DRIVERS OF CSR:
THE ROLE OF STRATEGIC PLANNING AND FIRM CULTURE

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Profile: Jeremy Galbreath is a Postdoctoral Research Fellow at the Graduate School of Business, Curtin University of Technology. He is the author of over 50 articles, including three award winners, and has written chapters for strategic management and business ethics texts. His work has appeared in Corporate Governance, Journal of Business Ethics, Journal of Business Research, International Journal of Organizational Analysis and Management Decision, as well as other journals and conference proceedings. Dr Galbreath conducts research in strategy and CSR and teaches courses in strategic management, scenario planning and value creation to EMBA and MBA candidates, executives and doctoral students.
Corporate social responsibility (CSR) has been described as a strategic imperative of the firm (Waddock, Bodwell and Graves, 2002; Davis, 2005; Brammer, Pavelin and Porter, 2006; Galbreath, 2006a, 2006b; McWilliams, Siegel and Wright, 2006; Porter and Kramer, 2006). More specifically, CSR comprises the responsibilities firms assume towards its various stakeholders and as such, acts as the means for them to do their part in fulfilling societal welfare (Robertson and Nicholson, 1996; Smith, 2003; Wheeler, Colbert and Freeman, 2003; Detchev, 2004; Maignan and Ferrell, 2004; Ingenbleek, Binnekamp and Goddijn, 2007). With respect to fulfilling its social responsibilities, a firm’s actions range from reactivity to proactivity (Carroll, 1979; Clarkson, 1995; Hart and Milstein, 2003). A firm is reactive in terms of CSR when stakeholder expectations are rejected or are unknown. Conversely, a firm is proactive in terms of CSR when stakeholder demands are anticipated, discovered and met. Of interest then, is what shapes or drives a firm’s posture with respect to CSR.

According to Aguilera, Rupp, Williams and Ganapathi (2007), studies on CSR have been dominated by the testing of the relationship between the construct and firm financial performance – not on
exploring what *drives* CSR. The authors suggest that breakthrough research such as meta-analysis and supply and demand models (e.g., McWilliams and Siegel, 2001; Orlitzky, Schmidt and Rynes, 2003; De Bakker, Groenewegen and Den Hond, 2005; Mackey, Mackey and Barney, 2007) demonstrate a significant positive effect of CSR on financial performance and given the evidence, new research directions should be pursued. Other scholars argue an overemphasis has been placed on examining the content of CSR activities to the detriment of studying the institutional factors that might shape or drive such activities in the first place (e.g. Margolis and Walsh, 2003; Campbell, 2006; de Graaf, 2006; Gond and Herrbach, 2006; Brickson, 2007; Campbell, 2007). “Therefore, an important new line of inquiry within the field is no longer if CSR works [or what its activities consist of], but rather, *what catalyzes organizations to engage in increasingly robust CSR initiatives…*” (Aguilera et al., 2007: 3) (italics in original).

While the importance of the Aguilera et al. (2007) statement is acknowledged, researchers have not entirely avoided the issue of drivers of CSR. Scholars have suggested the government (Moon, 2004), national business systems (Edwards, 2004; Matten and Moon, 2004), social network pressures (Burke, Logsdon, Mitchell, Reiner and Vogel, 1986; Burke and Logsdon, 1996), NGOs (Campbell, 2007) and competition and globalization (Korhonen, 2002). However, much of this research focuses on the *external* institutional influences on CSR (cf. Jones, 1999; Campbell, 2006, 2007). An equally valid and rich line of research is the study of internal determinants of CSR which, according to Campbell (2007), is needed. In this paper, central, internal constructs are examined including strategic planning and firm culture and particularly the relationship between the two.

The paper is organized as follows. First, a theoretical background will be presented, mainly focusing on the complementary relationship between stakeholder theory and CSR. Next, the conceptual framework will be identified and research propositions presented. Following the research propositions, conclusions and future research options will be discussed.
THEORETICAL BACKGROUND

A number of organizations and institutions have roles to play to create and sustain societal welfare (Mullin, 1996; Ehrenberg, 1999; Edwards, 2004; Sundaram and Inkpen, 2004). In the case of business firms, traditionally, the basic role that they have played, as opposed to the role of governments, social service organizations, churches, educational institutions and nonprofits, is an economic one. Indeed, the business firm is the basic economic unit in society and therefore acts as a vehicle for economic progress in countries around the world (Carroll, 1979; Henderson, 2005). While the economic role is vital and a core focus of management attention, the nature and intensity of the influences on the firm – beyond those that are purely economic orientated – is rising and continually changing, thus adding increased pressure on strategic decision-making (Prahalad and Hamel, 1994; Cuesta Gonzalez and Valor Martinez, 2004; Galbreath, 2006a, 2006b; Porter and Kramer, 2006; Aguilera et al., 2007; Campbell, 2007).

By way of example, social issues such as AIDS, poverty, obesity, the environment, corporate accounting practices and global warming, among others, are reaching beyond the attention of governments and NGOs to businesses, where expectations are being placed on firms to take a proactive role in developing and providing solutions to such issues (Gordon, 2002; Rosen, Simon, Vincent, MacLeod, Fox and Thea, 2003; Bansal and Clelland, 2004; Lawrence, 2004; Windsor, 2004; Galbreath, 2006b; Aguilera et al., 2007; Lash and Wellington, 2007). The regulatory climate is also shifting in many industries, both impacted by law and by volitional standards such as those put forth by the Global Reporting Initiative, the U.N.’s Global Compact and organizations like AccountAbility, ISO and Social Accountability International (Aaronson and Reeves, 2002; Cuesta Gonzalez and Valor Martinez, 2004; Aguilera et al., 2007). According to several scholars, these and many other influences are the direct result of the impact of different stakeholder expectations (e.g., McWilliams and Siegel, 2001; Waddock et al., 2002; Carroll, 2004; Aguilera et al., 2007).

Stakeholders comprise the actors that affect or are affected by the firm (Freeman, 1984; Clarkson, 1995; Donaldson and Preston, 1995, Mitchell, Agle and Wood, 1997; Post, Preston and Sachs, 2002). Generally, stakeholders are classified into two groups: 1) primary and 2) secondary. Primary stakeholders
include shareholders and investors, customers, employees, suppliers, governments who provide infrastructures and whose laws and regulations must be obeyed, the natural environment and the communities in which a firm operates. Secondary stakeholders include actors such NGOs and the media. Although a decidedly important focus has been placed on the power, legitimacy and urgency of primary stakeholders, recent evidence suggests that secondary stakeholders are asserting considerable influence and do drive strategic actions of firms (Armour, Deakin and Konzelmann, 2003; Bartley, 2003; Dentchev, 2004; Eesley and Lenox, 2006). Therefore, firms are increasingly pressured to develop responses to secondary stakeholders – in addition to primary stakeholders – in order to demonstrate effective strategy.

The fundamental thesis of stakeholder theory is that a firm is responsible to its various stakeholder groups. However, stakeholder theory emphasizes “to whom a firm is responsible.” This postulate does not answer, “To what is a business responsible for?” Carroll’s (1979) conceptualization of the social responsibilities of business best responds to the latter question. His conceptualization of firm responsibilities include: 1) economic; 2) legal; 3) ethical; and 4) discretionary (or philanthropic). Thus, by combining the literature on stakeholder theory and CSR, a firm’s social responsibilities consist of the sum of its obligations toward its stakeholders (cf. Robertson and Nicholson, 1996; Smith, 2003; Wheeler et al., 2003; Dentchev, 2004; Maignan and Ferrell, 2004). For example, firms have a responsibility to shareholders and investors to produce profits, which is part of their economic responsibilities. As for governments and other regulatory stakeholder groups, firms have a legal responsibility to comply with all in-effect laws. With respect to their ethical responsibilities, firms have an obligation to produce products for consumers that are not dangerous or will not otherwise inflict harm. In a last example, to respond to community stakeholders, firms have discretionary responsibilities to invest in social and cultural enterprises. Thus, identifying, understanding and strategically responding to the demands for CSR arising from various stakeholder expectations is a complex management challenge, one that, theoretically, can be best addressed through strategic planning.
CONCEPTUAL FRAMEWORK AND PROPOSITIONS

Proposed main effect between strategic planning and CSR

Strategic planning is described as an attitude and a process concerned with the future consequences of current decisions (Ansoff, 1965; Learned, Christensen, Andrews and Guth, 1969; Andrews, 1971; Grant, 2003; Slater, Olson and Hult, 2006). The literature is replete with the advantages of strategic planning, most notably its ability to improve the fit between the organization and its external environment (Learned et al., 1969; Andrews, 1971; Godiwalla, Meinhart and Warde, 1981; O’Shannassy, 2003; Hill and Jones, 2004). Others argue that planning aids in the identification of strategic issues that might impact on a firm’s ability to meet its objectives, offers an assessment of future threats and opportunities, elicits an objective view of managerial problems, creates a framework for internal communication, provides inputs for management decisions, promotes forward thinking and encourages a favorable attitude to change (Loasby, 1967; Hausler, 1968; Andrews, 1971; Wilson, 1979; Ansoff, 1980; Lorange, 1980; Langley, 1988; Mintzberg, Ahlstrand and Lampel, 1998).

With respect to understanding the impact of the construct, scholars have taking the position that the central issue is not the absence of strategic planning, but rather the degree to which firms do plan (Ramanujam and Venkatraman, 1987a; McKiernan and Morris, 1994). That is, of prime interest is the level of comprehensiveness or intensity given to strategic planning (Hopkins and Hopkins, 1997). According to Miller and Cardinal (1994), firms derive higher value from strategic planning the more comprehensive their efforts. Strategic planning comprehensive is of focal interest to this paper.

Although no universal conceptualization exists (Boyd, 1991; Capon et al., 1994; Miller and Cardinal, 1994), after reviewing the literature (e.g., Ramanujam and Venkatraman, 1987a; Veliyath and Shortell, 1993; Kargar, 1996; Boyd and Reuning–Elliott, 1998; Grant, 2003; Slater et al., 2006), five dimensions are identified that make up a comprehensive strategic planning effort. Thus, in this paper, strategic planning is conceptualized as: 1) the degree of external orientation of the system; 2) the degree of internal orientation of the system; 3) the level of integration achieved within functional departments; 4)
the extent of key personnel involvement in the planning process; and 5) the extent of use of analytical techniques (Figure 1).

Figure 1 here.

First, to objectively assess their level of competitiveness and to determine courses of action, firms examine the external environment in order to understand the issues that might potentially affect survival and drive strategic change (Learned et al., 1969; Andrews, 1971; Porter, 1980, 1985; Veliyath and Shortell, 1993; Boyd and Reuning–Elliott, 1998; Slater et al., 2006). Here, firms study both the macroenvironment (e.g., regulations, social issues, environmental issues, demographic changes, etc.) and industry environment (e.g., new competitors, changes in competitor strategies, industry forces, etc.). Of particular concern are a firm’s external stakeholders (O’Shannassy, 2003). Because external stakeholders (e.g., customers, suppliers, communities) exert strong influence on the firm (Clarkson, 1995; Post et al., 2002; Waddock et al., 2002), studying their particular needs and expectations leads to the knowledge necessary to ascertain the level and type of CSR response required to retain their participation and to develop valuable, on-going relationships with them (Jones, 1995; McWilliams and Siegel, 2001; Bronn and Bronn, 2003; Laszlo, Sherman, Whalen and Ellison, 2005; Miles, Munilla and Darroch, 2006).

Second, firms assess their internal environments for strategic implications (Andrews, 1971; Stevenson; 1976; Fredrickson, 1984; Hill and Jones, 2004). As part of their internal assessment, firms examine a number of factors, including which resources and capabilities are required to address a changing external environment, what structure and control mechanisms are necessary to create a fluid and responsive organization and strengths and weaknesses relative to the market (Andrews, 1971; Quinn, 1992; Mintzberg, 1993; Whittington, Pettigrew, Peck, Fenton and Conyon, 1999). However, firms also relate strategies to internal stakeholders (e.g., employees) and therefore assessment here is linked with the overall role of examining the internal environment (Dawkins and Lewis, 2003; Laszlo et al., 2005; O’Shannassy, 2003; Galbreath, 2006b, Miles et al., 2006). Hence, firms assess the degree to which they
are responsive and responsible to internal stakeholder groups as well as assess what is needed to enact necessary changes to improve relationships with those actors.

Third, strategic planning entails the inclusion of a variety of functional areas in order to integrate different functional requirements into a general management perspective (Snow and Hrebiniak, 1980; Hitt, Ireland and Stadter, 1982; Ramanujam, Venkatraman and Camillus, 1986; Ramanujam and Venkatraman, 1987a, 1987b). Because firms consist of several departments such as finance, marketing, production, human resources, R&D and sales, strategic planning acts as a mechanism for communication across these functional departments so that relevant information is coordinated in the planning process (Wilson, 1994; Grant, 2005). Additionally, various departments each derive learnings from different stakeholder interactions and as such, through the strategic planning process, offer important insight into the actions that are necessary to fulfill stakeholder needs and expectations (Crane and Livesly, 2003; Miles et al., 2006).

Fourth, strategic planning involves more than a single constituent. Although the CEO and other top executives take ultimate responsibility for strategic planning (Andrews, 1971; Johnson and Greening, 1999), inputs and insights come from a variety of key personnel, both from within and outside of the organization (Ramanujam and Venkatraman, 1987a, 1987b; Veliyath and Shortell, 1993; Hart, 1992; Hart and Banbury, 1994; Kochan and Rubinstein, 2000; Miles et al., 2006). For example, line managers play an important boundary spanning role, gathering information on customer and market trends, passing this information up through the organization and liaising with internal planners on the development of creative strategic ideas (Mintzberg, 1994; Markides, 2000; O’Shannassy, 2003). On the other hand, the use of outside experts, such as consultants, brings an additional level of knowledge and experience that contributes to effective strategic planning (Ginsberg, 1989; Delany, 1995). Given that no single individual holds complete knowledge of all issues related to strategy, firms that behave in a collaborative posture between key personnel maximize the probability of generating viable organization strategies (Burgelman, 1991). Further, given their direct influence on the firm, explicitly engaging key personnel from external stakeholder groups (e.g., executives from a key customer) in the strategic planning process, through the
mechanism of strategic conversations, minimizes future stakeholder concerns for CSR and enhances strategy making and response (Bronn and Bronn, 2003; Crane and Livesly, 2003; Miles et al., 2006).

Lastly, the use of analytical techniques in planning facilitates knowledge discovery, guides decision making and helps drive strategic action (Glaister and Falshaw, 1999; Frost, 2003). A variety of analytical techniques are used by firms such as SWOT, PEST/STEP, product portfolio matrices, scenarios, market segmentation, critical success factor analysis, what if analysis and economic modeling, among others (Clark, 1997; Hussey, 1997). Of importance is that firms leverage tools to assess both their external and internal environments, while also to help facilitate knowledge transfer, internal communications and overall decision making. According to Day (1986) and Langley (1988, 1991), the use of analytical tools includes information generation, providing a structure for analysis, encouraging communication of ideas, assisting with coordination and control, and also symbolic purposes. Further, Webster, Farley and Lee (1989) argue that analytical tools can raise the level of strategic thinking in organizations and the effectiveness of strategic planning.

When all five dimensions are given formal attention, a comprehensive strategic planning effort generates critical information, ensures a thorough consideration of all feasible options, forces firms to evaluate the environment (internal and external), stimulates new ideas, increases motivation and commitment, enhances internal communication and interaction and ultimately charts a course of action with respect to adding value to stakeholders. Hence, firms who are comprehensive strategic planners are aware of, understand and can formulate responses to meet stakeholder expectations for CSR. Conversely, firms who are not comprehensive strategic planners run the risk of poor understanding of stakeholder expectations and lack the insight and wherewithal necessary to develop strategies that demonstrate CSR towards them. These scenarios support the following proposition:

**Proposition 1**: All things being equal, the more comprehensive the strategic planning the greater the likelihood of proactive CSR.
Proposed moderating variable in the strategic planning-CSR relationship

Although little empirical evidence verifies claims (Glaister and Falshaw, 1999), debate exists in the literature as to the degree that organizational adaptation to the environment occurs as a result of a deliberate, comprehensive strategic planning effort (Mintzberg, 1985, 1987, 1990). Mintzberg’s thesis generally rebuts formal strategic planning as a means to create successful organizational adaptation. However, others offer alternative viewpoints to address his issue. For example, employees within firms have different cognitive frames that process what they are told through the filters of their past experiences, current expectations and organizational norms and coping mechanisms; thus, day-to-day responses made through their frames might not be the fully intended expectation of a given strategic plan (cf. Lawrence and Lorsch, 1967; Westley, 1990; Bartunek, Lacey and Wood, 1992). Such cognitive frames are processed through the filters of firm culture (Kotter and Heskett, 1992; Schein, 1996).

Firm culture is “the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration” (Schein, 1984: 3). Gibson, Ivancevich and Donnelly (1991: 46) describe culture as the “personality or feel” of the firm, explaining how people behave in different circumstances. Johnson (1992) indicates that firm culture consists of various stories, myths, rituals, symbols, routines and control systems. Given these observations, firm culture is a potential moderating variable with respect to actions in the area of CSR. The reason is that as employees seek to respond to demands of various stakeholders, their actions might be shaped by patterns of behavior ingrained in the conduct and coping mechanisms of the firm at large (i.e., firm culture).

Kotter and Heskett (1992) describe two types of firm culture: 1) adaptive and 2) unadaptive. An adaptive culture is one that fosters the maintenance of harmonious relationships. According to Kotter and Heskett (1992), in adaptive cultures, a culture of caring exists, including care about customers, stockholders and employees. Thus, in organizations where an adaptive culture is demonstrated, employees not only focus on their own needs and interests, but show concern for the needs and interests of others, including rewarding the efforts of others and when making decisions, involving others to provide input.
and insight (cf. Cooke and Hartmann, 1989). Further, an orientation to others is likely to extend beyond focal employees to other stakeholder groups. That is, employees in firms with adaptive cultures strive to respond to stakeholder demands for CSR as they engage with them on a daily basis.

On the other hand, unadaptive firm cultures place emphasis on competition and winning, one where members focus on individual achievement at all costs (Cooke and Rousseau, 1988; Kotter and Heskett, 1992). People in such organizations mainly focus on themselves and operate in a win-lose framework, believing they must work against (rather than with) their peers to be noticed, to gain recognition and to advance (Cooke and Hartman, 1989). Given the emphasis on self-interest and self-seeking in unadaptive cultures, the amount of attention given to other actors in the circle of influence is expected to be weak; therefore, stakeholder interests and needs are likely to be neglected. Unadaptive cultures are also expected to neglect changes in the environment, thereby potentially ignoring increased stakeholder demands and the need to more proactively demonstrate CSR.

While strategic planning can develop the best and most impressive strategies – those that drive CSR – they might be affected by the type of firm culture in place. Consequently:

*Proposition 2*: The association between strategic planning and CSR is moderated through an adaptive firm culture. Where an adaptive firm culture is present, the association is strengthened.

*Proposition 3*: The association between strategic planning and CSR is moderated through an unadaptive firm culture. Where an unadaptive firm culture is present, the association is weakened.

**CONCLUSIONS AND SUGGESTIONS FOR FUTURE RESEARCH**

Since the 1970s, strategic planning has taken its place in the study of organizations and is a central construct in the strategy literature (Boyd and Reuning-Elliott, 1998). As such, strategic planning has been argued to be an important management activity that enables firms to plan for the future, adapt to changing environments and to build competitive advantage. However, the vast majority of research efforts have focused on the relationship between strategic planning and financial performance (Boyd, 1991; Capon et al., 1994; Miller and Cardinal, 1994). While important (Ramanujam and Venkatraman, 1987a; Mahoney and McGahan, 2007), such efforts are very narrow in scope and leave many questions unanswered. That
is, for such a central construct in the field of strategic management, beyond the linear, rather one-dimensional performance relationship, relatively little is known about the value of strategic planning to successful organizational adaptation.

With respect to successful organizational adaptation, CSR is beginning to take on importance in the literature, and amongst businesses, as an imperative that directly affects a firm’s ability to cope with its environment and ultimately to create and possibly sustain competitive advantage (McWilliams and Siegel, 2000; Waddock et al., 2002; Laszlo et al., 2005; Galbreath, 2006b, McWilliams et al., 2006; Porter and Kramer, 2006; Ingenbleek et al., 2007). A question then arises as to how firms face this imperative and directly incorporate CSR into the strategic management of the firm.

Taken together, this paper proposes that a greater likelihood of proactive CSR exists where firms demonstrate a thorough examination of external and internal environments in the strategic planning process, who have a broad level of functional department participation in strategic planning, who engage key personnel in strategic planning and who make effective use of analytical techniques in strategic planning. However, employees within firms have different cognitive frames that process what they are told through filters such as organizational norms and coping mechanisms. Hence, actions derived from their frames have the consequence of potentially being something more or less than the intended expectation of a given strategic plan. Firm culture is argued to impact on day-to-day decision making frames of employees and thus, moderates the relationship between strategic planning and CSR.

Future research could examine the extent that formal versus informal strategic planning drives CSR. For example, this paper describes a comprehensive, systematic, deliberate approach to strategic planning. According to Mintzberg (1985, 1987, 1990), effective strategy development is informal and emergent – not systematic or deliberate. Studies, could explore the learning school of strategy (Mintzberg et al., 1998) to see how this approach to strategy making might more effectively drive firms to engage in CSR than the approach proposed in this paper.
Future research could also further study the impact of culture as a moderating variable in the relationship between strategic planning and CSR. In this paper, two types of firm culture have been described, adaptive and unadaptive. However, other firm culture types have been identified in the literature (Quinn and McGrath, 1985; Deshpande, Farley and Webster, 1993). Studies could explore additional cultures, predicting the degree to which they might impact on the strategic planning-CSR relationship.

Lastly, as discussed, firms are under increased pressure to pay attention and respond to stakeholders demands for CSR. One way that firms, particularly top executives, might be motivated to pay attention and respond to stakeholders is through corporate governance structures. The literature on corporate governance is concerned with the efficient structure of organizations and various mechanisms that are expected to monitor and motivate top executives (Baysigner and Hoskisson, 1990; Jensen and Murphy, 1990). Studies could explore the extent to which corporate governance structures impact on top executives’ orientation to focus on issues of a social nature. Of particular interest would be exploring the interrelationships of corporate governance, strategic planning and CSR.
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Figure 1. Conceptual model