss may serve to identify moral conduct, but material gain cannot serve to isolate reputational strategy. Empirically, despite considerable effort in the academic literature to discover a reliable relationship between responsible conduct and financial performance, the evidence remains mixed at best (Windsor, 2001).

This paper attempts to examine the question as to what extent were the CSR initiatives following the tsunami disaster a reflection of managers' authentic moral conduct? Due to the magnitude of the devastation from the tsunami, one would assume that the CSR initiatives that follow such a massive natural disaster would be without of any strategies for material gain or corporate reputation. The findings of this study based on pioneering tsunami relief efforts by two private sector Sri Lankan organizations suggest otherwise. These two cases are selected due to several reasons. Unilever (Sri Lanka) is among the largest and oldest multinational companies in Sri Lanka. It has operated in Sri Lanka for over 70 years and employs over 1100 Sri Lankans. Brandix is the single largest exporter in Sri Lanka with an annual turnover that exceeds US\$200 million. It directly employs 18,500 and generates indirect employment to an equivalent number. The pioneering social and environmental rehabilitation relief efforts of these two organisations had a significant impact on the Sri Lankan government and other leading local and overseas businesses. Before we turn to the events that unfolded in these two Sri Lankan business organisations, it would be useful to note the state of CSR in Sri Lanka before the tsunami.

## **THE STATE OF CSR IN SRI LANKA BEFORE THE TSUNAMI**

The Asian tsunami has resulted in a mass launch of hundreds of formal CSR programmes in the Sri Lankan private sector. Business perspectives and practices in Sri Lanka are products of both the island's

colonial trading past as well as its present turbulent political circumstances. Commerce in Sri Lanka is rooted in a long history of international trade with its former colonial powers – the Portuguese, the Dutch, and the British – as well as with neighbouring Asian countries. Private companies were formed in the early part of the 18th century, and Sri Lanka's stock market was set up in the latter half of the 1800s. Sri Lanka has around 240 companies currently listed on the Colombo Stock Exchange. Privatisation, the opening of Sri Lanka to foreign investment and increased, domestic private investment have transformed Sri Lanka's private sector into the country's largest employer and most important source of revenue (International Alert, 2005).

In the first half of 2004, a comprehensive survey was undertaken by an international NGO, International Alert, on the CSR perceptions and attitudes of the Sri Lankan public and business organisations. The study explores perceptions on the wider social role of business in society and looks at CSR as a possible means to develop this role. This study consisted of two parts. The first, an island-wide household survey on the perceptions of the public on CSR. This survey was conducted with the aid of a semi-structured questionnaire, administered through face-to-face interviews with individuals from all age categories between 18 to 65 years, including both men and women.

The second study, also conducted with the aid of a semi-structured questionnaire, was administered through face-to-face interviews with individuals from the business community. A total of 147 individuals from the business community were interviewed. In the capital of Colombo, the sample was selected to represent large-scale and prominent business organisations covering 10 specific industrial sectors. International Alert's findings provide a snapshot of the state of the CSR in Sri Lanka before the tsunami.

International Alert's (2005) study shows that a majority of the respondents interviewed (54.7%) agreed that large-scale/prominent businesses' sole responsibility was to generate profits. But a significant proportion (28.8%) disagreed, 9.6% were undecided and 6.5% said they did not know. The study indicates that most Sri Lankans do not have a clear understanding of the role they wish businesses to play in society (International Alert, 2005). The public is uncertain whether business should focus solely on

profits, or engage in social issues. While a slight majority of people feel that business should do more for the social good, they mistrust corporations and express fears that the private sector exploits consumers and destroys cultural values. In the business community, most respondents feel that they have a strong role to play in addressing social needs but, while there is a long history of charitable giving in Sri Lanka, few companies have a strategy or policy for doing so. They do not have a clear direction on how and what to contribute to society, and the benefits from doing so.

Only 73.2% of companies surveyed had a CSR policy. When those with a CSR policy were asked whether it was formal or informal, only 17% had formal, written policies. The majority (84.1%) of the companies are engaged in CSR because they genuinely want to contribute to the betterment of society, while 39% wanted to help build employee pride and commitment. 26.8% said CSR is part of their company mission; 13.4% say they adopt it for publicity reasons; 12.2% say it is because of the expectations of other businesses and civil society; and 2.4% said it is because of regulations and laws (International Alert, 2005).

When asked how long their organisations have been involved in specific (formal/informal) CSR policies, only 59.8% of companies have been actively involved for more than six years. Seven organisations have had CSR policies running for more than 30 years and one has been involved in the concept for 65 years. The majority of organisations engage in CSR activities relating to education (54.9%) but significant numbers focus on internal practices, such as employee welfare (51.2%) and unemployment issues (48.8%). A notable number of organisations engage in religious activities (36.6%), environmental concerns (31.7%), health (30.5%) and the provision of infrastructure facilities (28%).

When asked from the Sri Lankan public whether they had heard of the concept of CSR, 76.2% of respondents were aware of the concept, but 23.8% had never heard of it (International Alert, 2005). Thus International Alert's (2005) study reveals that while businesses regard the practice of CSR as a genuine gesture, the public views it as self-interest. The majority of businesses say the main reason for their CSR policies is genuine concern for society, but a minority cites publicity as the primary purpose. The majority



public view, by contrast, is that businesses practise CSR policies for motives of publicity and only a minority believe that they have a genuine concern for society.

Given this backdrop, and while the International Alert's study was literally being published for a January 2005 release, the Asian tsunami struck almost 70% of Sri Lanka's coastline on December 26, 2004. The estimated tsunami death toll ranges from 156,000 to 178,000 across 11 nations, with an additional 26,500 to 142,000 missing, most of them presumed dead ([www.sciencemag.org](http://www.sciencemag.org)). The tsunami devastated 1,000 km of Sri Lanka's coastline leaving 31,000 Sri Lankans dead, 5,600 missing, more than 15,000 people injured and 500,000 homeless (Jayaratne, 2005). Most affected sectors included coastal livelihoods dependent largely on fisheries, tourism, agriculture and small businesses. Total job losses are estimated at 380,000. The estimated damage to infrastructure includes 150,000 homes, 200 educational institutions and 100 health facilities. Railway, power, telecommunications, water supply, and fishing ports also suffered significant damage. In addition to the deepened poverty for thousands already suffering from over two decades of war, the long-term impact includes an additional 250,000 people will falling below the poverty line. The Government of Sri Lanka and international financial institutions estimate reconstruction will cost US\$1.6 billion, primarily to rebuild key coastal infrastructure and re-establish livelihoods.

The resulting damage and loss of life has ironically, brought in a new chapter in the CSR practices of Sri Lankan business organisations. It is to these post tsunami CSR practices that we now turn.

## **METHODOLOGY**

### ***Data Collection***

The paper is based on my experiences as a Sri Lankan born expatriate-academic, researching into post-tsunami leadership behaviour, both in Sri Lanka and internationally, and 21 interviews I had with formal and informal donors, civil society leaders, business leaders and victims of the Asian tsunami. It provides input on how the leaders of two leading Sri Lankan private sector organisations engaged in CSR initiatives during the first 11-months after the Asian tsunami. The fieldwork was conducted during the latter half of November 2005; nearly 11 months after the tsunami struck the Sri Lankan coast.

The primary method of data collection was in-depth, face-to-face interviews. A semi-structured interview guide was used. The average participant interview was about 90 minutes. In the interview, participants were encouraged to reflect upon what the 2004 Boxing Day tsunami meant to them and how it has influenced their leadership and decision-making on natural disaster related CSR initiatives. To observe moods and hesitations in response to specific questions, all interviews were videotaped. Additional probing questions were interwoven during each interview to seek verification and explanation. To seek the participants' perspectives on the phenomenon under study, the interview guide was based on an open-ended format. This format was used to encourage participants to share information in a style that they were comfortable with.

According to Miles and Huberman (1994), the key to ensuring the quality of data in a study of this type is to link three levels of understanding—(i) the meanings and interpretations of the participants; (ii) the researcher's interpretation of those meanings; and (iii) confirmatory analysis. Unfortunately, this linking process cannot be made explicit in this paper because data collection was governed by a confidentiality agreement. Data triangulation was, therefore, used to ensure the quality of the data, together with multiple methods of confirmatory analysis including methodological triangulation (Seale, 2000).

With respect to data triangulation, to strengthen and verify the use of the interview data, additional information was sought through the review of relevant company and public documents. These consisted of company reports on CSR initiatives, as well as electronic and print media reports on business leaders' and organisations' tsunami related CSR activities.

### ***Case Descriptions***

#### **Unilever (Sri Lanka)**

Unilever (Sri Lanka) is among the largest and oldest multinational companies in Sri Lanka. It has operated in Sri Lanka for over 70 years and employs over 1100 Sri Lankans, none of whom succumbed to the tsunami. The company currently conducts a wide range of FMCG operations in the urban and rural sectors. The interviews were conducted with two of the most senior directors and one junior director in

the top management team. It was one of the few Colombo-based organisations that had a formal CSR programme before the tsunami.

### **Brandix**

An apparel manufacturer, this family owned business operation is supported by over 20 manufacturing facilities in Sri Lanka and abroad, as well as marketing offices in New York and London. Brandix is the single largest exporter in Sri Lanka with an annual turnover that exceeds US\$200 million. It directly employs 18,500 and generates indirect employment to an equivalent number. The interview was conducted with the chairman of the company. It is also one of the large Colombo based organisations that had a formal CSR programme before the tsunami.

## **FINDINGS: MANAGING CORPORATE REPUTATION AND LEADING SPONTANEOUS EMOTION**

All interviewees described the post tsunami experience using the phrase ‘CSR’. Both companies had formal CSR initiatives in place. For Unilever, it revolved around the 3G mantra, *our brands, our people* and *our community*. Reflecting the worldwide corporate mission of Unilever Plc, *adding vitality to life*, the Sri Lankan Unilever operations attempted to deliver positive results to the community when pursuing its brand and people goals. Both organisations admitted that they ‘played to their strengths’, meaning shaping the tsunami CSR response in terms of proven organisational resources and techniques, or internal tools. For Unilever, it was the strong and deep island wide distribution network. In the immediate aftermath of the tsunami, Unilever moved quickly to make distribution networks available to emergency relief operations, working alongside local agencies to distribute essential food and hygiene products and matched employee donations to a central fund. Initial relief work was followed by rehabilitation and reconstruction projects. These include the rebuilding of 150 homes in Sri Lanka.

For Brandix, it was their already established CSR initiatives on water based projects. Brandix believes in providing water to as many needy communities as possible. Brandix engineering teams have constructed and maintained desalination plants in strategically located areas along the southern and western coastal belt. The process is two-fold: firstly, they convert sea water into fresh, drinkable water,

and secondly, distribute this to the local populace through efficient and effective mechanisms available. Brandix's long-term corporate social responsibility programme is to build new desalination plants every year. During the aftermath of the tsunami, they found that most of the water wells in the affected areas were contaminated with sea water. With the help of a government agency and in-house environmental engineers, Brandix cleaned 4000 water wells along the whole of the affected coastal belt. The chairman of Brandix believes that this CSR initiative cut across all ethnic and religious communities.

All interviewees elaborated on the nature of decision-making and leadership that was required to effectively and efficiently channel organisational resources to the most wanted. According to the Brandix leader, decision-making was hard. He said;

These (tsunami related CSR decisions) were similar to the decisions I had to make under terrorist threats on my life to close down the factories and delay shipments. Then I had to make the call, and I did. At that time, we had never experienced any thing like that before.

Amongst the outpouring of emotions and spontaneity 'to do something', he admitted of being accused by his employees of making cold business calls during the aftermath of the tsunami disaster. For example, he said;

I had to make hard decisions. There was panic and I was concerned about wasting resources. I had to order everyone to work and meet the shipping deadlines because in the apparel industry, missing deadlines is committing suicide. A small group of employees were reluctant because they thought it was a hard, cold commercial decision. But for me, grief without a plan is more grief. While the factories were running, I decided that some employees should form into teams and we should go to those areas that no one has been to. So we sent several teams in a convoy carrying tents and basic emergency items to neglected areas especially in the East.

Similarly, Unilever directors believed in 'nurturing the golden goose' whilst continuing with emergency relief efforts. In the absence of the chairman who was overseas, the senior directors made a decision to get back to work, keep the factories running whilst emergency help was being provided. With its strong

distribution network perhaps no other Sri Lankan organisation could boast of, Unilever employees traveled to remote areas and were the first to get to most of the Eastern towns. They assisted the World Food Programme in logistical support by chartering a train to deliver emergency food rations and medical supplies.

In terms of drivers to CSR initiatives connected with the tsunami, publicity became a contentious topic in all interviews. According to the Unilever senior team, they wanted to do the 'right thing'. Right in terms of providing what is appropriate to the affected people and right according to their consciences. The question they tried to answer was given the same resources, whether they would engage in the same activities in a similar manner if they were carried out outside the 'corporate hat', as private individuals. Initially, they decided that Unilever should not use the tsunami CSR initiatives for enhancing the corporate image. However, according to the senior management team, in the absence of any publicity to their CSR initiatives, their stakeholders, both national and international, had wanted to know Unilever's contribution to the tsunami relief effort. There had been increasing pressure from these stakeholders because some have channeled their resources through the company to direct them to affected areas. For example, ex-employees who were living abroad have sent funds to Unilever to be used in the relief effort. Hence, Unilever became concerned with the situation and decided to engage in 'stakeholder awareness'. According to the management team, 'the Board decided to engage in focused awareness of our efforts as opposed to a shotgun approach'. They felt that this was appropriate because it was 'more of a responsibility to account for our stakeholders than a strategy to exploit the tsunami for cheap commercial gain'. One senior director said;

As much as we didn't want to wave a flag, we needed to do the right thing by our conscience as well as *seen* doing the right thing because our stakeholders were expecting us to be *seen*.

Stakeholders had to *see* the right thing been done--corporate image was important.

Thus the leadership at Unilever had to adopt a careful awareness building campaign which did not exploit the human tragedy as an opportunity for publicity but at the same time ensuring that 'the company image was not adversely affected of not being *seen* to be doing'. Thus a quarter of the initial 100 million LKR

received from the parent company was donated to the government and ‘we decided to take whatever publicity that came with it because it was important that the government recognized the efforts of leading multinationals in the country.’

In terms of leadership challenges posed by tsunami related CSR initiatives, all leaders admitted that the fundamentals of leading were similar to resolving a day-to-day business crisis. However, they mentioned that the approach of influencing their followers were different. The Brandix leader explained: ‘Leadership was the key, nobody wanted to take decisions. Emotions were raw and I had to be more empathetic and tolerant of their spontaneity’. For example when he decided to organise and send one convoy to all the affected areas, ‘the heads of different SBUs reacted. They wanted to send their people to where they had factories so their presence was felt in those communities. I had to give in’.

In terms of the emotion and spontaneity that was involved in the CSR initiatives of the organisations, Brandix chairman said he experiences similar outpouring of emotion and spontaneity ‘in small pockets’ during day-to-day business operations. However when all 18000 followers were thinking of achieving the same goal, the intense emotions and spontaneity ‘has to be managed, to say the least’. These sentiments were echoed by the Unilever senior team as well. The G3 mantra at Unilever is *our brands, our people and our community*. Reflecting the parent company’s mission of *adding vitality to life*, ‘we in Sri Lanka decided that all our activities directed to achieve successes in our brands and people should also have a positive impact on our communities’. So, in terms of leadership challenges, one senior director said, ‘the tsunami related CSR initiatives nicely fitted in with the G3 mantra already in place’. However, he said that the emotions and the spontaneity had to be clearly directed.

The spontaneity in which people responded to the disaster was overwhelming. It came from the heart; non-rationalised outpouring of action. No overtime was claimed by anyone of the employees for the massive number of hours put in for the relief work.

He admitted that he had not ‘led something like this before, ever. It was a far more emotional experience’. Contrasting ‘normal’ company events as ‘a job to be done where tasks are more rational and structured’,

this senior Unilever director said, ‘here it was all heart, came from within.’ Whilst curtailing spontaneity, he said;

...the unique leadership challenge in this disaster related CSR was to how to get the best out of the overwhelming desire to help. Guidance, structure and a clinical management approach was needed. Clear direction and clarity to the purpose at hand had to be provided immediately.

In terms of personal reflections, he said;

Two words--fulfillment and a sense of frustration! There is a limit to how much we could do and the frustration we felt consequently with government bureaucracy. For example, we got LKR100 million in a matter of hours but government approval is still pending after 11 months. We haven’t been able to handover a single house yet.

### Summary of events leading to disaster related CSR outcomes

	<b>Unilever</b>	<b>Brandix</b>
<b>Within 24 hours</b>	Board meeting	Board meeting
<b>Initial Fund</b>	100 million LKR from parent company	N/A
<b>Decision-making</b>	Informal gathering of directors and employees	Board Meeting
<b>Employee involvement</b>	Voluntary donation of a day’s wage, voluntary time	Voluntary employee time
<b>Short-term CSR outcomes</b>	25 million Emergency aid to the furthest corners	Emergency hotlines for marooned employees, volunteer employee teams,

	of the island	tents
<b>Long-term CSR outcomes</b>	75 million  Building 150 houses, hospital refurbishment, logistical support to the World Food Programme	Water wells
<b>Integrated relief efforts with the existing CSR platform</b>	3G mantra: our community	Water: 4000 water wells
<b>Stronger ties with NGOs and government</b>	25 million to government, logistical support to the World Food Programme	South African Charity

## **DISCUSSION: CSR REGULATORS AND OUTCOMES**

After the Asian tsunami struck Sri Lanka on Sunday, 26 December 2004, each of the two organisations initiated CSR programmes. However, each organisation's CSR response and outcomes were different. It seems that CSR responses of the two organisations in the wake of the Asian tsunami were moderated or regulated by two different factors. CSR drivers lead to increased emphasis on CSR. Increased awareness among stakeholders, public media interest and more integration/higher interdependencies between companies are some examples. Companies are facing increased demands for transparency and growing expectations that they measure, report, and continuously improve their social, environmental and ethical performance (Vålanda and Heidea, 2005). Growing public media interest tends to reinforce the stakeholder awareness. More integration and higher interdependencies between actors mean that firms are increasingly held accountable for the practices of their business partners throughout the value chain. Thus, a CSR event which occurs in the upstream part of the supply chain, can easily lead to a flow-on effect for



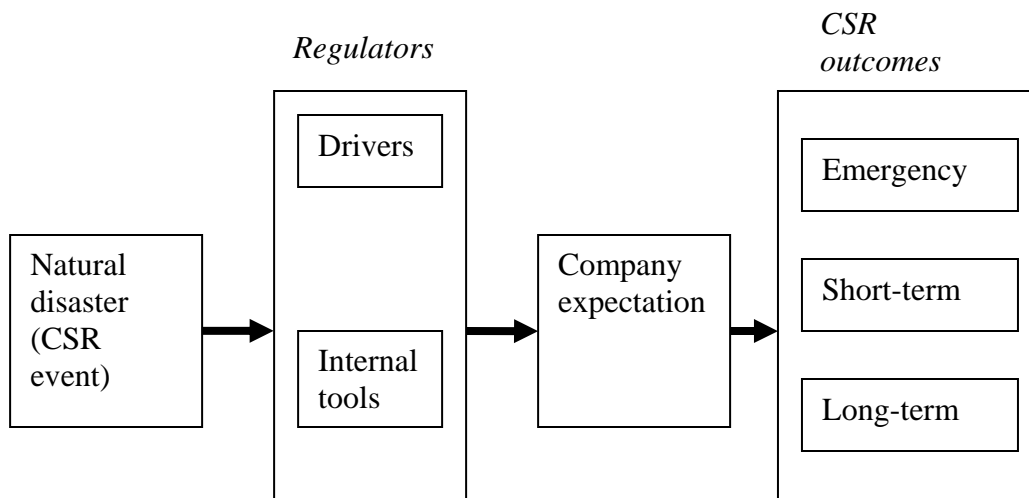
the actors further down in the chain. For example, by contributing 100million LKR within a matter of hours after the tsunami struck Sri Lanka, Unilever's top management in the UK head office played a major role in initiating and setting the tone of the Unilever (Sri Lanka)' CSR response.

CSR Internal Tools refer to the firm's own rules, processes and structures that safeguard a 'socially responsible' company. Literature shows that companies differ in the way they implement corporate social responsibility. Some companies concentrate on a single area such as environmental and ethical issues while others aim to integrate a CSR vision into all aspects of their operations. For example while Unilever's focus on CSR was community based projects, Brandix's focus was on environmental CSR. If CSR is to be regarded as an integral part of business decision-making, it merits a prominent place in a company's core mission, vision and strategic documents. These are simple but important statements that succinctly state a company's goals and aspirations beyond making a profit. Measurements, auditing and reporting are tools to strengthen internal efforts to comply with the company's CSR policy and thereby build trust with external stakeholders.

The CSR drivers and internal tools constitute regulators, which may reduce or amplify the effects of the CSR response. In some situations the impact of the CSR event may nearly diminish because public media show no interest in the episode or the company has the necessary tools to defuse the situation. In other circumstance, the incident may cause a significant uproar because it is illegal or in conflict with internal rules of conduct and ends up as a front-page story in the leading newspapers (Vålanda and Heidea, 2005).

The main outcomes from natural disaster related CSR events could be classified into emergency, short-term and long-term approaches. In the first 11 months after the tsunami, apart from the emergency relief during the first few weeks, almost all of the CSR initiatives of the two organisations were directed at improving social development and the livelihood of those affected by the tsunami. These included construction of houses, hospitals, schools and water wells.

The resulting findings can be summarized in the following conceptual model, which also illustrates the relatedness between the constructs (see Figure 1).



**Figure 1. Conceptual Model**

In the above model, company expectations are shaped by the leadership and decision-making involved with natural disaster related CSR initiatives. In terms of leadership, the findings suggest that ‘playing to your strengths’ as a key criterion for success in natural disaster related CSR initiatives. The internal tools linked to the existing CSR platform could shape and form the CSR initiatives related to such a natural disaster. Each organisation benefited from a dedicated disaster relief team that led and guided the relief effort. These original teams were engaged in long-term CSR initiatives 11 months after the tsunami. Although the two case studies did not generate any evidence to suggest the pursuit of direct material gain from the tsunami, a company’s expectation to exploit natural disasters such as the Asian tsunami for direct material gain could also affect its CSR outcomes.

Depending on the significance of the episode and influenced by the regulators, Vålånda and Heidea (2005) suggest that company CSR initiatives could be management, surgical or mitigative. Earlier it was noted that while Vålånda and Heidea’s (2005) views were limited to company created ‘bad episodes’, the present study adopts their model to propose a new model for explaining CSR initiatives to ‘bad episodes’ where the company had no direct influence. The focus of Vålånda and Heidea’s (2005) study on company’s CSR initiatives towards a critical incident has been one of magnitude. In the present study, the focus was one of immediacy of response. If we were to consider each of Vålånda and Heidea’s

(2005) three response strategies against the time horizons of the present study, because management strategies could be implemented with existing CSR internal tools and with almost complete agreement of employees, they are more likely to be emergency oriented CSR outcomes. The second option surgery strategy is more likely to generate short term CSR outcomes because it would take more time for companies to make significant changes to the processes and people of the organisation. In the case of mitigation strategies, as in the case of company generated 'bad episodes', in cases involving natural disasters, the focus is on securing the long term reputation and survival of the company.

## **MANAGERIAL IMPLICATIONS**

The findings of this study have two major managerial implications for decision-making and leadership. In spite of the great tolerance and empathy required to maneuver the CSR initiatives in this natural disaster, cold and hard business decisions also had to be made. However, rational decision-making seems to have little significance during the first 48 hours after a natural disaster. Decision-making from the 'heart' could be more significant. Both organisations reported very little rationalisation in allocating millions of LKR as initial funding for the CSR initiatives.

Several interviewees spoke of doing the right thing—right in terms of the affected individual's perspective and from one's own conditions. The study reveals the significant role a human tragedy plays in shaping some leaders' desire to make 'right' decisions. The findings of this study support Shakun's (2001) notion of unbounded rationality that decisions are bound not only by cognitive abilities but also by affective and conative faculties. Conation refers to the connection of knowledge and affect to behaviour, and is associated with the question of 'why?' something has happened. It is the personal, intentional, goal-oriented or striving component of motivation—the proactive (as opposed to reactive or habitual) aspect of behaviour (Huitt, 1999). It is defined as the use of will or the freedom to make choices about what to do. According to Huitt (1999), conation becomes critical when an individual wants to successfully engage in self-direction and self-regulation.

Shakun also points out that ‘right’ decision-making and ‘rightness’ originate from spirituality—that is, a consciousness experiencing oneness (authors, 2006). Shakun (2001: 112–113) refers to this decision-making process in terms of ‘unbounded rationality’ and claims that it is ‘the rationality that ultimately matters, that requires and delivers spirituality’—our ultimate purpose and value. ‘Right’ decision-making is rational or reasonable not only in terms of achieving its goals in terms of cognitive abilities, but also in terms of the ability to experience and act according to a connection with a larger, ultimate whole. Based on these observations by Shakun, we might speculate that business leaders confronted with a massive natural disaster CSR initiatives will tend to try to go beyond the rational and bounded to the unbounded or spiritually-motivated decision-making processes in order to make effective ‘right’ decisions. When leaders are challenged to the extent that they need to reach deeper and draw from their value system to find the ‘right way’ of managing the situation, it is likely that their decision-making process plays a major, if not the dominant, role in determining the outcome.

Turning to implications to leadership, unlike in day-to-day business operations, the tsunami disaster relief effort needed little follower motivation and inspiration. On the contrary, the outpouring of ‘heart’ and emotion that follows such tragedies needs to be properly channeled and guided. Leaders in these situations need to be more tolerant and empathetic towards followers. They have to give into follower pressures to follow a particular course of action. Thus a mixture of participation and contingency leadership styles would seem appropriate. Fry (2005; 2003) found empirical support to conclude that a spirituality-based leadership theory offers promise as a springboard for a new paradigm for leadership theory and emphasized the need to extend transformational leadership theories. Relatively newer theoretical contributions that explore the spiritual dimensions of leadership such as transcendental theory of leadership (Cardona, 2000; Sanders III, Hopkins and Geroy, 2003) seem more relevant to the leadership challenges posed by natural disaster related CSR initiatives. These researchers propose that the transcendental theory comprises of the managerial aspects of transactional theory and the charismatic aspects of transformational theory to enhance leader effectiveness. Perhaps the application of

transcendental and spiritual leadership theories could help identify the extent to which the CSR initiatives following the tsunami disaster a true reflection of leaders' authentic moral conduct.

## **LIMITATIONS**

The case studies have been developed based on interviews with the top management team of each organisation. The data collected through these interviews could have been triangulated with other 'insider' sources from within these organisations. Furthermore, by employing cases from only Colombo based organisations, the results and applicability is limited. On the other hand the purpose of the study is not to test the external validity of the findings, but rather to explore and generate hypotheses and ideas.

## **CONCLUSION AND FURTHER RESEARCH**

International Alert's survey conducted prior to the Asian tsunami revealed that only 20.1% of the households believed companies are engaged in society friendly activities because businesses 'really want to do some good'. A majority (69.9%) said that businesses engage in such activities for 'publicity'; 9.8% said they are responding to 'external pressures from business or civil society organisations'; and 7.3% said that it is 'because of regulations and laws'. A similar study could be conducted in post tsunami Sri Lanka to assess any shift in the public opinion on why companies engage in CSR activities.

CSR is in the embryonic stage and several issues regarding frameworks, measurements, and empirical methods are yet to be resolved. Among the numerous challenges in this emerging research field, I suggest further studies of the role of individual spirituality in shaping CSR initiatives, especially in connection with high magnitude natural disaster events such as the Asian tsunami. Furthermore, studies could be undertaken on the relationship between high magnitude natural disaster related CSR initiatives and business benefits. Or to be more specific, studies that focus on how the interplay between drivers such as publicity and media, benefits the company and society.

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