



Stakeholder pressure and CSR adoption: The mediating role of organizational culture for Chinese companies

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ABSTRACT

This empirical study investigates the driving factors in the adoption of corporate social responsibility (CSR) practices by Chinese firms. Following the stakeholder theory, the hypothesis of this study is that stakeholder pressures positively impact Chinese firms' adoption of CSR practices. Studies on the relationship between stakeholder pressure and CSR practices have been inconclusive. In order to identify the missing links amid those inconclusive results, this study examines the mediating role of CSR-oriented organizational culture in the relationship between stakeholder pressure and the adoption of CSR practices. The empirical findings provide strong evidence that a CSR-oriented organizational culture has a fully mediating role on the relationship between stakeholder pressure and the adoption of CSR practices. These results suggest that Chinese companies should promote a well-established CSR-oriented culture within a CSR paradigm shift more effectively and thus gain a sustainable competitive advantage over their competitors.

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1. Introduction

After joining the World Trade Organization (WTO), China became a global factory through the power of globalization. Since then, many Chinese companies have faced social responsibility barriers erected by industrialized countries. Many Chinese companies lost promising export opportunities because of their failure to meet environment, human rights, and safety requirements. For instance, many multinational firms have pressured their Chinese suppliers to obtain ISO14001 and SA8000 certification. To participate in international trade and gain a competitive advantage, many Chinese companies began to strategically consider the adoption of corporate social responsibility (CSR).

The need to conduct CSR practices poses a clear challenge to Chinese companies, as is reflected in the dearth of sustainability publications produced by Chinese enterprises. As recently as 2006, it was almost impossible to examine Chinese companies' sustainability reports because only 16 local firms were publishing them. By 2010, however, almost 600 Chinese companies were reporting on their sustainability practices (Yu, Choi, & Zhang, 2013). As so many Chinese companies are now reporting their CSR practices, examining whether those practices are superficial or real is important.

This study attempts to determine why some Chinese companies adopt CSR practices more easily and effectively than others. To answer this question, this study adopts the stakeholder theory, which posits that stakeholder pressure can provide organizations with significant motivation to adopt CSR practices (Clarkson, 1995). The empirical results of previous studies are inconclusive. Some indicate a positive relationship between stakeholder pressure and CSR practice adoption (Henriques & Sadosky, 1996; Jones &

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Wicks, 1999), whereas others detect no significant connection (Fronde, Horbach, & Rennings, 2008). Examining the direct relationship between stakeholder pressure and CSR adoption has thus proved difficult; the inconclusiveness of previous studies may imply the existence of a missing link in that relationship.

Many organizations have recently introduced CSR to improve their community and stakeholder relationships. However, several scholars argue that CSR is insufficient if it is superficial or not conducive to the formation of CSR-oriented organizations (Hart & Milstein, 1999). In order to respond to environmental and social challenges fully, organizations must undergo significant cultural change; they should promote a CSR-oriented organizational culture when moving toward corporate social responsibility (Linnenluecke & Griffiths, 2010). It is thus worthwhile examining whether a CSR-oriented organizational culture can act as an intermediary linking stakeholder pressure to the adoption of CSR practices.

This study examines the potentially mediating role of a CSR-oriented organizational culture in the relationship between stakeholder pressure and the adoption of CSR practices by employing stakeholder theory and the resource-based view (RBV). We also build an integrated research model to understand how stakeholder pressure affects the adoption of CSR practices through the mediation of organizational culture. The results are expected to help Chinese companies find ways of overcoming CSR barriers and obtain a competitive CSR advantage over their competitors.

The aim of this study is to fill the gaps left by prior studies in several ways. First, it proposes a conceptual model incorporating the mediating role of CSR-oriented organizational culture in the relationship between stakeholder pressure and the adoption of CSR practices and then empirically tests the model. Second, it examines the CSR operating in Chinese companies as China intends to transform itself from a global factory into a dynamic leader confronting future challenges. Many empirical studies have focused on the relationship between stakeholder pressure and CSR practices in developed countries (Jones & Wicks, 1999), but few have focused on China. Third, this study utilizes structural equation modeling (SEM) to correct methodological bias. Several previous studies have used hierarchical regression to test for the mediation effect (Da Silveira & Arkader, 2007). However, using the regression approach to mediation might cause measurement error problems in the mediator variable score, leading to difficulties in modeling causality and possible reverse causality (Hopwood, 2007). Properly including the latent variables allows the SEM to produce more reliable results and more meaningful implications.

2. Theory and hypothesis

2.1. CSR practices

The CSR concept has been developed through many important studies. Carroll (1979) first proposed the four-dimensional conceptual model of CSR, which gained a consensus. This definition posits that firms have economic,

legal, ethical, and philanthropic responsibilities. However, some papers argue that the economic and legal forms of CSR are the basic ones and thus companies should focus on external CSR practices such as environmental protection (Clarkson, 1995; Freeman, 1984) and stakeholder relations (David, Kline, & Dai, 2005; Rupp, Ganapathi, Aguilera, & Williams, 2006). Accordingly, this paper discusses four CSR types: environmental CSR, philanthropic CSR, ethical CSR, and stakeholder relation CSR. These CSR practices shall be the subject of this study's hypotheses.

2.2. Stakeholder pressure

The stakeholder concept first emerged in the management literature of the 1960s. By the 1970s, several variations of stakeholder theory were employed by major corporations such as General Electric. However, the stakeholder approach remained scattered and peripheral to management practices until the mid-1980s. Freeman (1984) gathered various eclectic ideas on the stakeholder approach and constructed a coherent and systematic theory of stakeholder management. He defined a stakeholder as any group or individual who can affect or is affected by the achievement of the organization's objectives. Within the stakeholder framework, the difference between the social and economic goals of a corporation is no longer relevant because the key issue is the survival of the corporation, which is affected by not only the shareholders but also various other stakeholders, such as employees, governments, and customers.

Several categorizations have been used to classify stakeholders (Clarkson, 1995; Henriques & Sadosky, 1999). Of these, this study's focus is on the classification of Mitchell, Agle, and Wood (1997), which recognizes three stakeholder attributes: power – the stakeholder's power to influence the firm; legitimacy – the stakeholder's relationship with the firm; and urgency – the stakeholder's claim on the firm. Combining these attributes generates a stakeholder typology consisting of latent stakeholders, expectant stakeholders, and definitive stakeholders. Latent stakeholders possess only one of the three stakeholder attributes; corporate managers may not even acknowledge their existence. Expectant and definitive stakeholders possess two or three stakeholder attributes, respectively; thus, corporate managers must pay attention to their interests. Given this classification and the fact that a firm never satisfies every stakeholder's interest (Esty & Winston, 2006, p. 258), corporate managers are strategically required to pay more attention to the most influential ones, the expectant and definitive stakeholders. Based on previous studies (Fineman & Clarke, 1996; Miao, Cai, & Xu, 2012), five types of stakeholders have been identified as exerting influence on CSR activities: employees, customers, competitors and partners, government/NGOs, and shareholders.

Stakeholder theory may explain the antecedents and consequences of the adoption of CSR practices. First, the employee or internal stakeholder has been regarded as an influential factor in CSR practices. Employees usually try to require human rights and fair labor practices through labor unions. In addition, a successful CSR program is likely to

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