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AN EMPIRICAL PERSPECTIVE ON CULTURE – CORPORATE SOCIAL RESPONSIBILITY RELATIONSHIP

Empirical article

Abstract

Purpose – The current study examines the relationship between CSR and culture (national and organizational) and outlines other factors of influence.
Design/methodology/approach – use of Corporate Knights Inc. database (Global 100, period 2005-2013); research type: empirical, exploratory; reasoning type: inductive, a posteriori; methods: quantitative analysis, comparative analysis, observation.
Findings – Study results confirm the hypothesis concerning an interconnection between culture and CSR, but outline the influence of other factors, equally important, such as the development level of a country, the company size, the legal framework.
Practical implications/originality/value – Elements that are intended to provide conceptual clarifications, outlining the main factors of influence for CSR. The original approach of the research methodology, by grouping and analyzing data based on cultural clusters. Practical implications: solutions / recommendations for connecting the organizational cultural framework with the values that support CSR.

Corporate social responsibility – conceptual delimitations

The concept of CSR, originated in the USA and promoted in Europe at the middle of the 1980s, has had different senses, based on the peculiar aspects that interested the authors of the analysis. Even though several commissions of some world and European organizations have defined it, the concept of CSR is currently still questioned in order to adopt a larger and less remote content, which could lead to the possibility of communicating with those interested in the topic.

Through CSR, the European Commission (2006) understands 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'. It is considered that CSR includes 'the social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time' (Carroll, *apud* Fabiano et al., 2010). The number of definitions provided in the literature, on the company websites or in international organizations reports is extremely large, inducing the idea of rather different perceptions on the CSR content, which leads to low performance on data integration. Confusion is increased also by new concepts which evolved separately, some even generated by the concept of CSR, which overlap with what CSR is meant to be or are generated by use of substitutable terms from other languages, which lose their initial meaning through translation. For example, Corporate Sustainability is a notion considered by some authors as being wider than CSR, especially due to its long term perspective, but seen by others as substitutable with CSR due to the evolution of the CSR concept.

Another issue is related to the level at which CSR can be approached: 1. philosophical approach – examining the responsibility of firms to work for social benefit; 2. managerial approach – capacity of social corporate reaction; 2. ethical approach, which regards CSR as the basis for managerial decision (Friedrick, *apud* Samy et al., 2010). Debates can create controversies in case of interferences and lack of clarity.

Moreover, CSR is repeatedly placed in connection with sustainable development (SD), but delimitations are not very clear either. This is due to the fact that CSR, as well as SD integrate economic, social and ecological aspects, but at different levels: *micro* in the first case, *macro* in the second. The relationship between CSR and SD must be regarded as a means-purpose one (Hahn, 2011): CSR is the means of achieving SD seen as a purpose at global level. In terms of time and space, we mention that CSR is focused on short term and requires proximity, whereas SD frequently includes long term actions and large geographical area (see Table 1), while mentioning that 'proximity' can reach rather extended area in the case of large global companies. Actually, we could regard the CSR-SD relationship as a continuum, in which SD appears as a sum of various CSR actions, carried out at micro level by various entities.

General aspects regarding the culture-CSR relationship

The degree of acknowledgement of the organizational impact on society and environment, the meaning provided to performance and the time horizon taken into consideration provide the first cultural framework for CSR evaluation. Regardless if the framework is extensive, delimited by national culture orientations, or one defined by the organizational field, and even if it is rarely a solid base, capable of supporting the behavior oriented towards CSR as a means of actions and not as discontinuous and speculative actions, it provides the premises of CSR orientation.

In terms of dimensions of national cultural specificity compatible with orientation towards CSR, whose embedded values can

become accelerators, we remind the following:

- the *harmony* pole of the domination-harmony dimension (the Scwartz model or the orientation of Strodback & Kluckhohn);
- the *feminity* pole of the masculinity versus feminity cultural dimension, the *low uncertainty avoidance* pole and the *long-term orientation* pole (the Hofstede model);
- the *low assertiveness* pole, the *performance orientation,* the *humane orientation* (the GLOBE study).

According to literature in the field, we can identify companies preoccupied by CSR actions in spite of lack of cultural models orientated towards values that support CSR (Fabiano et al., 2010). In this case, we can consider that there is, at least at organizational culture level, means-values compatible with the CSR purpose, such as:

- values that support flexibility and orientation towards the external environment;
- values that support an ethic behavious: equitableness, solidarity, responsibility, moral leadership;
- values that support the long-term perspective, long life learning and proactive behavior.

Therefore, we consider that we must acknowledge the role of culture in the attitude and behavior orientation connected to CSR. The existence of the culture-CSR relationship is, actually, the hypothesis of our research. Also, there are other factors that influence the orientation of companies towards CSR, factors which we will outline, without diminishing their importance in any way.

The analysis of culture-CSR relationship
Our study if based on the analysis of *Global 100* data, which provides a ranking of the top 100 most responsible companies, offered through the Corporate Knights Inc Davos (CK) project for the period 2005-2013. We chose this database as being the most extensive worldwide.

The scope of the project was to provide transparency for leadership standards in different industries, as well as to prove that responsibility can be a market strategy proven by performance.

The developed methodology varied in timp, the latest data (valid for the next ranking, in 2014) indicating three steps: *starting universe* (all companies with a market capitalization in excess of USD 2000000 at a moment are taken into consideration); *screening* (evaluating companies based on companies' sustainability disclosure practices, financial health, product category and financial sanctions, the result being a short-list); *selection criteria* (companies included on the short-list are evaluated based on 12 key performance indicators - KPIs). The Global 100 2014 will include companies situated on the top positions of the ranking (based on field of activity), after being evaluated according to the following KPIs: energy productivity, carbon productivity, water productivity, waste productivity, leadership diversity, CEO-to-average-worker-pay, percentage tax paid, pension fund status, safety productivity, employee turnover, clean capitalism pay link, innovation capacity (see details at: http://www.global100.org/methodology/selection-criteria.html). Companies are evaluated only based on 'priority KPIs' for their group of industries. In industrial groups for which all KPI criteria are considered proprietary, each KPI has an equal weighting factor.

a) National culture - CSR
The dimensions of cultural specificity provide the possibility of creating clusters based on similarities. Therefore, we used Hofstede's numbers and grouped the countries according to Table 2, indicating for each country the number of companies included in Global 100 for the period taken into account.

The country characteristics based on cultural clusters are:

- *the Anglo-American cluster*: low power distance, high individualism, masculinity, average level of uncertainty avoidance, short-term orientation;
- *the Germanic cluster*: low-to-average power distance, relatively high individualism, masculinity, relatively high level of uncertainty avoidance, medium-term orientation;
- *the Nordic cluster*: low power distance, relatively high individualism, feminity, low-to-average uncertainty avoidance, short-to-medium term orientation;
- *the Latin cluster*: average-to-high power distance, relatively high individualism, average masculinity, relatively high uncertainty avoidance;
- *the Oriental cluster*: relatively high-to-high power distance, collectivism, average-to-relatively high masculinity, low-to-relatively high uncertainty avoidance, long-term orientation;
- Japan (even though we included Japan in the Oriental cluster, we considered that, due to its peculiarities, it would be better presented separately) – average distance to power, average individualism, high masculinity, relatively high level of uncertainty avoidance, long-term orientation.

By analyzing the data centralized in Table 2, we reached the flowing conclusions on the relationship between national culture and CSR:
- most of the 100 companies included in the Global 100 ranking are countries whose national cultural values emphasize the orientation towards performance, but also the concern for the environment and the for others;
- in the Oriental cluster we can find the largest numbers of companies originating from the same country; we identified Japan (even if the number of companies in top 100 varies based on each year) and this is, most certainly, due to the typical Japanese mentality;
- most companies in this ranking originate from countries who national languages are of Germanic origin, which indicates that

the level of efficiency, profitability, clarity in terms of ideas, coherence in terms of actions, strategic vision, innovation and even pragmatism (qualities generally allocated to natives from these categories) positively relate to cultural type contributions;
- countries whose national languages are of Germanic origin (except for Austria and South Africa, which was included in the Germanic cluster due to cultural similarities) and Japan are constantly represented along the period of evaluation, even if there are rather big variations in terms of numbers of companies (we also excluded Norway, which was not represented in 2008).

b) Organizational culture - CSR
Companies included on the *100 Global List* created and developed strong organizational culture, based on values that support CSR. Therefore, by analyzing the values declared on the websites of the top 10 companies on the *100 Global List 2013*, we can conclude that:
- In their activity, managers take into account *customer orientation* and *focus on high added value activities* (the equivalent of the *profitability* dimension in the literature on CSR, according to which companies that act in a responsible manner should contribute to economic development through their ability of obtaining profit);
- *Integrity/honesty, truth and action transparency* are dominants for the manner in which companies perceive the environment and approach their operations. We observe that these values are the basis for corporative governance, according to the principles of company social responsibility;
- *Responsibility towards the social and natural / politic environment (anti-corruption, contribution to social benefit, care for the others, environmental protection*) is the center of the ethics codes posted by the companies included in the study. It is a central element for building and maintaining a high level of

involvement and of company contribution to society welfare in the communities in which they ar present;

- *Openness, trust-based relationships, respect for the others* are identified by companies as being sources of long-term success, making their involvement possible in order to quantify and take into account the effects of their operations on all stakeholders;

- Employees from the organizations included in the study have a common aim to *succeed, be successful, be ambitious and become involved*, essential values for a company to develop, to innovate and to engage on the sustainability path;

- All studied firms have as fundamental value *innovation*, expressed in an explicit or implicit manner (courage, entrepreneurial spirit), and this refers not only to innovations in terms of products/services offered, but also to improvements to processes inside the company (both in production and in their relationship with stakeholders or company management). The company contributions to satisfying the needs of customers, society, cost reductions, creating new products through innovation are key-elements of CSR;

- A *learning culture* is included by some companies in their vision and mission, which creates the possibility to innovate, but also to adapt to the dynamic, changing environment, including also the concerns of researchers and practitioners for new concepts such as sustainability, CSR and so on;

- *Orientation towards quality, excellence* are organizational values directly connected to the intention to respond to CSR criteria by companies included in the Global 100 list;

- Most sustainable companies transform *teamwork* into a basic value of organizational culture in order to reach global and sustainability objectives on the long-term.

CSR and other influence factors
From the beginning, we must mention the fact that the yearly variation is also due to the changes in the reporting system. Most companies maintain their position in the ranking due to the increasing expertise and to focusing activities and reporting methodology on the reporting criteria (for example, 66% of companies included in the chart in 2010 were also on the list in 2011).

When the reporting system is changed, companies are surprised and they either 1. don't observe the new criteria; 2. they don't have a measuring system in place for the new indicators, even if they observe the criteria; 3. they are unable to report in a timely manner. This indicates another aspect: the importance of expertise in the field, a factor that influences, among other factors, the entrance to top 100.

Another observation refers to the fact that the countries of origin for most companies included in this ranking are situated on the first positions worldwide in terms of economic development. This reflects that implementing coherent CSR strategies, as well as observing the criteria in the CSR methodologies imply allocation of significant budgets. Arguments are not exclusively related to economic reasons. Legislation and extremely rigorous and tough regulations impose to companies originating from those countries to take measures in the field. Moreover, the increasing role of the civil society and its involvement through voluntary actions and self-regulating mechanisms lead, on the one hand, to intensifying the support offered to CSR actions and, on the other hand, to increasing the pressure on company decisions. All these are present at a much lower level in other countries, with serious economic problems, in which the level of income and the level of education have not lead to awareness and major involvement of communities.

Company size and field of activity are other factors that influence CSR practices. Company size influences strategic

approach, capacity of financial sustainability, and also the ampleness and persistency of CSR actions. For example, as resulted from the CK methodology, the companies included in the study are large, with a market capitalization of over USD 2000000. We can already identify sustainability in this ranking, but we are interested in the 'models' provided at each industry level. Even though CSR cannot be linked to certain fields, we must admit the fact that there are areas in which there are several paths of action and even higher constraints, which automatically lead to search of innovative solutions compared to other fields.

Romania and CSR

CSR implies orientation towards responsibility and ethic values which affect both inter-human and human-nature relationships. These values relate to the basics of national, as well as organizational culture.

National culture can be more or less in accordance to CSR values. In the case of national culture matching CSR values, the national cultural values are reflected in practices at organizational level, which support our findings based on data analysis in our study. In the opposite situation, they can act as barriers. We believe that, through the process of organizational change, new values can be integrated. Assimilated though organizational learning, the new values will become part of the organizational culture.

Also, organizational culture can be more or less in tune with the values included in a behavior oriented towards CSR. We will either find positive effects (in the first case) or the need for change (in the second case).

Still, culture is not the only one responsible for CSR. We identified a positive correlation between company orientation towards CSR and the level of economic development in the country of origin. Therefore, state governments should provide conditions to favor company

development in this direction. On the other hand, strong regulations and also the increasing role of the civil society are factors that impact the concern for CSR actions.

Following the data in the analyzed ranking, we notice that it is not only Romania who is not represented by any company, but all countries with a similar level of socio-economic development. Therefore, we can ask ourselves what Romanian companies should do, at least from a cultural perspective, to support orientation towards CSR.

Studies performed on Romanian companies in terms of CSR led to the following conclusions (Băleanu et al., 2011): 1. companies are open to obeying the law in force and for correct and equitable treatment of stakeholders; 2. social responsibility is regarded from an economic perspective, as competitive advantage; 3. attention is given to stakeholders and actors that have minor influence on company activity are neglected; 4. there is a low strategic integration of CSR; 5. there is a weak coordination with the rest of the actors in the social field; 6. companies choose action methods that are less costly at organizational level.

In what the social and organizational cultural framework is concerned, the GLOBE studies (Bibu, Brancu, 2008), for example, indicate a weak orientation towards performance and a high level of uncertainty avoidance, characteristics that can prevent CSR initiatives, but also characteristics that can support them, such as humane orientation and gender equality, both relatively high. An issue would also be lack of models, related not only to CSR, but also to its practical side: change acceptance, organizational learning, proactive behavior and so on. From this derives the importance of international rankings, which provide transparent criteria and, in the end, models of good practice.

Conclusions

The results of our study indicate the fact that CSR is supported by performance oriented organizational culture, characterized by values that support ethic and proactive behavior and also by a favorable national cultural and economic framework. National cultural values are the basis for organizational practices in the field of CSR, accentuating orientation towards performance and innovation, as well as concern for the environment and others. There are also other factors that determine the level of involvement in CSR actions. Some are internal factors (such as company size, field of activity, level of expertise), while other are external factors (such as economic situation, legal framework, position/pressure from groups of interest/civil society).

It is worth mentioning that CSR practices in Romanian companies have a rather volatile content. Nevertheless, the analysis of elements related to cultural specificity indicate a certain compatibility with the CSR content through values included in the cultural dimensions of humane orientation, gender equality (the GLOBE model) and so on. There are also incongruent values, but what is not culturally 'embedded' can be built in terms of organizational culture through intelligent management, oriented towards change through organizational learning.

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Table No.1
Conceptual delimitations and types of relationships

SD (sustainable development) – <u>macro</u> level **PURPOSE** **long-term** **regional/global**		
economic aspects	social aspects	environmental (ecological) aspects
CSR (Corporate social responsibility) – <u>micro</u> level **MEANS** of achieving SD **short-term** **proximity/local**		
economic aspects	social aspects	environmental (ecological) aspects

Table No. 2 - *Global 100 (2005-2013)*

Cluster	Countries	2005		2006		2007		2008		2009		2010		2011		2012		2013	
		No of firms	Total cluster	No of firms	Total cluster	No of firms	Total cluster	No of firms	Total cluster	No of firms	Total cluster	No of firms	Total cluster	No of firms	Total cluster	No of firms	Total cluster	No of firms	Total cluster
The ANGLO-AMERICAN cluster	Australia	1		2		2		4		3		9		6		6		9	
	USA	20		17		20		17		20		12		13		8		10	
	Canada	5		4		4		3		5		9		8		6		10	
	UK	27	53	24	47	24	50	24	48	19	47	21	51	11	38	16	36	10	39
The GERMANIC cluster	Germany	9		6		5		6		7		4		3		5		7	
	Switzerland	3		4		3		3		3		6		5		5		3	
	Austria			1		1		2				1				1			
	South Africa		12		11		9		11		10	1	12	1	9	1	12	1	11
The NORDIC cluster	Denmark	2		3		3		3		3		3		4		4		3	
	The Netherlands	2		2		4		1		1		2		2		4		4	
	Sweden	7		7		3		5		5		3		1		4		5	
	Norway	1		2		1				1		1		3		4		4	
	Finland	3	15	3	17	3	14	5	14	5	15	3	12	4	14	2	18	3	19
The LATIN cluster	Brasil											3		3		3		5	
	Spain	3		2		5		3		3		2		3		4		4	
	Italy							2		2		1		1		1			
	France	2		2		6		6		8		5		5		8		9	
	Portugal																	2	
	Belgium	1	6	1	5	1	12	1	12		13	1	12	2	14	1	17	2	22
The ORIENTAL cluster	Japan	5		9		13		13		15		5		19		12		4	
	India											2		3		1			
	Singapore											2		1		2		3	
	South Korea											2		1		2		1	
	Taiwan											1							
	Hong Kong		5		9		13	1	14		15	1	13	1	25		17	1	9
Unspecified		9	9	11	11	2	2	1	1										
		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

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