Embedding Corporate Social Responsibility into the Organizational Culture

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ABSTRACT This study emphasizes on the new growing interest in the field of Corporate Social Responsibility (CSR) by explaining how organizations embed CSR into their organizational culture. Hitherto research on CSR mainly focuses on the CSR practices and its motivations leaving the process of how to cultivate CSR as a work culture in its infancy. However scholars are now emphasizing the need to bridge the gap between the two literatures to ensure a proper CSR integration guideline for long term sustainability towards its stakeholders and ultimately a strong organizational culture. This research therefore adopts a qualitative method using a multiple case study approach to explore how Malaysian firms embed CSR and the challenges encountered. Moreover, this research overcome the “westernization” of CSR studies by injecting an eastern perspective; a developing nation.

Keywords: Corporate Social Responsibility; Organizational Culture; Sustainability, Stakeholder Theory and Analysis.

Introduction

Corporate Social Responsibility (CSR) has garnered unprecedented attention during the last few decades making it the new phenomenon in the world of academia and business. CSR generally refers to social good actions that go beyond the conventional interests of the firm and that which is compelled by law (McWilliams & Siegel, 2001).

Strandberg (2009) claimed that organizations that artificially engage into CSR while neglecting to foster a CSR culture run the risk of damaging their corporate reputation in the long run. As such, CSR leads to sustainable competitive advantage but for this to occur, it is important to develop a CSR mindset throughout the organization. However, there are significant gaps on “how” to embed social responsibility into the organizational culture and little emphasis has been given to “how” management integrate strategies and frameworks to CSR-related actions (Maon, Lindgreen & Swaen, 2009). Bhattacharya and Sen (2004) argued that a framework that integrates CSR into the organizational culture is yet to be introduced. Moreover there are insufficient studies on developing countries and
limited knowledge on how CSR is perceived and adapted by them (Al-Khatib, Rawwas & Vitell, 2004). Gray and Kouhy (1993, as cited in Belal, 2001) support how sensitive it is to introduce westernized CSR techniques into developing countries with different socio-economic and political background. It is therefore interesting to research the gap between the challenges in embedding CSR as an organizational culture in the non-Western context and beyond the typical CSR research on the developed economies.

This study aims to answer the following research questions;

- How do organizations embed Social Responsibility into the organizational culture?
- What are the challenges faced by selected firms when embedding Social Responsibility into their organisational culture?

**Literature Review**

Research conducted by Zahra and La Tour (1987), and Lockett, Moon and Visser, (2006) indicated that three major streams tend to dominate the CSR discipline; the delineating nature and concepts of CSR, CSR activities and initiatives adopted by firms and finally the impact of CSR on organizational performance. First, the multidimensionality of the CSR conceptualization is evident from past research and well acknowledged in the literature (Carroll, 1979; Abbott & Monsen, 1979). Milton Friedman (Friedman, 1962) stated that the sole responsibility and obligation of businesses was to make profit in favor of its shareholders while refraining from fraudulent activities. However, in the 1950s, CSR was explained as a social obligation (e.g. Bowen, 1953; Carroll, 1979). For example, McGuire (1963) argued that Carroll’s framework urges organizations to fulfill their obligations beyond economic and legal requirements with the incorporation of ethical and philanthropic views towards CSR. Starting the mid-1990s, scholars contended CSR as stakeholder obligation arguing that society was too broad to facilitate the efficient management of CSR (Maignan & Ferrell, 2004; Clarkson, 1995). Hence its illustrious implication in management literature with dominant focus on monitoring and assessing environmental conditions, attending to stakeholders’ demands (Ackerman, 1975; Wood, 1991; Lockett et al., 2006; Clarkson, 1995).
Likewise, research is burgeoning with academic works on the last two streams, so much so that literatures on CSR can be portrayed as being clichéd since they are constantly explaining the rationales behind adopting CSR initiatives. For example, Bhattacharya and Sen (2004) contended consumers who identify themselves with products that have CSR attributes are more likely to support it hence promoting consumer loyalty and company’s reputation. Table 1 further summarizes past studies that report that engaging in CSR bring about positive organizational effects.

<table>
<thead>
<tr>
<th>Authors, and Years</th>
<th>Reportings &amp; Findings</th>
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<tbody>
<tr>
<td>McWilliams and Siegel (2001)</td>
<td>CSR creates reputation that a firm is reliable and honest. Consumers typically assume that the products of a reliable and honest firm will be of a high quality. Those consumers who value CSR are willing to pay higher price for a product, hence enhancing the performance of a company. CSR also sustains consumer’s satisfaction which in turn promotes the willingness to pay premium prices for the products.</td>
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<td>Luo and Bhattacharya (2006)</td>
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<td>Bhattacharya, Sen and Korschun (2008)</td>
<td>Employees like to work for socially responsible companies as it gives them opportunities for personal growth and creates a reputation shield for them. CSR help employees to be less stressed, hence it helps to motivate and retain employees (employee loyalty). CSR increases employees’ involvement, commitment, enhances capacity to innovate, reduces employee absenteeism and attracts employees who wish to identify themselves with the good reputation of the firm.</td>
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<td>Aupperle, Carroll and Hatfield (1985)</td>
<td>Socially responsible firms are good investments risks since CSR increases registered stock prices. Social responsibility investments have a long-term positive impact on the market values of firms. Investors evaluate firms according their responsiveness to various stakeholders’ welfare (Fair labour practices, environmental concerns, provision of socially responsible goods and cause-related marketing).</td>
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<td>Barnett (2007)</td>
<td>When investors purchase stock, they are motivated by the</td>
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benefits that CSR generates (customer loyalty, increased company performance, increased return, employee loyalty, etc).

**Burke and Logsdon (1996).** CSR helps organizations to maintain good relation with government, non-governmental bodies and the local communities. Investing in CSR will pay off in the long run since firms would benefit from greater social legitimacy with less government intervention and stakeholders pressures.

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<th>Table 1: Motives to engage into CSR activities</th>
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<td><strong>Sustainability or corporate sustainability has been the new interest of CSR proposed by scholars</strong> (Marrewijk, 2003; Garriga &amp; Mele, 2004; Aras &amp; Crowther, 2007a). As defined by Wheeler, Colbert and Freeman (2003), sustainability is “an ideal which society and business can continuously strive, the way we strive is by creating value, creating outcomes that are consistent with the ideal of sustainability along social environmental and economic dimensions”. So, several proposals were made by academics to achieve corporate sustainability such as CSR practices that would include economic, social, environmental and stakeholder orientation aspects (Zink, 2005; Aras &amp; Crowther, 2009b; Garriga &amp; Mele, 2004) and lately sustainable leadership pyramid such as environmental responsibility, social responsibility, ethical behavior and enabling culture among others (Avery &amp; Bergsteiner, 2011; Kantabutra &amp; Avery, 2011). Amid all these suggestions towards achieving long term positive business outcomes and competitive advantage, researchers have recently outlined the importance of organizational culture/corporate culture; crucial to sustainability and this research. Organizational culture is considered as a key dimension of sustainability (Aras &amp; Crowther, 2009b; Kantabutra &amp; Avery, 2011; Garriga &amp; Mele, 2004) where a strong work culture embodying a shared vision, values and beliefs help employees identify desirable sustainable behaviors, hence building on commitments. Ultimately a sustainable CSR culture necessitates alignment with the organization’s strategy and aims where each firm chooses its own approach regarding corporate sustainability (Marrewijk &amp; Were, 2003).</td>
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Organizational Culture

Amid its prolific definitions, Despande and Webster (1989, p. 4) defined organizational culture as:

“the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with norms for behaviour in the organization”.

It is the values that define the way business is conducted vis-a-vis its stakeholders. These values are usually transcribed through shared, learned and imparted through corporate myths, rites, stories, formal and informal practices, jargons, attitudes, beliefs, philosophies and ideologies (Ouchi & Wilkins, 1985; Lund, 2003). It is important to note that an understanding of organizational culture is essential in this study. The cultivation and integration of CSR practices into the organizational culture depends on how members of the organizations learn, share and approve of them, hence the magnitude of comprehending what is an organizational culture.

Edgar Schein’s model of culture

There are various definitions of culture; in specific to organizational culture literature have emphasized on organizational assumptions, artifacts, work values and practices. In this regard, Schein (1992, p. 12) defined culture as: “A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems”. In particular, Schein’s work is highly influential as he developed a model that describes best an organization’s culture through three fundamental levels namely,

- Artifacts - the most visible elements in an organizational culture that can be recognized by people outside the organization. Artifacts may comprise of dress codes, furniture, work climate, stories and organizational structures that are typically created within the organization to hold strong symbolic meaning (Schein, 1992; Homburg & Pflesser, 2000).
- Espoused values - strategies, goals and philosophies that may or may not determine and reflect an organization’s behavior or daily operations (Marcoulides & Heck, 1993).
Underlying assumptions - it is the basic underlying assumptions that define the depth and fundamentals of an organizational culture. Basic underlying assumptions are unconscious, taken for granted beliefs, perceptions and thoughts.

Past Researches on types of culture

Amongst the various cultural topics, researchers have studied significant cultural characteristics that are largely adopted by firms at present, such as the innovative culture, and the knowledge-sharing culture. Innovative culture is recognized by innovativeness in organizations. Innovativeness is holistic in nature (Ahmed, 1998). It embraces creativity, results-oriented, entrepreneurship and challenging work environment, necessary to deliver value to customers and satisfactory returns to companies (Odom, Boxx & Dunn, 1990, Ahmed, 1998; Buckler, 1997). Adopted by many successful companies such as Proctor & Gamble and 3M (Sutton, 2001), the innovative culture as contended by Subramaniam and Youndt (2005), is apt in turbulent environments (technological, economical, cultural environments, etc.). Knowledge-sharing is considered as the primary source of competitive advantage in hypercompetitive environments (Ipe, 2003; Alavi & Leidner, 1999). Knowledge-sharing links individuals and organizations by moving knowledge that resides in the former to the later, where it is transformed into competitive and economic value for firms (Hendriks, 1999).

Likewise CSR culture receives increasing attention (Bhattacharya and Sen, 2003; Maon et al., 2009). With the purpose of creating an effective and aligned culture of CSR in an organization, it is crucial to ascertain a unique business of CSR for such an organization. The value of the cultural analysis is that it provides insights and understanding of how a culture is fostered and a roadmap for future action (Shein, 1990). It enables one to understand how to manage conflicting situations, stresses and strains in the change and growth process of embracing CSR and becoming a CSR-oriented organization. For that reason, the organization would need to identify the potential benefits and added-value of CSR to lock into their long-term organizational culture.
According to Strautmanis (2007), social responsibility is part of organizational culture and a value in the organizational culture environment. Without doubt CSR and organizational culture are powerful competitive advantages for organizations and organizations comprehend that to benefit from the long term edge that CSR brings, it should be integrated, sustained and secured into their organizational culture, hence benefiting from a robust CSR culture. Alas, academic studies have merely suggested the importance of cultivating a CSR culture for organizations to achieve sustainable competitive advantage in CSR. Literature has yet to give a thorough understanding on how a CSR culture is cultivated in organizations.

However, Maon et al. (2009) empirically developed an integrative framework for CSR implementation as shown in figure 1 using Lewin’s (1951) force field model of change. The strength of this framework results from the fact that the authors have integrated the different perspectives of CSR design and implementation into a single framework that has been tested and refined through multiple case studies. Moreover, this framework was developed from lived and real experiences of companies which have been practicing CSR for a long time from which holistic steps and elicit factors that may contribute to successful CSR implementation have been developed. Also, this framework recognizes the importance of culture and organizational values in the process of implementing CSR into the organization, akin to this research.

**Research Methodology**

This study adopts a post-positivist stance and qualitative methodology which allows for greater observation and refinement. As a result, case study was deemed to fit the purpose of the study given its ability to address the exploratory nature of the research questions. The selected qualitative method is in-depth interview because the study necessitated detailed and deep contextual data. Interviews smooth the progress by producing relaxed and private environments whereby the participants feel free to give detailed explanation (Gubrium & Holstein, 2001; Barriball & While, 1994). Precisely semi-structured interviews assist the researcher to explore and probe the respondents’ perceptions and opinions about the complexity and strategies of embedding CSR into their organizational culture. The director/manager who is in charge of the CSR strategies was used as a key informant (interviewee)
given their best position to give exact and reliable data on the strategies and steps used to embed CSR into their organizational culture (Gummesson, 2006). Data quality, validity and reliability were improved using multiple sources of evidence (company website and reports) and by seeking triangulation (Yin, 2003). The methodology for the research employed a purposive sampling strategy given the importance to research companies who have already embedded CSR as a culture.

Findings

This section presents preliminary findings from one company (C1). The framework (figure 1) will be used to analyze the data.

![Framework for designing and implementing CSR](image)

**Figure 1:** Framework for designing and implementing CSR (Maon et al., 2009).

**Step 1 Raising CSR awareness**

“It’s no point for you to say I am going to do a program A and just say Everybody must do the program because nobody will do it”.

“They have to see some kind of benefit to them as well as to the company before they actually buy into it. So a lot of our initiatives in the early days...was more to drive internalization...carpoolers...encouraged in our sustainable thinking...it’s a visible way of reminding people”.

“...elements which we thought were CR or sustainability issues and to make them aware that these are things that we need to manage and then eventually disclose on...get a lot of that convincing and campaigning...”
For c1 to raise CSR awareness c1 use a soft approach to sell the benefits of CSR engagement to middle level managers, followed by campaigning and convincing to help employees sensitise to CSR issues. For example, carpooling was as a visible strategy used to encourage a sustainable thinking.

**Step 2 Assessing corporate purpose/uncovering organizational norms and identifying key stakeholders**

“We look across the company that has been the practice from day 1…we try put some sense around it and do some structure and think of a strategy in this area”.

“Stick a balance between business cost saving and also at the same time do it in a clever way so it doesn’t compromise our return to shareholders…primary responsibility of the company is still to be profitable…but at the same time we do have a responsibility towards the community around us.”

“…like supply chain governance, big focus on digital inclusion and consumer interest, big focus on quality service, employees in terms of the work environment, in terms of health and safety, and align to what government’s agenda and objectives are for the people, so those are our primary stakeholders.”

“…when we talk about CR our initiative encompasses the whole chain…right from the top all the way down and also towards our supply chain…have initiatives internally towards our suppliers as well…basically ranges from vertical and also horizontal, it covers both ways.”

“Our mission is internet for all, and everything we do in this company in centered around that…putting our products in a way that makes it affordable, accessible, and easy to use. From a corporate responsibility perspective…we have a big focus on safety online to all segment of the community regardless of where they are in their economic value chain.”

C1 tried to uncover its corporate CSR values and norms which is “internet for all” to then structure it and think of a strategy that will help them strike a balance between business cost saving and their return to shareholders and at the same time cater for the community around them in terms of affordable products. Therefore, C1 identified its key primary stakeholders helping them to think of CR initiatives that encompasses the whole chain.
Step 3 Establishing a vision and working definition for CSR

“…when you say corporate statement it’s not like a stand-alone statement because when you say sustainability to us it means what you have to do to be sustainable in a longer term and to actually sustain your growth and be able to also manage stakeholders’ expectations in the longer term. So, that is what sustainability means to us.”

“…all that we do need to be compliant to ISO14001.

C1 has no formal CSR working definition. However, the notion of achieving long term sustainability and stakeholders’ expectations in the longer term, which is also compliant to ISO14001, guides C1 on how to engage in CSR.

Step 4 Assessing/Auditing current CSR norms and practices

“We actually went around to the middle managers and we said this is what you should be looking at…it’s not as if we are not doing…we are already addressing some areas of this but we can do better...so we tried to identify areas what were the quick wins that they could address and we helped them with that…’.

“We at C1 what are the areas that potentially can be strengthen from the CR point of view, what are the CR relevant areas in the company…”

C1 used a friendly collaborative approach towards the middle level managers, enabling the CSR department to assess the CSR practices. For example transparent conversation with the middle managers gave the latters the feeling that they have been doing something useful already and more areas can be strengthened from a CR point of view, hence harnessing a receptive environment.

Step 5 Developing a CSR integrated strategic plan

“…we actually got the non-financial KPIs in place and then we assign the owners to these KPIs then we actually realized it’s better to allow it to spread because you want to make it part of our culture, corporate culture, so a case in point is like DEEP GREEN, it started off as a program with the program office and it was very centralized and driven centrally…what we did is we identified champions from different divisions to actually drive that thinking and those initiatives within their divisions.”
“…what are the CR relevant areas in the company and structure and think of it in a way of a strategy in this area.”

“We try do it in a clever way possible through partnership…we don’t need to fork out a lot of extra funds.”

While developing their CSR strategic plan, C1 aligned it to their values and mission- “Internet for All”. It was formalized through non-financial KPIs and assigned to people to drive the initiatives within different divisions. More commitments were sought from middle managers who then convinced their employees to get on board. In the view of sticking a balance between cost saving and return to shareholders, C1 engaged into collaborative efforts through partnership in terms of tower sharing.

**Step 6 Implementing CSR strategic plans**

“We have a supplier code of principles where they actually have to sign an agreement on business conduct, it covers things like anti-corruption, labor conditions, ethical business, environmental requirement…so that’s how we embed it into production”.

“With marketing like no balloons, packaging, no styrofoam and even things like addressing consumers’ interests like data protection for information that customers gives.”

“…respect for people and non-discrimination, we are very big on that…find a very diverse group here…work, racial gender, sexual orientation. We actually have processes to ensure that there is no discrimination…even see transsexuals working…our interview process itself emphasized that you abide closely to the conduct such as non-discrimination against others.”

C1 addressed the whole chain of value in step 6 from suppliers’ code of principle, environmentally friendly packaging and advertising to employing transsexuals. C1’s has successfully embedded CSR into its production department, marketing department and human resource department.

**Step 7 Communicating about CSR commitments and performance.**

“That’s in our report we talk about it under consumer interest, how we manage that supply chain governance”.

“We have a clear KPI on energy consumption…so every quarter that’s reported to figure out how do we meet the target.”
C1 has both internal and external communication on its CSR performance through sustainability report and reporting of non-financial KPIs.

**Step 8 Evaluating CSR integrated strategies and communication**

“Used to have CSR representative in each department with DEEP GREEN projects because at the point there was a low level of awareness on climate change or environmental issues but now even that had kind of stopped because we have natural champions who you don’t really have to appoint anymore they kind of just do it.”

C1 had reviewed its strategies from step 6. In step 6 DEEP GREEN was centrally driven due to low level of awareness but in step 8, C1 found that the employees are more aware seeing the natural champions and ultimately voted for a decentralized approach. There is a constant evolution between step 6 and step 8 where C1 evaluate its CSR strategies and go back to step 6 to amend if need be.

**Step 9 Institutionalizing CSR**

“We’ve come to a point where it is so well embedded it’s taken a life to its own that we don’t really need to drive it centrally anymore…we get suggestion from outside, people are just aware already so they always sort of having that as part of how their works”.

“Initially we did have resistance, it’s a bit forced but overtime as more and people understand and they get on board then it becomes part of the company culture and values…Like our DNA we don’t push it anymore. I mean they come to us and they say you we shouldn’t do things in this way because it’s not deep green.”

Initially C1 had to force the CSR values to its employees due to resistance. However, the employees have embraced the CSR values that it has become part of their work. CSR is now their DNA and it is so well embedded that employees go to their managers and suggest more of CSR initiatives. C1 has addressed the challenges of employee resistance by standing firm and has successfully strike a balance between business costs and shareholder values through collaborative projects.
Contribution and conclusion

This study will contribute to advance the academic knowledge, the managerial practices and research methodology fields. Academically, the results and findings will build a body of knowledge for future references enhancing the theoretical contributions on the “how” part. It will also clarify CSR literature knowledge by contributing on the challenges that affect the cultivation of CSR as an organizational culture while taking into consideration the eastern context of Malaysia. On a managerial note, this research will assist organizations by giving a clearer insight on how to embed CSR as an organizational culture and what are the possible challenges attached to it. In the research methodological field the majority of the CSR and organizational culture research are quantitative in nature; therefore this research will contribute to the limited qualitative body of knowledge giving deeper and more comprehensive views on the phenomenon under investigation.

Preliminary findings indicate that no CSR working definition is needed to make CSR a culture. It has to be aligned to the business strategy for it to be embedded throughout the entire value chain. The Framework used is idealistic for it account for continuous stakeholder dialogue and findings suggest that there is a continuous evolution between step 6 and step 8. Overall, this framework can help other organizations to embed CSR as a culture.
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