

The Impact of Strategic Orientation and Organization Culture on CSR Practices: A Theoretical Review and Critique

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Abstract: Although the importance of corporate social responsibility (CSR) in organizations has been well recognized, content analysis findings exhibiting factors cultivating CSR in organizations have been discouraging. This current study provides a theoretical review of pertinent organization factors that emboldens CSR activities in organizations. Besides that, this research highlights issues associated with conceptualization and theoretical development of CSR practices in organizations. By providing a narrative evaluation on theoretical review, this research underscores catalyst factors of CSR practices and provides a synthesis for future research. Discussion on recommendation for conceptualization and theoretical development of CSR practices are also provided. Furthermore, this paper assesses the importance of CSR based on three theories, which are Contingency Theory of Social Performance, Deontology Theory, and Dynamic Capabilities Theory. Content analysis results show that CSR research is still at the developing stage as more studies need to be conducted to enhance CSR as a concept of significant relevance in organizations.

Keywords: Corporate social responsibility, strategic orientation, culture, contingency theory of social performance, deontology theory, dynamic capabilities theory

Paper type: Conceptual paper

1. Introduction

Sustainable development is defined as “development that meets the need of current generations without compromising the ability of future generations to meet their needs and aspirations” (WCED, 1987, p. 8). As business organizations are one of the main agents in the environment, they have the responsibility to embrace the concept of sustainability. One of the most convenient ways for business organizations to contribute towards sustainable development is by adopting corporate social responsibility (CSR) activities (Marrewijk *et al.*, 2003). Meanwhile, Lu and Castka (2009) asserted that CSR, an important component of

sustainability, is a concept commonly heard of but not very well understood, especially in developing countries, as CSR is used as a public relation tool. Furthermore, there are many gaps within the scope of CSR as it is not well researched on (Aguinis and Glavas, 2012). Aguinis and Glavas (2012) also added that CSR processes and underlying mechanisms through which CSR actions and policies lead particular outcomes is not established well in research. Subsequently, there is need to identify the influence of micro and macro factors affecting CSR activities. Complementary to these factors, this paper investigates influence of strategic orientation and organization culture on CSR adoption and practice.

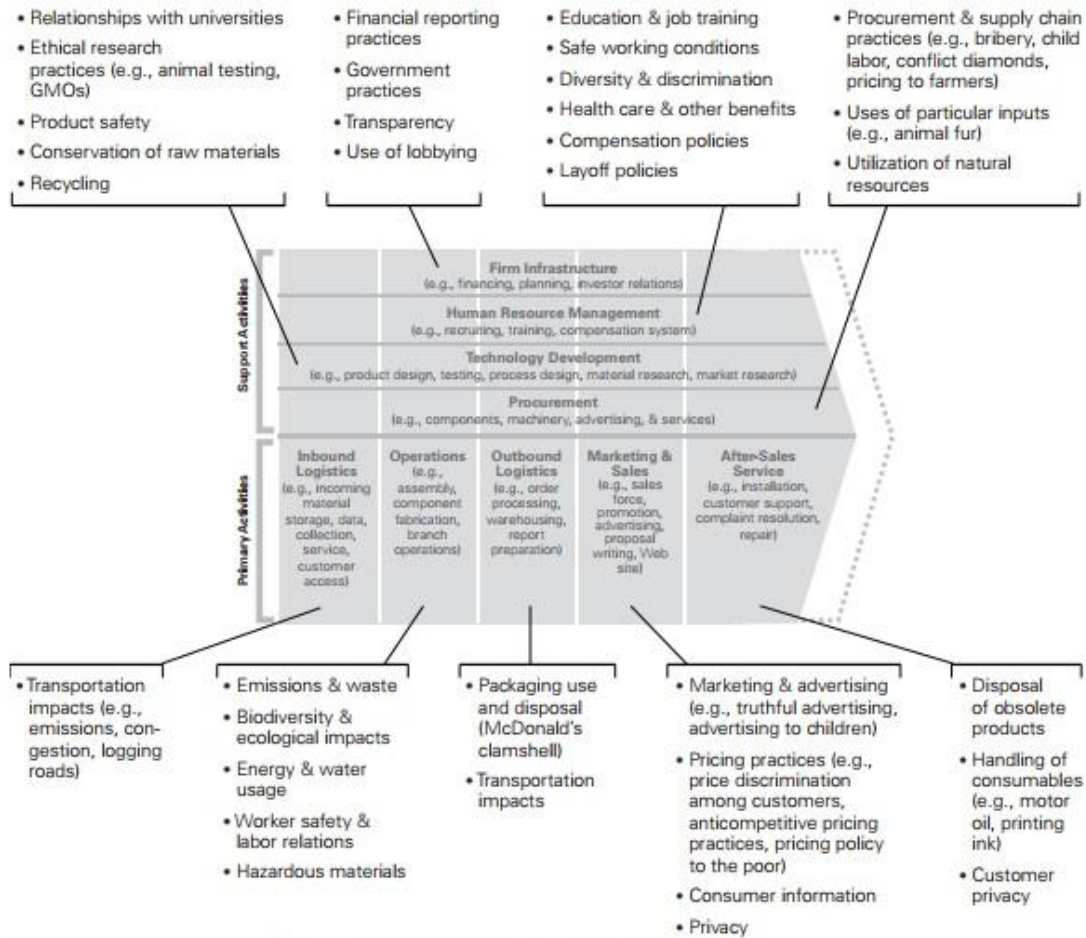
2. Literature Review

A. *Malaysia and CSR*

CSR is not a new concept in Malaysia, as it has evolved over the years. In Malaysia, CSR has evolved to Corporate Responsibility in 2001 to have better coverage of social activities performed by organizations (Security Commission Malaysia, 2010). Bursa Malaysia remains the main advocator of CSR in business organizations in Malaysia. Bursa Malaysia's CSR framework is based on four elements i.e. environment, workplace, community, and marketplace (Bursa Malaysia, 2016). Bursa Malaysia is also a catalyst in encouraging business organizations to report on sustainability by providing framework for business organizations to report on sustainability (Bursa Malaysia, 2016). The launch of Silver Book in September 2006 was a milestone for CSR adoption and practice in Malaysia. Subsequently, Malaysian government also offered tax incentives for business organizations that implement board CSR programmes. Furthermore, business organizations that outperform in CSR will receive a special award from the Prime Minister. The prestigious Prime Minister's CSR Awards, launched by the Ministry of Women, Family and Community Development in 2007, aims to recognize companies that have made a difference to communities in which they operate in, through their CSR programmes. Business organizations will be judged based on criteria such as impact on society, sustainability of programme, effective documentation of company's CSR commitment, management and staff involvement, and national significance. Based on these information, CSR is considered an important element for business organizations in Malaysia.

B. *Strategy and culture impact on CSR activities*

Porter and Kramer (2006) suggested that prevailing approaches to CSR are disconnected from business as to obscure many of the greatest opportunities for companies to benefit society. This explains that business organizations have looked at strategies as barricade for performing CSR activities. Nevertheless, based on the value chain and competitive advantage study, there are many possibilities for business organizations to perform CSR activities on each element of business strategy (Porter and Kramer, 2006).



Source: Porter and Kramer (2006)

This proposition from Porter and Kramer (2006) shows an excellent method on how organizations can combine business activities with CSR. This model exhibits the ability of every function in business to contribute positively and proactively to society and environment. Based on Porter and Kramer's model, many studies examined ways to incorporate CSR within business strategies (Boulouta and Pitelis, 2013; Chabowski *et al.*, 2010; Gagnet, 2013; Galbreath, 2009; Garriga and Melé, 2004; Jamali and Mirshak, 2006; Lamberti and Lettieri, 2013; Mason and Simmons, 2013; Vilanova *et al.*, 2008).

Nonetheless, in contrast, there are limited studies examining how strategies influence CSR activities (Husted, 2014). It is critical to examine the effect of strategic orientation on CSR adoption because most organizations have adopted some sort of strategy to be competitive in the marketplace, hence, the element of CSR might not be included in those strategies pursued by organizations. Strategy and CSR remain separated in many organizations. Since most studies are looking at CSR as a strategy, it is equivalently important to examine how a strategy influences CSR (Freeman *et al.*, 1988; Poesche, 2002; Yarbrough *et al.*, 2010). This leads to the first concern or research option between strategy and its influence on CSR adoption and practices in organizations.

Organization culture is an important variable in any studies on organization, especially ethics. There are many studies focusing on the effect of culture on managing ethics in organizations (Campbell and Göritz, 2013; Claver *et al.*, 2002; Jondle *et al.*, 2013; Poesche, 2002; Verhezen, 2010). In short, these studies indicate the importance of culture on managing ethics in organizations. However, there are limited research focusing on effect of organization culture on CSR activities (Genest, 2005; Maon *et al.*, 2010; Übius and

Alas, 2009). Joyner and Payne (2002) asserted that it is important to integrate values and ethics into organization culture to perform CSR activities. Vice versa, influence of strategic orientation and organization culture might provide the significant relationship on the adoption or practice of CSR activities in organizations. This leads to the second concern or research option between culture and its influence on CSR adoption and practices in organizations.

Based on these arguments, there are many types of strategic orientation and organization culture practiced and adopted by organizations. Hence, this provides an opportunity to empirically research CSR by examining the influence of strategic orientation and organization culture. Furthermore, the relationship between strategic orientation, organization culture, and CSR can be supported using three theories, which are Deontology Theory, Dynamic Capabilities Theory, and Contingency Theory of Social Performance. This paper is written based on the arguments presented in these theories that supports the conceptual framework in Figure 1.

C. *Deontology theory*

Deontology Theory can be used to justify the need of performing CSR in organizations. Based on the Deontology Theory proponent, it is about doing what is right based on abstract universal moral values such as fairness, justice, compassion, respect, and other equivalent principles (Trevino and Nelson, 2004). In addition, as CSR can be divided into four categories, which are economic, legal, ethical, and philanthropy, organizations can dutifully select one of these categories or choose all to perform CSR activities (Carroll and Shabana, 2010). Moreover, organizations have used many resources that is available from the environment, thus, subsequently or potentially causing a significant damage to the environment. As such, it is appropriate, based deontology perspective, that organizations need to perform CSR not just to compensate but as a trifling remedy to restore order (Frederiksen, 2009). Based on these deontology arguments, it is the responsibility, duty, and obligation of organizations to perform CSR.

D. *Dynamic capabilities theory*

Dynamic Capabilities Theory specifies the competitive advantage of firms as a distinctive process (ways of combining and coordinating), shaped by firms' (specific) asset positions (such as firms' portfolio of difficult-to-trade knowledge assets and complementary assets), and the paths it has adopted and inherited (Teece *et al.*, 1997). Based on these proponents of theory, organizations are bound to create a competitive advantage in the market based on a firm's capabilities and ability to sustain (Tashman and Marano, 2009). This shows that organizations will adopt a certain type of strategy to remain competitive. Furthermore, organization culture is also a critical part of organizations to remain competitive or achieve competitive advantage (Slater *et al.*, 2011; Yarbrough *et al.*, 2010).

Since this theory explains the abilities to manipulate internal and external factors to remain competitive, it is interesting to study the flexibility of this theory in assisting competitive advantage of firms to adopt or practice CSR. Another interesting proponent of this theory is that it can be used to discuss compatibility between ethical and competitive performances of a firm (Arend, 2013). Furthermore, the Dynamic Capabilities Theory has shown that organizations find CSR process in many firms evolving into a more sophisticated and strategically motivated process, which is known as the dynamic capability of the CSR giving process (Branco and Rodrigues, 2006; Cantrell, Kyriazis and Noble, 2014). Based on these arguments, Dynamic Capabilities Theory can be used as a theoretical basis to study empirical relationship between strategic orientation, organization culture, and CSR.

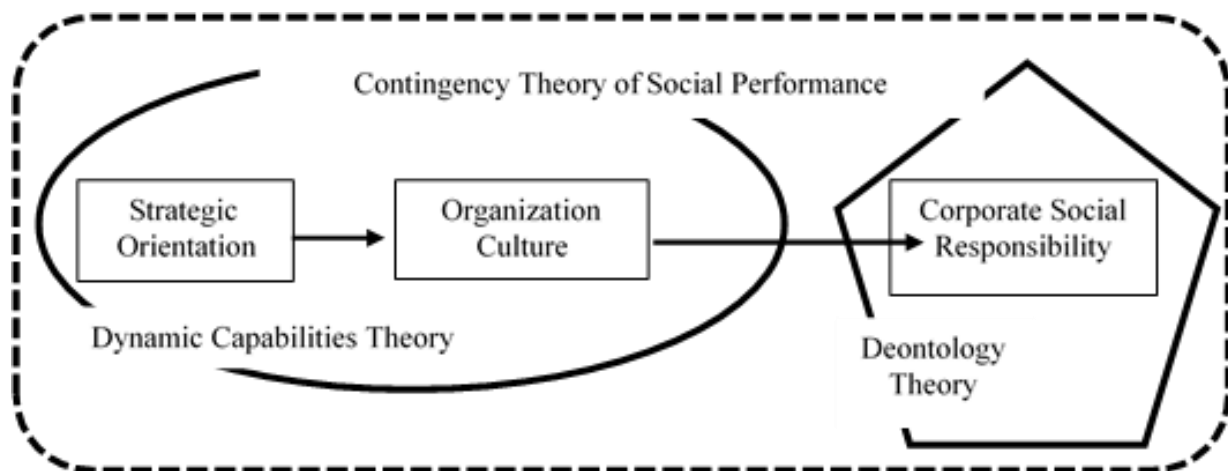
E. Contingency theory of social performance

Contingency Theory of Social Performance is the theory that links strategic orientation, organization culture, and CSR. Thus, it seems organizations need to keep changing their strategic orientation and organization culture in a competitive environment to remain competitive. Since these changes are unavoidable, it is necessary to examine how different types of strategic orientation and organization culture affect CSR practices. Hence, these constant alterations can be explained using Contingency Theory of Social Performance. Contingency Theory of Corporate Social Performance acts as a function of the fit between nature social issues and its corresponding strategies and structures (Husted, 2014). This theory integrates corporate social responsiveness, issues management, and stakeholder management (Husted, 2014). This theory also supports the idea of structure and strategies linked to CSR. In this research, the strategies will be strategic orientation and structure will be organization culture.

Moreover, Contingency Theory of Corporate Social Performance argues that strategies and structure properly aligned with social issues will lead to greater social performance (Husted, 2014). This allows examining the alignment of proper strategic orientation and organization culture for adoption of CSR activities. Nevertheless, Contingency Theory of Corporate Social Performance can be used from two perspectives focusing on the process and outcomes (Preston, 1990). These perspectives are useful for this research as the process would be strategic orientation and organization culture and the outcome will be CSR adoption. This theory also addresses the gaps; gaps concerning what is, gaps dealing with what ought to be, and gaps between what is and what ought to be (Husted, 2014). High corporate social performance is achieved by closing these gaps as well as reducing the mismatch between strategy and structure against CSR adoption.

Contingency Theory of Corporate Social Responsibilities is also widely used in CSR research (Boulouta and Pitelis, 2013; Brown and Forster, 2012; Chabowski *et al.*, 2010; Hillman *et al.*, 2009; Schultz and Wehmeier, 2010; Yuan *et al.* 2011). This theory is appropriate for CSR structure research because it provides the basic principle, which is contingency, as there is not fixed methodology for organizations to be competent at facing any internal issues. Hence, organizations have the freedom to choose their desired strategic orientation and organization culture that are suitable. However, how these strategies and culture are going to influence CSR will be an issue to be explored. Furthermore, there are a few types of strategic orientation, organization culture, and CSR that organizations can choose to practice, which enhances the probability of theory to be used in this research.

Figure 2. Conceptual framework of CSR based on past research and theoretical discussion



3. Research Design

A. Content analysis

This paper is written using the content analysis method. Li and Cavusgil (1995) defined content analysis as “research method for systematic, qualitative and quantitative description of the manifest content literature in particular phenomena”. Additionally, there are three approaches for content analysis (Li and Cavusgil, 1995). First is meta-analysis in which data from empirical studies are collected and statistically analysed. Second is Delphi method whereby opinions of subject experts are surveyed and interpreted. The third approach is a research method for systematic, qualitative, and quantitative description of the manifest content of literature in an area. This paper will examine how two different concepts, strategy and culture, contributes significantly to practice of CSR in organizations. According to Gao (2011), content analysis can be conducted effectively in CSR research as it produces desirable results. Nevertheless, the discussion will also be supported by three relevant theories. Therefore, it is believed this paper can add knowledge to literature of CSR practices and research.

4. Results

Based on the discussion above, the theories can be conceptualized into one fundamental researchable theoretical framework, as summarized in Table 1.

Table 1. Assessment of critique on impact of strategy and culture on CSR practices

No.	Research motivation	Research suggestion based on this paper
1.	Prioritization of CSR in organizations.	Deontology Theory to explain importance and urgency of CSR in organizations.
2.	Influence of strategic orientation and organization culture in organizations.	Dynamic Capabilities Theory focuses on the internal and external factors of strategic orientation and organization influencing CSR activity in organizations.
3.	Empirical study between strategic orientation, organization culture, and CSR.	This issue will be addressed using Contingency Theory of Social Performance.

Deontology Theory can be used as the basis for organizations to perform CSR whereas Dynamic Capabilities Theory will be used to explain organization culture and strategic orientation while Contingency Theory of Corporate Social Responsibilities will be used to encapsulate the overall framework. This combination of theoretical lenses will be used in this research to guide and support the development of a research model and its subsequent empirical investigation.

5. Conclusion

As practice of CSR in organizations is viewed as a critical component of organizations by the authorities in many countries, this paper will contribute to the literature by providing empirical support for relationship among strategic orientation, organization culture, and CSR practices in organizations. The benefits of CSR to an organization is greater than any cost related to it. Organizations are able to gain many benefits such as improved financial performance, and ability to mitigate risk and retain key employees (Wales *et al.*, 2013). Today, many business organizations are recognizing the significance and value of integrating CSR into all aspects of their business operations and decision-making processes. Communities are seen as more than just a market for the roll-out of products and services. Long-term growth and profitability of companies are

inextricably linked to the sustainability of their processes and resources, and the well-being of the community. This provides a great opportunity to conduct a research on CSR in Malaysia that looks at competitiveness as the main variable. It is important to understand the relationship between business organization competitiveness, culture, and CSR adoption practices.

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