

**THE ANTECEDENTS OF CORPORATE SOCIAL  
RESPONSIBILITY VERSUS CORPORATE SOCIAL  
IRRESPONSIBILITY: AN INTEGRATION OF CASE  
STUDY AND GROUNDED THEORY ANALYSIS**

**BY**

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## ABSTRACT

This research sought to explore the antecedents of corporate social responsibility (CSR) and corporate social irresponsibility (CSI) of selected organisations operating in Malaysia. This is in response to the paucity of research on CSI and the continuous focus on CSR despite the suggestion that CSR reporting can potentially be used to cover up CSI. This research examined four selected cases, two local and two foreign organisations operating in Malaysia to generate in-depth descriptions of CSR and CSI practices and explore the internal and external factors that drive the two. Data collection occurred over a period of one and a half year, including document reviews and ten interviews with CSR and non-CSR managers. Constructivist grounded theory analysis guided data analysis. The integrative framework generated from the cross-case analysis explores the contextual drivers of CSR and CSI. Findings lead to the conclusion that internally good governance is a precursor to CSR performance. In addition, CSR is viewed as a strategic tool that helps in promoting organisational CSR and prevents CSI. Particularly, the role of leadership is important for having direct as well as indirect impact in influencing behaviour across the organisation via ethical organisational culture. In the absence of control mechanisms, the role of leadership becomes important in promoting CSR and preventing CSI. Laws, regulations and environmental factors help in the prevention of CSI. However, weak regulatory framework and lack of enforcement in Malaysia provide an opportunity for CSI for both local and foreign organisations. As such, political factors play a critical role in pushing for CSR agenda, especially in the context of developing countries like Malaysia. Socio-cultural factors influence organisational ethical culture and individual values. The adoption and use of technology provide opportunities for CSR adoption and CSI prevention. Moreover, the market performance affects the availability of resources for CSR. In the phase of weak economic performance, the bargaining power of shareholders comes into play where the shareholder's interest takes precedence over that of the others. The data suggest that internal drivers may mediate the relationship between the external environment and organisational CSR and CSI. The study findings have implication for both theory and practice. First, it clarifies the distinction between CSR and CSI. Second, it provides a fresh perspective on the institutional theory by disentangling the external drivers of actual CSR and CSI activities. In particular, the study highlights the role of social media in consumer and civil society activism in preventing CSI. Third, from an internal perspective, the study contributes to normative perspective by elaborating on the role of millennial in driving CSR and preventing CSI. Finally, the study contributes to the growing CSR, CSI literature by inducting an integrative framework of the internal and external drivers of CSR and CSI. Overall, the study attempts to enrich theoretical conversation on the relationship between CSR and CSI.

## مُلخَصُ البَحْثِ

يكشف البحث عن خلفيات كلٍّ من المسؤولية الاجتماعية للشركات (CSR) وعدم المسؤولية الاجتماعية للشركات (CSI) في المنظمات العاملة في ماليزيا؛ لندرة البحوث ذات الصلة بـ(CSI)، في مقابل التركيز على (CSR)، على الرغم من اقتراح أن تُستخدم تقارير (CSR) لتغطية (CSI)، وقد تناول البحث أربع حالات مختارة؛ اثنتان من المنظمات المحلية، وأخرى من المنظمات الأجنبية؛ لتحديد أوصاف متعمقة تتعلق بممارسات كلٍّ من (CSR) و(CSI)، والكشف عن العوامل الداخلية والخارجية التي تؤدي إليها، وقد جُمعت البيانات خلال سنة ونصف، بما فيها مراجعة الأدبيات، وعشر مقابلات مع مديري (CSR) و(CSI)، واعتمدت النظرية الاستنتاجية في تحليل البيانات، ويستكشف الإطار التكاملي المتولد من تحليل الحالات المتقاطعة الدوافع السياقية لكلٍّ من (CSR) و(CSI)، وأظهرت النتائج أن الحوكمة الرشيدة مؤشّر لأداء (CSR)، ويُنظر إليها أداة إستراتيجية تساعد في تعزيزها وتمنع (CSI)، كما أن دور القيادة مهم في التأثيرين المباشر وغير المباشر على السلوك في المنظمة من خلال إرساء ثقافة تنظيمية أخلاقية، ففي غياب آليات التحكم يصبح دور القيادة مهمًا في تعزيز (CSR) ومنع (CSI)، فالقوانين واللوائح والعوامل البيئية تساعد في الوقاية من (CSI)، ولكن؛ يوفر الإطار التنظيمي الضعيف وانعدام التنفيذ فرصة لانتشار (CSI) لدى المنظمات المحلية والأجنبية في ماليزيا على حد سواء، وعليه؛ للعوامل السياسية دور حاسم في الدفع من أجل أجندة قائمة على (CSR)، ولا سيما في سياق الدول النامية مثل ماليزيا، وتؤثر العوامل الاجتماعية والثقافية على الثقافة الأخلاقية التنظيمية والقيم الفردية، كما أن استخدام التقانة يمنح فرصًا لتبني (CSR) والوقاية من (CSI)، وكذلك يؤثر أداء السوق على توفر موارد (CSR)، وفي مرحلة الأداء الاقتصادي الضعيف؛ تدخل قدرة المساهمين في المساومة إلى حدّ تكون فيه لمصلحتهم الأسبقية على مصلحة غيرهم، وتشير البيانات إلى أن الدوافع الداخلية قد تتدخل في العلاقة بين البيئة الخارجية و(CSR) و(CSI)، ومن ثم؛ لنتائج البحث تأثير على النظرية والممارسة؛ إذ توضح أولاً الفرق بين (CSR) و(CSI)، وتوفر ثانيًا منظورًا جديدًا للنظرية الحديثة عن طريق تفكيك الدوافع الخارجية لنشاطات (CSR) و(CSI) الحقيقية، وتحديدًا؛ يُبين البحث دور وسائل التواصل الاجتماعي في نشاط المستهلكين والمجتمع المدني لمنع (CSI)، وثالثًا؛ من منظور داخلي؛ يُسهّم البحث في المنظور المعياري من خلال توضيح دور الألفية في قيادة (CSR) ومنع (CSI)، وأخيرًا، يُسهّم البحث في زيادة دراسات (CSR) و(CSI) عن طريق وضع إطار تكاملي للدوافع الداخلية والخارجية للمسؤولية الاجتماعية لشركات (CSR) و(CSI)، وبعمامة؛ يحاول البحث إثراء المحادثة النظرية في العلاقة بين (CSR) و(CSI).

## **APPROVAL PAGE**

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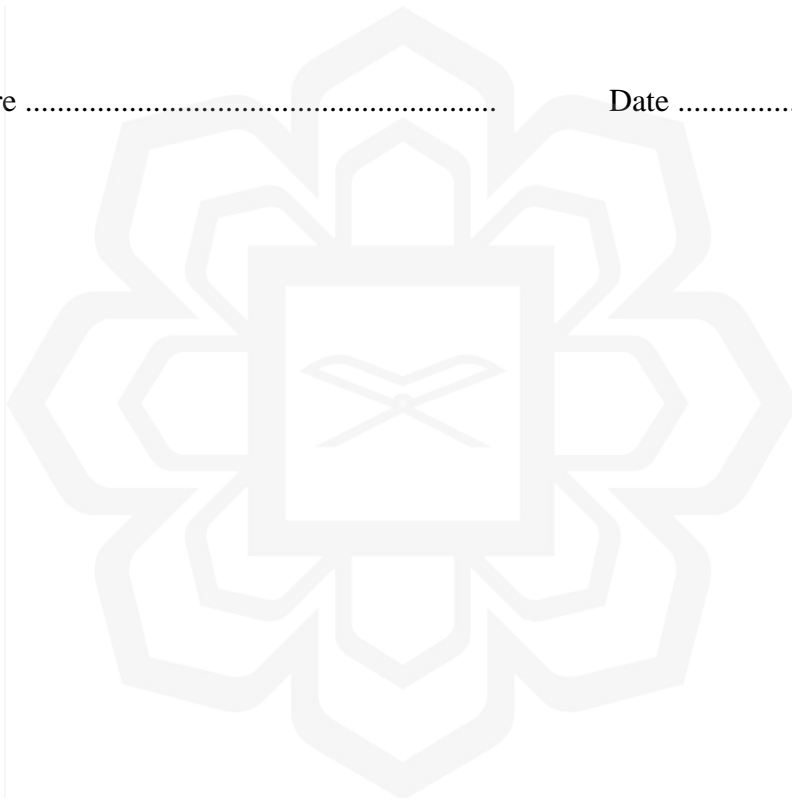
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## DECLARATION

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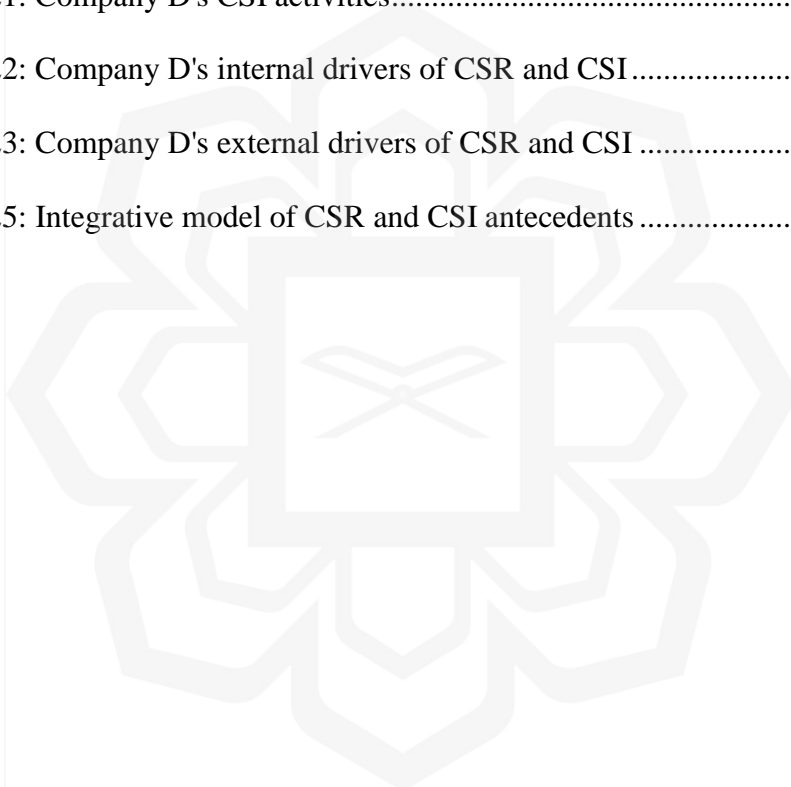
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# CHAPTER ONE

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

In both academia and the corporate world, the studies on corporate social responsibility (CSR), its determinants and its impact on business performance are dominant (see for example Jamali and Karam, 2018; Kim et al., 2015; Orlitzky, Schmidt, and Rynes, 2003). In contrast, corporate social irresponsibility (CSI) has received less attention, at both the conceptual level as well as the empirical level.

According to Corporate Watch (2006), though CSR is used by the corporation to enhance its public image, it is often used to divert attention from the damaging impact of CSI and deflect concern about the underlying problem of corporate power. In support of the above thesis, an article by Wall Street Journal on “The case against corporate social responsibility” in 2010 went further to suggest that the concept of CSR is logically flawed as it is unlikely for a corporate executive to act voluntarily for the public interest and against the interest of the shareholders. Cases of corporation preaching responsibility and performing irresponsibly have surfaced from time to time. A recent case of Volkswagen is a good example. The automaker group was listed on Dow Jones Sustainability Indices as the world’s leader in sustainability for its meritorious CSR performance (Hardyment, 2015). Days later, the company was found using defeat software in its engines to cheat emission tests and emitted pollutants up to 40 times above the permitted levels (Hotten, 2015). Indeed, in academia in turn researchers have suggested the tendency for corporations to communicate responsibility while practicing irresponsibility (Perks et al., 2013).

Notwithstanding the interconnectivity between CSR and CSI, studies that look at the two together are limited. This study intends to fill this gap in knowledge, by examining the antecedents of CSR and CSI of selected organisations operating in Malaysia.

The antecedents of CSR have been explored from diverse theoretical perspectives. First, the literature on CSR provides us with the understanding that the institutional environment plays a significant role in shaping the adoption and implementation of CSR practices (see for example: Athanasopoulou and Selsky, 2015; Campbell, 2007; Matten and Moon, 2008). However, the influence of a specific type of institution on a particular CSR activity is yet to be established (Fransen, 2013).

Second, Freeman's (1984) Stakeholder theory has been studied extensively to explore the CSR phenomenon (Eteokleous et al., 2016). Stakeholder theory postulates that organisations engage in CSR to manage the relationship with different stakeholders. Mitchell and Wood (1997) divided stakeholders into seven groups based on their relationship attributes of power, legitimacy, and urgency with the firms. They argued that stakeholders with all the three attributes are the most salient stakeholders and they get maximum attention from managers. In the case of MNCs, Bondy et al. (2012) found that organisations are not addressing the stakeholder concerns rather, it's the macro-institutional pressures as well as the institutionalisation of CSR within MNC that determine the organisations' CSR initiatives.

A third strand is what Branco and Rodrigues (2006) term the "Resource-based perspective". This approach holds that organisations engage in CSR in order to acquire internal and external benefits from such engagement (Branco and Rodrigues, 2006). Lastly, a stream of research suggests that normative theories are at play in driving organisational CSR and CSI (Swanson, 1999, 2008).

Together, these theories indicate a mix of theoretical variables – institutional structure, stakeholder activism, strategic processes and leadership, and employee normative orientation – that might influence organisational CSR. However, it is hard to adjudicate among these different theoretical perspectives. The main problem is the choice of one perspective over the other. For instance, studies on institutional theory typically focus on how external economic, socio-cultural, regulative and normative institutions drive CSR (Amaeshi et al., 2014; Campbell, 2007; Yin and Zhang, 2012) but, do not take into account the internal organisational structure and policies. Normative theories typically study the ethical orientation of key executives as a driver of CSR but fail to account for strategic motivations behind CSR. Studies that do incorporate multiple perspectives rely on aggregated secondary data and proxies of variables ((Muller and Kolk, 2010; Orlitzky et al., 2015). This suggests a need for conceptual integration and a framework for CSR antecedents as lauded by a number of CSR researchers (Aguinis and Glavas, 2012b; Eteokleous et al., 2016; Stahl and Luque, 2014).

Furthermore, recent studies have shown that organisations engage in both CSR and CSI. For example, in a study of 3000 public listed companies, Kotchen and Moon (2012) found that organisations engage in CSR after performing acts of CSI. These acts of CSI have profound impacts not only on the organisations but also on the communities in which they operate. Despite the negative impact of CSI, the concept of CSI itself is in an infancy stage (Christensen et al., 2013; Lange and Washburn, 2012; Ormiston and Wong, 2013). Moreover, there is a growing tension among the researchers as to whether CSR and CSI are two ends of the same continuum or are distinct concepts.

As the antecedents of CSI are observed, it is found that the literature provides very little knowledge about the antecedents of CSI. The limited research provides us

with the understanding that both internal and external environments play a role in shaping organisational CSI (Wu, 2013). However, in a recent literature review on CSI, Riera, and Iborra (2017) concluded that a clear model that explains the antecedents of CSI does not exist, and therefore a model of the antecedents of CSI is warranted. Thus, the aim of the study is to build theoretical insight by focusing on the antecedents of both CSR and CSI. A theory-building approach is taken that asks why organisations engage in CSR and CSI. Given limited theory and empirical evidence on why organisations engage in both acts of CSR and CSI at the same time, we rely on multiple case study designs (Merriam, 1998; Stake, 1995) combined with grounded theory analysis (Charmaz, 2006). This approach allows us to not only understand the drivers of CSR and CSI but also compare results across cases.

Comparative CSR studies have shown that CSR varies across regions, countries, and industries (for extensive reviews on comparative CSR see, Aguilera and Williams, 2009). Most of these studies, however, focus on how CSR activities and disclosure differ across countries and regions using comparative legal and institutional analysis (Chapple, 2005; Matten and Moon, 2008). In a study of comparative institutional analysis, Gjølborg (2009) found that both national and global institutions shape CSR disclosure and call for case study research to disentangle the actual drivers of CSR. Answering the calls for novel methodologies and case-oriented research, the study analyses the drivers of CSR and CSI across two local and two foreign organisations operating in Malaysia.

## 1.2 MOTIVATION OF THE STUDY

Organisations nowadays are increasingly engaged in CSR activities. CSR, sustainability and corporate citizenship seem to be all the rage these days. At the same

time, organisations are criticised for violating human rights and for environmental degradation. Why are organisations engaging in socially responsible as well as irresponsible activities? One argument is that an organisation's external institutional environment influences its CSR and CSI activities (see, for example, Campbell, 2007 and Fransen, 2013). On the other hand, the literature argues that these socially responsible and irresponsible decisions are made by managers and said decisions are greatly influenced by their personal normative values as well as those shared by employees in the organisation (Waldman et al., 2006). The current study is undertaken to understand how the external institutional environment, as well as the normative values (or the absence of it), drives firm CSR as well as CSI. Swanson (2008), along with others, called for an integration of normative and descriptive approaches to understand the drivers of CSR and CSI. In a descriptive approach, organisations respond to different pressures, whereas in a normative approach, the responsibility to society and the normative values are at play. Understanding the drivers of CSR and CSI will help the internal as well as external stakeholders in promoting a genuine CSR agenda (Crilly et al., 2012).

## **1.3 CSR AND FOREIGN ORGANISATIONS**

### **1.3.1 Background**

Foreign organisations are those organisations that are incorporated outside the host country. With the advent of globalisation, some organisations have now spread into every corner of the world by setting up operations and extending their supply chain. These organisations are called Multinational Corporations (MNCs). MNC practices in the host context have received a mix of positive and negative reactions from different stakeholders (Strike et al., 2006), giving rise to the call for research on CSR in the

context of MNC (Scherer and Palazzo, 2011). Recently, increasing attention has been paid to CSR activities of MNCs (Beddewela and Fairbrass, 2015; Jamali, 2010). Nevertheless, answers to a critical question, why do MNCs engage in CSR, have gone relatively been left unanswered, specifically in the context of emerging markets (Yang and Rivers, 2009).

### **١,٣,٢ Why do foreign organisations engage in CSR?**

Foreign organisations engage in CSR for a variety of reasons. One argument is that these organisations engage in CSR in order to obtain legitimacy within the host country's environment (Kostova and Zaheer, 1999). Zhao et al. (2014) argued that MNCs' CSR activities in emerging markets are influenced by local governments and MNCs use CSR as a tool to obtain legitimacy. Similarly, Beddewela and Fairbrass (2015) reported that MNCs' CSR initiatives in emerging markets are driven by institutional pressure and MNCs respond to coercive and normative isomorphic pressures (DiMaggio and Powell 1983) for strategic advantage. In contrast, Muller (2006) reported that MNC subsidiaries in Mexico do not respond to local pressures and maintain home country CSR policies. These conflicting results indicate that not only host country institutions, but the internal environment of MNCs is also an important driver of CSR.

Studies on MNCs have taken the subsidiary as a passive player which either responds to host or home country pressure (see, for example, Jamali, 2010; Beddewela and Fairbrass, 2015). However, how do the internal environments of MNCs influence their CSR activities? Specifically, how the organisational culture and leadership influence CSR is largely missing from the studies of MNCs. Moreover, Hah and Freeman, (2014) argue that most of the studies on CSR and MNCs are either focused