

THE UNIVERSITY OF HULL

**Developing and Validating a CSR Model of Stakeholder Satisfaction and
Loyalty: Multidimensional Constructs**

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I dedicated this dissertation to my beloved husband,

Mohamad Irman Mohamad Ibrahim,

and to my dear lovely kids,

Sarah Arissa Dania and Mohamad Ilham Aydin.

Without their support, this work would never been completed.

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ABSTRACT

Corporate Social Responsibility (CSR) has become an important strategic policy for organisations despite increasing pressures for its incorporation into business practices. A considerable amount of attention has been paid to the construct of CSR and yet research on the precise measurement of CSR has remained limited. Measures have been hampered by a lack of clarity in theoretical frameworks and empirical methods for the CSR construct. Given that the empirical study of CSR measurement is in an undeveloped state, this research describes efforts to justify and prove the relationship between measurement items and the construct. An instrument is developed based on a critical review of both the conceptualisation and practice of CSR. Based on a study among Malaysian stakeholders, this research conceptualises CSR as a multidimensional formative construct consisting of eight dimensions: process, policy, values, environment, personal, profit, people and political and offers a more universal framework to enhance developing country adoption and practice of CSR. Moreover the results of the study demonstrate how corporate social responsibility (CSR) multidimensional formative construct impacts on satisfaction and loyalty of stakeholders. The study's hypothesised relationships were principally supported, i.e. CSR is positively associated with stakeholder loyalty and stakeholder satisfaction mediated the relationships. What has been expressed is a set of ideals that are possible, are likely to be manageable, and that pay due regard to the need for feasibility in regard to CSR measurement. This research should be seen as a response to a problem of the prolonged dilemma that the disciplinary boundaries of the contested concept of CSR often make it difficult to contend with. The analysis led to the development of a practitioner-based model of CSR multidimensional formative construct that in some aspects differs from the existing conceptualisation of CSR. The formative CSR construct and insights gained from stakeholders' view open up a critique that diverges from a discourse dominated by the technical question of how to perform CSR better or more efficiently. A CSR measurement model, the constraints of the process of the development of CSR measurement are acknowledged and the attempt made to reform it from within is presented in this study. In this regard, it is proposed that the agenda and scope of CSR, as well as the measures used to implement it, are a manifestation of the formative construct that corporations have to operationalise.

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Chapter One

An Introduction to the Research

1.1 INTRODUCTION

This chapter is an introduction to PhD research entitled *Developing and Validating a CSR Model of Stakeholder Satisfaction and Loyalty: Multidimensional Constructs*. The objective is to investigate in detail and from a positivist perspective the existence of and key characteristics outlining an operationalisation of corporate social responsibility (CSR) through an investigation of its definition, dimensions, and how its measures have been developed and validated. This introductory chapter introduces the reader to the research through a brief discussion of some of the fundamental characteristics and key results. The chapter therefore has five aims:

1. To introduce the research background and key characteristics,
2. To set out the main research focus and research questions,
3. To set out the main research objectives,
4. To highlight why CSR is a distinct and promising area of study,
5. To provide an overview of the key findings in anticipation of further chapters.

1.2 RESEARCH BACKGROUND AND KEY CHARACTERISTICS

This PhD research originated from an interest in how Corporate Social Responsibility (CSR) is measured, in theory and in practice. There has been a resurgence of interest in the CSR construct among researchers and practitioners (Turker, 2009). The growing body of literature has led to an abundance of definitions of CSR (see Carroll, 1999; Moon, Crane and Matten, 2005; Dahlsrud, 2008; Vaaland, Heide and Grønhaug, 2008; Lu and Castka, 2009; Freeman and Hasnaoui, 2010), all presenting different viewpoints.

The aforementioned authors conclude that CSR is a contested concept, internally complex, with open rules for application, an overlapping term with multiple synonyms, a conception of business-society-relations and a dynamic phenomenon. From an empirical point of view, research on CSR has often involved a rather incomplete and simplistic methodology (Aupperle, Carroll and Hatfield, 1985; Dahlsrud, 2008; Kakabadse, Rozuel and Lee, 2005; Lockett, Moon and Visser 2006; Lu and Castka, 2009; Turker, 2009). For instance, Pederson (2010) and Vaaland *et al.*, (2008) identified a lack of consensus on important valid features for CSR research; they therefore proposed to focus on CSR holistically, and perhaps construct more complete models of CSR. However, Pederson (2010) also claimed that he had yet to see a model that could be helpful in identifying discrepancies with the existing conceptualisations of CSR. The current exercise did not lead to practical insights for CSR stakeholders, as the practices of good or bad CSR remained unclear. Effective measurement is still considered the greatest hurdles for stakeholders (Dahlsrud, 2008; Turker, 2009). In addition to the lack of consensus on the dimensions of CSR, recent publications have challenged the common approach of incorporating complex constructs such as CSR into strategy (Galbreath, 2009) and identify the linkages between CSR and management characteristics (Pederson, 2010). Given the developments which have increased the usability of structural equation modelling in the social sciences (Bollen, 1989; Baumgartner and Homburg, 1996), the relevance of this discussion for the empirical research needs to be investigated through a more systematic manner of studying CSR.

Bollen (2002) noted that all measurement in social science assumes effect indicators, and in structural equation modelling every construct or latent variable is assigned a set of indicators. However, in publications, the epistemic relationship between variables and indicators is often not considered. Latent variables may be associated with

reflective or formative indicators. Most researchers assume a reflective relationship, meaning that the unobserved latent variable affects the indicators. In this case, all indicators 'measure the same thing and should covary at a high level if they are good measures of the underlying variable' (Bagozzi, 1994:331). If the latent construct is of its indicators, such as an index or ranking, it needs to be measured formatively. 'Formative indicators give rise to the unobserved theoretical construct. In this case the empirical indicators produce or contribute to the construct' (Fornell, 1982:8). As Hulland (1999) claimed, it is very important from a conceptual and methodological standpoint which kind of indicator specification is used. Diamantopoulos and Siguaw (2002:11) emphasise that the 'alternative approaches to deriving measures can produce substantially different operationalisation of the same construct'. The above discussion makes clear the dangers of misspecifying formative models as reflective, or vice versa.

This PhD research was further motivated to identify how CSR influences stakeholders' relationships. Friedman (1966) stated that traditionally, in a free economy, a business's main responsibilities are to utilise its resources and only engage in activities which give a return on profit. Since then, there have been conflicting expectations and perceptions about the nature of business organisations' responsibilities. In the past it was thought that businesses were solely profit-making organisations and profit was only motivation needed for managing a business; this was rooted in Adam Smith's value-free neoclassical concept of utility. However, things have now changed and major adjustments are needed for success. Firms have discovered that they cannot survive if they neglect social factors in their businesses (Lunt, 2001; Lantos, 2002). Firms can no longer think only about making a profit since there is a growing demand for and pressures on them to be socially responsible.

Moreover, the current trend of globalisation has brought about the realisation that in order to compete effectively in a competitive environment, firms need to define their business practices clearly with a focus on the public interest in the markets (Gray, 2001). The globalisation phenomenon has introduced a new paradigm into business locally and globally. Corporations have more power to wield over politics, economics, society, culture, people and the environment (Stiglitz, 2002). Moreover, the advent of the internet era has increased the power of communications and technologies throughout the world, even in the most remote areas. Consequently, this new medium of transferring information has become another factor in influencing people's opinions globally (Lunt, 2001).

Furthermore, the world economic downturn has had a great impact on all businesses, with the adverse effects being felt not only by business owners, but also by society as a whole. This situation has put greater pressure on organisations, as stakeholders' thinking, norms and values regarding business responsibilities are changing. The emergence of business ethics, environmental and human rights practice, social welfare and investment in the society are outcomes of such impacts. Therefore, businesses are concerned about placing the highest importance on consumers and other stakeholders, which they had not done before.

Motivated by a desire to test the multitude of definitions, propositions, concepts, and theories of CSR through rigorous academic study, the research seeks to investigate the construct of CSR measurement from both an academic and practitioner perspective. These interests, in combination with the relative novelty of the field to academics and practitioners alike, have provided considerable scope for practically relevant and conceptually interesting research.

These interests are also supported by two issues identified in the literature: *one*, in areas of research into CSR there are numerous definitions of the term; however, a clear definition of CSR has not yet emerged. In both the corporate and the academic worlds there is uncertainty as to how CSR should be defined. In fact, the definition of CSR has shifted over time as firms have evolved with the rapid changes in social norms, beliefs and values (de Quevedo-Puente *et al.*, 2007). The lack of consensus among scholars as to a definition of CSR could potentially pose a significant problem. With various definitions of CSR, it could be difficult to measure initiative and theoretical development (i.e. to identify a domain for CSR and develop a CSR measurement model). In 1979, Churchill contended that

“the researcher must be exacting in the conceptual specification of the construct and what is and what is not included in the domain” (p.67).

Much of the controversy concerning the definition of CSR comes from the complexity of the construct (Zahra and La Tour, 1987). Numerous definitions have been used in past research (Ullmann, 1985), thus adding to the confusion (Zahra and La Tour, 1987). To date, there have been several attempts on the part of scholars to establish a better understanding of CSR and its definitions (Carroll, 1999; Moir, 2001; Joyner and Payne, 2002) but the CSR construct remains ambiguous and lacking in clarity (Clarkson, 1995). Carroll (1999) reviewed the most significant definitions of CSR dating from the 1950s and his definition is amongst the most frequently quoted definitions in the CSR literature. Numerous conceptual and empirical studies have referred to Carroll’s CSR definition and attempted to study this concept further, as his classification is considered practical and realistic. In his definition, Carroll takes into account the altruistic characteristics of a firm without ignoring the business aim of generating profits.

However, Carroll claimed that the existing definitions of CSR could be revised and adapted by other scholars. He also believed new definitions could come into the CSR literature, as businesses are now facing the challenges of globalisation and emerging economies and technologies. Therefore, he suggested that empirical research in theoretical development is important in order to reconcile practice and theory.

Similarly, Dahlsrud (2008) claimed that current definitions are biased and the methodology used to define CSR is inadequate due to a lack of basic understanding of the CSR construct. As a first step towards clearing the confusion surrounding a definition of CSR, there is a need to integrate previous research and put forward a precise definition that represents the most suitable view of the construct. Recently, Freeman and Hasnaoui (2010) examined the multi-national understanding of CSR and found that CSR is not a universally adopted concept. In none of the countries in their study does there exist a clear definition of the concept of CSR and no single definition was conceptualised given the diversity of both business functions and social needs (Margolis and Walsh, 2003). Consequently, considerable attention must be given to the CSR construct. Moreover, there is a need for a change in the conceptualisation of CSR to help promote a truly good society. The development and application of CSR should open the door for other alternatives, including divergence among researchers and practitioners in their focus and intent (Lindgreen *et al.*, 2009). Researchers have focused on CSR activities or processes (Basu and Palazzo, 2008) and CSR outcomes (Knox and Maklan, 2004). However, despite this interest, research on CSR measures more generally has remained limited due in part to the lack of consensus regarding what CSR really is. Does CSR have a framework or set of dimensions encapsulating its salient characteristics? There is a pressing need for better measurements of CSR, as the current ones appear to be inadequate. For example, the measurement made using the reputation

index (Vance, 1975; Heinze, 1976; Alexander and Bucholz, 1978) and financial performance (Bennett and Elman, 2007) have met with considerable criticism from other scholars. Cochran and Wood (1984) highlighted these issues and suggested that better measurements of CSR could be obtained by focusing on perceptions of CSR. Meanwhile, O'Higgins (2010) viewed it is necessary to have more extensive measures of CSR; for instance, develop the framework by discovering a framework which has broad applicability.

On the other hand, no research has been conducted systematically to develop a reliable, valid and generalisable scale to measure CSR. The study of CSR springs from the nature of the subject, as the methodologies are still relatively unstable, with concepts that are value-laden and affected by particular ideological and emotional interpretations (Aupperle *et al.*, 1985; Basu and Palazzo, 2008). Consequently, the overriding research constraint has been the difficulty of developing valid measures and the theoretical frameworks, measurement, and empirical methods for CSR analysis therefore remain unresolved (McWilliams *et al.*, 2006) as the empirical study of CSR measurement is in an undeveloped state. Empirical research could complement the conceptual approach provided in the framework, which offers a systematic way of studying CSR (O'Higgins, 2010).

Moreover, CSR has become an increasingly important area of concern within all sectors of society (e.g. Garriga and Melé, 2004). Hence, there is a 'relevance gap' between management researchers and practitioners (e.g. Tranfield and Starkey, 1998), which has resulted in an increased call from many management academics (e.g. Mintzberg and Lampel, 1999) to focus on 'real life' or the practice of management. For instance,

Matten and Moon (2004) reported that 5.5% of PhD research topics in Europe involve CSR and that there is a strong interest in CSR among practitioners and industry. Thus, the research also aims to respond to these issues by investigating CSR through the relationships of stakeholders. This is basically because matching or mismatching in the stakeholder framework explained some of the inconsistent findings on firms' performances and ultimately had a detrimental effect on the bottom line (O'Higgins, 2010). Therefore, the presence of other contextual variables that mediate the relationship suggests that a combination of constructs, such as those found in the models, rather than simple social performance measures, may determine outcomes.

As highlighted above, CSR appears to be important and valuable for most companies (Balmer *et al.*, 2007; Betty and Ritter, 1986; Caves and Porter, 1977; Fombrun and Shanley, 1990; Greyser, 1996; Gugler and Shi, 2009; Klein and Leffler, 1981; Maignan *et al.*, 1999; Milgrom and Roberts, 1986; Stigler, 1962). Bhattacharya and Sen (2004) also point out that firms with CSR are likely ultimately to promote performance-enhancing behaviours, such as customer loyalty. Campbell (1997) argues that in the 'economic jungle', a corporation needs the loyalty of its stakeholders. However, based on Liu and Zhou's (2009) conceptual model, it is less clear whether CSR affects corporate loyalty. Realising the importance of how firms respond to societal demands, this study has attempted to identify the linkages between CSR and management characteristics. A further challenge to measuring this relationship is that CSR lacks a dominant paradigm (Lockett *et al.*, 2006); therefore prevailing definitions of CSR are not suitable as a basis for measuring and quantifying CSR practice and performance (Lu and Castka, 2009; Gjørberg, 2009; Dahlsrud, 2008; Clarkson, 1995; Carroll, 1991; 1999). However, as many scholars emphasise, there is a pressing need to move the CSR discipline forward by linking it to a more structurally informed framework of analysis

(Gjølberg, 2009; Maignan and Ferrell, 2004; Matten and Moon, 2008; McWilliams *et al.*, 2006; Turker, 2009). Thus, empirical research could also extend and develop the framework by discovering additional dimensions in CSR models to add to those already proposed.

Therefore, theoretically, this study seeks to understand how CSR measures are developed and validated across their operationalisation by using empirical data in order to create guidance for improving CSR measurement. It also seeks to contribute to academic knowledge on relevant topics such as identifying newer definitions and dimensions, creating a model based on empirics, and the identification of formative constructs in supporting a particular model. Practically, this research also follows a multi-method design underpinned by a positivist approach to investigate CSR as a model of social action that influences the relationship between stakeholders.

The literature focuses on developing and validating CSR constructs as the foundation and backdrop for the research, and stakeholder theory is used as an analytical lens through which to understand the data and contextualise the contributions. Therefore, the key contributions such as evidence of CSR measurement (i.e. formative construct), and stakeholders' relationship to support the CSR measurement, are informed by and contribute to the CSR and stakeholder literatures.

This research is multidisciplinary, empirical and applied. It spans a range of disciplines from CSR and general management to marketing, business ethics, with each used to provide wider insight into the data collected and implications of the contributions for the CSR and stakeholder literatures. It is empirical, with two primary data sets (i.e. qualitative and quantitative) being gathered to develop and validate CSR measurement

of a formative construct. Each data set is used gain a better understanding of the development of CSR measurement from two different perspectives (presentational and operational) for a more holistic investigation of this underdeveloped area in the literature. Lastly, it is applied, with a sharp focus on bridging the relevance gap between theory and practice, and in creating research results that are usable by stakeholders, particularly businesses, in the hope of increasing their uptake of it to effect change.

Therefore, this research furthers academic knowledge on CSR measurement development and implementation and stakeholder theory, as well as providing guidance for researchers and practitioners on how to use appropriate CSR measures and on some of the challenges and impediments stakeholders face.

1.2.1 Introduction to Research Philosophy

As is detailed in Chapter 4, this research is underpinned by a realistic view of the nature of ‘singular’, where the reality is apart from the actors who create the reality in which they operate. This positivism stems from the field of positivist-based research theory. Within this dualistic frame, the researcher is independent from that being researched and unbiased (Guba and Lincoln, 2005). For example, the researcher omits statements about values from the written report and uses impersonal language. Moreover, it embraces the idea that a principle may be established from statistical control variables, testing hypotheses and extensive application of quantitative methods (Creswell, 1994, Cunliff, 2010, Guba and Lincoln, 1994, 2005). The quality criteria of the methodology that are the conventional marks of rigour are internal validity, external validity, reliability and objectivity.

This belief is consistent with CSR and stakeholder theory, whose nature of ‘normative, multi-level concepts, complex, strategic and dynamics’ is built on understanding the legitimacy of the stakeholder. In reality, stakeholders do change over time, and their stakes change depending on the issue under deliberation. It is the underlying issues of understanding CSR that are of interest for stakeholders and both provide an ability to study CSR measurement and allow investigation of the ‘nature’ of these constructs. It is through this investigation (in the form of a multi-method positivist study) that is possible to identify the ‘right’ constructs and the implications they have for understanding of CSR as a distinct area of research.

1.2.2 Research Objective

This research is based on the following simple and practical questions:

1. How is CSR defined?
2. How many CSR dimensions are there?
3. How can CSR be formatively measured?

In order to investigate key elements of this phenomenon, the overall aim of this research is to remedy some of the limitations of past research by applying a better research procedure to the study of CSR measurement. Thus, the purpose of this research is to provide some insights into the nature of formative indicators so that researchers can reach an informed choice as to the appropriate measurement for CSR model for their needs. In particular, this study seeks to complement existing guidelines on scale development with some empirical findings, specifically, the existence of key characteristics outlining measures of CSR, through an investigation of its construct development. Therefore, the objectives are as follows:

Objective 1: To develop a commonly-accepted definition of CSR;

Objective 2: To develop dimensions indicating CSR as a multidimensional construct;

Objective 3: To provide a formative measure to capture a multidimensional conceptualisation of CSR.

Starting by identifying a conceptual problem, the next objective concerns operationalisation, by examining the relationship between CSR and other meaningful variables. Of particular interest is the further investigation of the formative CSR construct. This includes three more important research questions:

4. Does CSR have a positive relationship with stakeholder satisfaction?
5. Does CSR have a positive relationship with stakeholder loyalty?
6. Does stakeholder satisfaction influence the relationship between CSR and stakeholder loyalty?

Therefore, the research seeks to investigate further how CSR measures are developed and validated within its measurement context, using stakeholder theory as a robust framework for investigating CSR measurement more broadly. This includes another important objective:

Objective 4: To evaluate CSR conceptualisation by examining the robustness across different types of construct, and specifically

(a) to examine the relationship between CSR and stakeholder satisfaction;

(b) to examine the relationship between CSR and stakeholder loyalty;

and

(c) to examine CSR and mediating relationships between variables.

Consequently, all these objectives are interrelated and will lead to the main objective, which is

Objective 5: Systematically to provide a reliable and valid measure of the CSR model.

Hence, theoretically, this study will contribute to an overall understanding of the formative construct of CSR. Practically, it will provide an insight into the relationships that are influenced by CSR.

1.2.3 Introduction to Results

This research provides evidence to suggest that improving measures of CSR are urgently required, as research on the measurement of CSR has remained limited. Nevertheless, a great deal of attention has been paid to the construct of CSR. Measures have been hampered by the lack of clarity in theoretical frameworks and empirical methods for the CSR construct. Starting from the understanding that the empirical study of CSR measurement is in an undeveloped state, this research describes efforts to justify and prove the relationship between measurement items and construct.

In this research, an instrument is developed based on a critical review of both the conceptualisation and practice of this construct. Supporting evidence for validity of the instrument is obtained from several sources in order to provide guidelines to the researcher properly to specify the CSR construct. Based on a study of Malaysian stakeholders, this research offers a CSR definition and also conceptualises CSR as a formative construct consisting of eight measures: process, policy, values, environment, personal, profit, people and political. Each measure captures different aspects of CSR and changes in the measures cause changes in the underlying construct. Consequently, the combination of these variant measures defines the construct of CSR. This research proposes this conceptualisation as a systematic method on which to build CSR measures, which in turn is an important step for efficient CSR management.

Next, this research validates the measurement by exploring how CSR dimensions can influence the construct of CSR and stakeholder loyalty from the perspective of individual stakeholders in Malaysia. It also examines the impact of stakeholder satisfaction as a mediating variable between CSR and stakeholder loyalty. The results of the study demonstrate how CSR is formatively constructed and also examine its impact on satisfaction and stakeholder loyalty. The study's hypothesised relationships are mainly supported, i.e. CSR is positively associated with stakeholder loyalty and stakeholder satisfaction mediates the relationships. The eight CSR dimensions play an important role in representing the formative construct.

The study is triangulatory (triangulation) in nature, using the responses of individual stakeholders to an online designed survey. The data analysis was carried out by content analysis, factorial analyses and partial least square (PLS), a second generation statistical structural equation modelling (SEM) variance-based modelling technique. This chapter then introduces the research and provides the reader with a general overview of why the research has been conducted and its significance, beginning with why CSR is a distinctive area for study.

1.3 SIGNIFICANCE OF THE RESEARCH

There are several factors that make CSR a distinct area worthy of study and this research makes a significant contribution to this discipline. First, CSR includes social, environmental, economic and ethical issues bundled together as highly interconnected and indeed, inseparable elements of social life that both impact and are impacted upon by the social structures of human beings. Moreover, it represents a challenge to traditional business interests, given that CSR has fundamentally different philosophical underpinnings (e.g. a single bottom-line philosophy versus a triple bottom-line

philosophy). To date, there has been no systematic approach to evaluating CSR philosophical underpinnings; for example, a definition of CSR itself. CSR researchers have been aware of this problem but few have been willing to expend time and effort in researching and writing on the definition of CSR. Normally, it is viewed as a theoretical topic that is abstract and without anchors for theory development and empirical research. Several years after Carroll's work, Dahlsrud (2008) attempted to study the definitions of CSR but encountered the same problem as Carroll, stating that current definitions lack a proper construct. The debate over CSR definition may have stimulated the broadening movement and the conceptualisation of CSR.

Moreover, CSR is multidisciplinary as it is composed of a range of disciplines such as accounting, business ethics, economics and marketing, and thus requires competencies from a range of actors working together to create effective CSR management. In academia, this has implications for understanding a broad range of literature from across a range of fields, such as those indicated above. At the same time, in organisations, this means increased communication between departments and cross-functional teams with the ability to see the consequences and risks associated with corporate actions. Therefore, helping to highlight areas of conceptualisation and operationalisation represents an attempt to reconcile these gaps in theory (i.e. literature) and practice.

Consequently, this research clarifies CSR definition and adds an up-to-date definition of CSR, as there is a requirement to explore and revise the definition of CSR. Moreover, it shows the existence of dimensionality in the CSR construct. The theme of environmental and social responsibility is gaining ever-greater importance at the international level, as it appears in a number of political and legal documents (Morimoto *et al.*, 2005). As highlighted previously, a better understanding of CSR contributes to

‘operationalising’ CSR among stakeholders more efficiently, as they (e.g. corporate leaders) face a dynamic and challenging task to engage societal ethical standards in responsible business practice.

Furthermore, due to its multidisciplinary nature, CSR has potentially positive and negative effects on all aspects of an organisation including its structures and processes, and thus has implications for organisational relation and structure (e.g. stakeholders’ relationships). CSR gives internal and external stakeholders more ‘space’ or ‘room’ to access or voice opinions on the operating practices of organisations. Therefore, stakeholders’ social legitimacy may have an effect on the organisation’s actions; however, if problems arise in specifying the CSR construct, this may, for example, cause an imbalance between the people, profit, environmental, and political dimensions, while building shareholder value. Thus, the increased access of stakeholders to organisational processes and decision making requires a paradigm shift on the part of organisations in terms of what issues are deemed important and how they go about their daily business activities.

As such, an appropriate measurement of CSR will be useful to ensure that a correct assessment can be made on organisational activities and stakeholder management, while also realigning business with what is the ‘right’ way to operate in contrast with other ‘amoral’ concerns of business. This research shows the existence of the formative and reflective constructs, which have different weights and effects (e.g. How does CSR improve social life? Is it by encouraging organisations to mitigate the negative impacts of its operations or enhance the positive impacts?). Hence, these measurements will be useful not only in academic research but also to practitioners and businesses. Failing to grasp the normative models and mindset of business practitioners concerning CSR will

make it difficult to understand and predict how firms should respond to societal demands (Pedersen, 2010). A more complete model of CSR will enhance the existing conceptual models since these endeavours will reveal more about the existence of alternatives.

1.4 RESEARCH MAP AND CONTRIBUTIONS

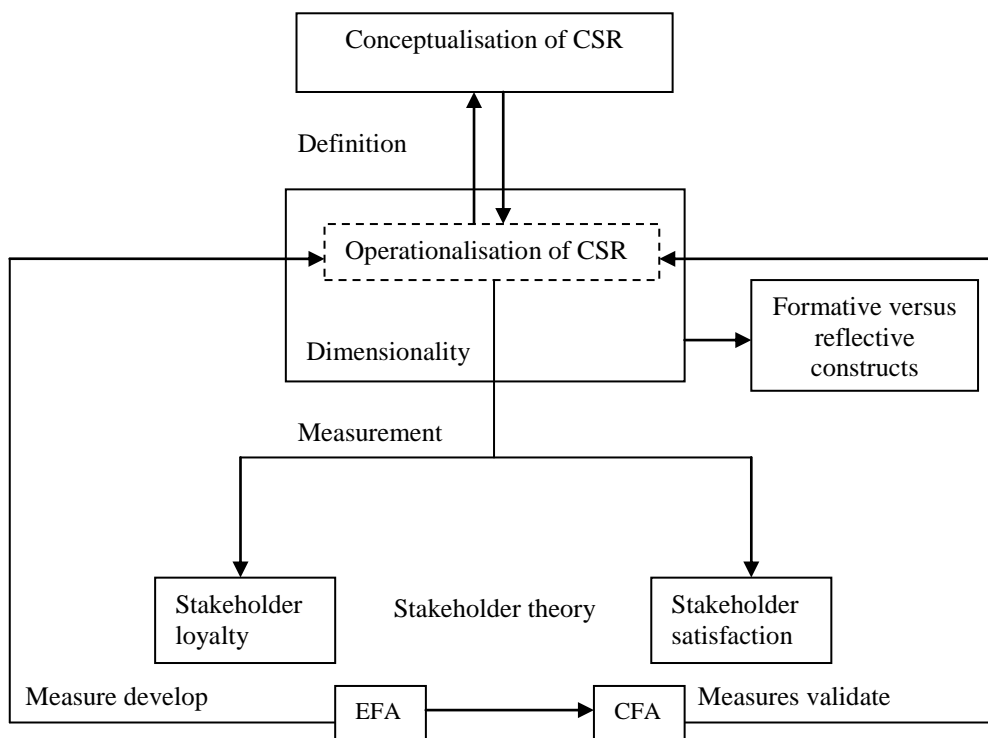
This thesis offers suggestions for answering the questions outlined above based on a comprehensive analysis of empirical works and a synthesis of the literature on CSR-related topics. CSR and its relation to stakeholders is an increasingly important issue in view of the explosive growth in the number of organisations that implement CSR. The need to evaluate the importance of such valuable practice is crucial. A considerable amount of attention has been given to the construct of CSR. Since most conceptual and theoretical discussions shed light on the phenomenon of CSR as widely practised in the West and developed countries, this research attempts to explore CSR in the context of a developing country.

However, despite this interest, research on CSR measures more generally has remained limited. There are a few attempts to measure CSR but better measures of CSR are urgently required as no better measures are currently available due to the theoretical frameworks, measurement, and empirical methods for CSR analysis not having been resolved. Starting from the understanding that the empirical study of CSR measurement is in an undeveloped state, this study aims systematically to develop a reliable and valid scale to measure CSR. The main purpose of this research is to define CSR, identify its dimensions and to inform the development of CSR measurement. The aims are to develop scales that are useful and parsimonious for academics and managers to measure

CSR. In addition, it also serves the construction of the research instrument of the survey research to investigate CSR and stakeholder loyalty.

As indicated above, this research provides evidence for the existence of a different measure for the CSR construct, and investigates some aspects of how the measures are formed; and also reflect the construct. Thus, a correct measurement is a very important element in the measurement of CSR by organisations or academics, as the underdeveloped theoretical foundations of CSR notions generally provide decision makers with little guidance, and may lead to poor CSR management and make CSR vulnerable to criticism. The research map shown in Figure 1.1 describes the connections between each of the key concepts and results in the research.

Figure 1.1 Research Map



Note: EFA = exploratory factor analysis; CFA = confirmatory factor analysis

Starting at the top of the diagram, the theoretical foundations of CSR notions offer some direction that helps to conceptualise CSR. It is difficult to define CSR, as it has a diverse meaning from country to country (Hopkins, 2004). The conceptions of CSR provide empirical evidence of the new acceptable definition of CSR, whose meaning depends on various perspectives and relationships and changes in response to social trends (Silberhorn and Warren, 2007). Despite the recent tendency to take a more grounded approach to researching the notion of CSR and attempts to define CSR, the thinking behind CSR (i.e. the definitional process's internal and external influences) and the dimensionality of CSR remain under-researched. Therefore, this study was designed to operationalise CSR as well as to try to understand dimensionality of CSR. Here, construct-specific issues as well as measurement play a role. In this context, the formative and reflective constructs are seen to exert different relations and appeared to be critical for take up of CSR. This lack of consensus seriously hampers CSR measurement development. It may be that stakeholders' pressure has led to a tipping point that has pushed many businesses into a fundamental rethink about their responsibilities towards their various stakeholders.

In developing their measurement of CSR, stakeholder theory (see details in Chapter 2) was used and paved the way for explaining measurement validation process. Another notable work on the use of this theory holds that stakeholder theory possesses stronger support for CSR management since stakeholders (or actors) have greater interest in the issues of CSR. Thus, CSR and stakeholder theory appear to be on a convergent path, making CSR operationalisation and measurement process across the discipline the norm in future.

1.5 FLOW OF CHAPTERS

This chapter provides an introduction to the research and outlines the key contributions. It is followed by chapters discussing the main areas of relevant literature and the research methods and data analysis techniques. These are then followed by three ‘data’ chapters, where key results are presented with the relevant evidence found in the two data sets (i.e. qualitative and quantitative). Following this brief introduction, the thesis is organised as follows:

Chapter 2 – Literature Review, Part One

a) Theories and concepts – examining the theories and concepts of CSR which have been extensively discussed and debated amongst Western scholars and practitioners alike. The evolution of CSR is discussed. Some of the most commonly discussed theoretical groundings underpinning the practice of CSR are also reviewed. Among the CSR models, five are highlighted in this chapter. These theories and models were chosen as they will be taken as a primary theoretical basis for the research purpose.

b) The development of a definition of CSR – presenting and reviewing the majority of CSR definitions in the literature from the 1950s to date. The purpose of this discussion is to shed light on the understanding of the construct of CSR and its current definitions. As problems are identified, the definitions of CSR reveal a lack of clarity and require further exploration.

c) How CSR is measured – demonstrating the relevance and importance of CSR measurements. As CSR is an emerging concept which most organisations have incorporated into their operations, better measures of CSR are very significant. To support this argument, and to help develop better measures of CSR, the current CSR measures and their shortcomings are revealed. Among the CSR measures examined, measures using ‘scales’ are identified as the most relevant and practical for use in multiple disciplines and industries.

d) CSR in Malaysia – discussing CSR in the context of Malaysia. This section provides a history of CSR development in Malaysia and highlights the current practices of CSR in Malaysia. The section ends by discussing CSR research in Malaysia and its limitations.

Chapter 3 - Literature Review, Part Two

This chapter discusses literature related to stakeholder theory, measurement development (i.e. formative and reflective constructs), and stakeholder loyalty and satisfaction that relate to CSR and the context of this study.

Chapter 4 – Research Methodology

This chapter provides the research design, the selection of population samples, and the data collection processes. The chapter also gives an overview of the two phases of the research approach. In Phase One, the data collection process involved content analysis and personal interview, while in the Phase Two the data collection process involved a survey questionnaire.

Chapter 5 - Findings (Qualitative Study)

Chapter 5 focuses on the exploratory stage of measurement development, which describes the qualitative data (e.g. CSR items from the content analysis) to inform CSR measures. In addition, it serves in the construction of the CSR instrument for the survey research in following phase.

Chapter 6 – Findings (Study 1)

The purpose of this chapter is further to inform the development of CSR measurement. The defined CSR and identified dimensions are further confirmed. The factorial analysis for Study 1 is discussed, followed by the development of the research hypotheses. Chapter 6 presents the quantitative findings.

Chapter 7 – Findings (Study 2)

Chapter 7 discusses the confirmatory factor analysis (CFA) in Partial Least Square (PLS); thus, the measurement model and structural model are reported. The hypotheses are also tested in this chapter.

Chapter 8 – Discussion and Conclusion

The final chapter brings the key elements of the research findings together to suggest how the findings relate to the literature, how they work, why they are important, how stakeholders are involved in measurement development, and what implications this has for future research.

Chapter Two

Literature Review – Part One

‘Literature review is the selection of available documents on the topic, which contain information, ideas, data and evidence written from a particular standpoint to fulfil certain aims or express certain views on the nature of the topic and how it is to be investigated, and the effective evaluation of these documents in relation to the research being proposed’, Hart, C. (2005).

2.1 INTRODUCTION

Chapter 1 provides an introduction to the research. This chapter provides an overview of the key concept of Corporate Social Responsibility (CSR) and its related literatures, focusing particularly on ‘conceptualisation’ and measurement of CSR. Section 2.2 discusses the evolution of CSR and drivers behind its emergence. The main theories underlying the concept of CSR, namely strategic/instrumental theory, social contract theory, legitimacy theory and stakeholder theory are also discussed in this section.

Next section 2.3 discusses how CSR is currently defined. The CSR dimensions are also discussed. Meanwhile in section 2.4 reviews how CSR is currently measured and the importance of measures using scale is highlighted. Finally, overview CSR in Malaysia is discussed in section 2.5. Previous CSR researches in Malaysia are also discussed in this section. Therefore, this chapter has six aims:

1. To introduce the general concept of CSR,
2. To describe current literature within the CSR field related to its definition,
3. To describe current literature within the CSR measurement,
4. To link these two literatures together,
5. To introduce the CSR in Malaysia context
6. To highlight the key insights gained from this review those are relevant in investigating the research objective.

2.2 CORPORATE SOCIAL RESPONSIBILITY: THE OVERVIEW

THEORIES AND CONCEPTS

2.2.1 Evolution of Corporate Social Responsibility

The concept of CSR dates back to as early as 1824 when well-known corporations have a clear thoughtfulness of its obligations to stakeholders. Cadbury Schweppes in Britain had invented 'the Cadbury corporate culture' and adopted the concept of philanthropists as they realised that in nature, good ethics and good business link together. Meanwhile the American history with the Quakers had shown their altruistic values, when 'Quakers become known for integrity both in personal relationships and in business affairs; they honoured contractual promises and they maintained fixed prices for goods....' (Murray-Rust, 1995) as cited in Hemingway and MacLagan (2004).

Later, Andrew Carnegie expanded this concept and proposed the responsibility of philanthropy in *The Gospel of Wealth* (Carnegie, 1889), as a concept CSR was developed along with the inception of the consumer and labour movements of the time. Its development was under the condition that with the ever-lasting expansion of capitalism in the 1920s. During that period the main concern were the problems of the gap between rich and poor; and also the conflict between employer and worker. Meanwhile, when the Great Depression hit in the 1930s, it heightened people's awareness towards corporate social responsibility. At that time, businesses were encouraged to be more humane, ethical and transparent (Maignan and Ferrell, 2003). Consequently, sustainable development, corporate citizenship and triple bottom line also came into existence (Van Marrewijk, 2003).

Moreover, during the middle and later of 20th century, CSR came into a rapid development period in developed countries. This phenomenon happened because there

was large numbers of socially irresponsible scandals being exposed in the modern business environment (Locke and Siteman, 2002; Mellahi *et al.*, 2005). Thus, CSR gradually evolved into the domain of public debate when societies faced social problems (Boatright, 2000). Controversies still reign, with corporate debacles such as Enron, Marconi and WorldCom being brought to public attention, and striking a warning bell for industry as a whole, how short-term thinking and adoption of poor accounting practices could ruin any organisation regardless of its size (Bowd *et al.*, 2003). On the other hand, the emergence of social problems such as poverty, unemployment, issues of race, gender and religion, and pollution have increased interest in CSR amongst the public. Dunning (2003) views the social causes as outcomes of economic globalisation, technological revolution and demographic and political changes.

The following section will attempt to determine how the CSR framework in organisations has evolved as societal issues and stakeholders' expectations have placed demands on CSR.

2.2.1.1 Corporate Social Obligations

The basic notion of the CSR concept is that organisations have societal obligations to generate a maximisation of profits for their shareholders' interests. The period from the 1960s to the mid-1970s was significant for CSR in terms of the development of a consensus that businesses and their executives must be socially responsible (Buchholz, 1991; Mahon and McGowan, 1991) but at that time, no agreement on CSR terminology emerged either in the field of academic or business practices. The Committee for Economic Development (1971) mentioned the specific social problems in which organisations should become involved, such as: economic growth and efficiency; education; employment and training; civil rights and legal opportunities; urban renewal

and development; pollution control, conservation and recreation; and culture and the arts and government performance.

By the mid-1970s no clear-cut and universally acceptable definition of CSR could yet be identified by business executives and business scholars (Preston, 1975; Votaw and Sethi, 1969). The issues of CSR moved from certain philanthropic and philosophical issues of the 1960s to the specific societal issues of an organisation's social responsibility commitment. For instance, there were corporate economic involvements in South Africa, multinational marketing practices in the Third World countries by the United States, investment and affirmative action programmes for minorities. Epstein (1989) viewed these as ongoing corporate business functions; in other words, CSR reflects normal business activities. Moreover, CSR emphasised corporate action and highlighted specific social issues to stakeholders of a corporation (Freeman, 1984; Buono and Nichols, 1990).

2.2.1.2 Corporate Social Responsiveness

By the mid-1970s, in the Western countries such as the U.S, a newer CSR concept emerged in organisations, and this was known as corporate social responsiveness (Epstein, 1989). The corporate social responsiveness concept stressed corporate strategic implications as to how corporate executives should respond to external and internal organisational expectations and social interests (Ackerman and Bauer 1976; Carroll, 1991; Epstein, 1989; Freeman, 1984; Frederick, 1978; Hay and Gray, 1974; Sethi, 1975; Zenisek, 1979; Wood, 1991). Corporate social responsiveness also focused on businesses' organisational procedures, mechanisms and behaviour patterns that enabled them to handle stakeholders' social pressure. In short, corporate social responsiveness emphasised proactive behaviour through business procedures such as

environmental scanning and reporting, social auditing and accounting, community relations and the development of corporate codes of conduct (Epstein, 1989; Buchholz, 1991; Bowie, 1991; Frederick, 1986).

2.2.1.3 Corporate Citizenship

The concept of corporate citizenship arose when there were interactions between the corporation and stakeholders beyond the traditional economic relationships such as employee, customer, shareholder, supplier, union, creditor, competitor and government (Ackoff, 1981; Freeman, 1984). In this view, the organisation is seen as a proxy human being with moral obligations to help others. The basic concept of corporate citizenship lies in expecting that a firm will incorporate altruistic corporate actions into its long term corporate strategy. Epstein (1989) further argued that a good corporate citizenship may be generalised as contributing funds; donating goods or services to non-profit public sectors; encouraging employees to participate in volunteering activities; providing technical and financial assistance to minority-owned enterprises; and mergers and acquisitions or any other corporate downsizing.

The differences between corporate citizenship and other concepts is that corporate citizenship can be measured in terms of financial and non-financial support of community institutions; for example, through activities such as enhancing the local economy, culture and politics, job training and serving as a role model for other sectors in community welfare. Thus, corporate citizenship criteria are relevant to corporate behaviour, as well as maximising public welfare (Epstein, 1989).

2.2.1.4 CSR Internationalisation

Globalisation has brought new phenomena into the social and economic systems. With the growth in multinational companies, expectations about governance and social responsibilities have also changed. Multinational companies are seen as the key to economic development, through the provision of jobs, payment of taxes, transfer of technology and charitable contributions to education and health care (Lunt, 2001). As such, governments are increasingly monitoring those companies and encouraging them to look seriously at social and economic problems. Similarly, more and more pressure groups (e.g. environmentalists and non-government organisations) are concerned with the giant companies' business operations. They expect the giant companies to balance power and responsibility between corporations and society.

The growing trend towards CSR is driven by a few important factors (Lunt, 2001; Lantos, 2002). As mentioned earlier, social and ethical issues have received increasing public attention, and therefore a growing market pressure from customers, employees and various stakeholders exerts some form of market preferences. This situation indicates how much importance the public is now placing on the social and ethical behaviour of companies. In addition, regulatory pressure in term of business standards and procedures are forcing all sizes of companies to conform. The standards include provisions such as ethical behaviour, health and safety regulations, and minimum wages and working hours (Davies, 2003). Furthermore, the advent of the new era of modern technologies such as the internet and multimedia has provided a way for consumers and pressure groups to observe companies' activities. Consequently, this may lead companies to be ethically and socially aware. Furthermore, companies perceived to be 'socially responsible' can strengthen their brand and enhance their corporate reputation.

Therefore, their commitment to CSR will make their companies' performance more profitable and gain competitive advantage.

2.2.1.5 *CSR Rationalisation*

After three decades of existence, CSR now is moving towards concepts of rationalisation. The movement of conceptualisation in CSR has occurred gradually and involved a critical process. Chronologically, Kakabadse *et al.*'s (2005) study showed that since the 1950s, CSR has developed progressively through several ground-breaking evolutions (see Figure 2.1). In early CSR publications, some pivotal studies (e.g., Bowen, 1953) revealed an intellectual impasse concerning CSR, due to their different interpretations of CSR. In the 1980s there were dramatic changes in CSR evolution, whereby stakeholders' strategic responses to social issues were identified and actively debated. During this period, conceptual models of corporate social performance (CFP) gained acceptance and were developed (Ullmann, 1985; Wartick and Cochran, 1985; Wood 1991). Alongside the conceptual evolution of CSR, a parallel development in CSR meaning was taking place. CSR became a broader concept and resulted in much terminology and analogy.

Figure 2.1 Evolution of CSR Research since the 1950s.



Source: Kakabadse *et al.* (2005).

In relation to this, Lee (2008) also observes that CSR analysis has now shifted from the discussion of macro-social effects of CSR to organisational-level analysis of CSR's effect on financial performance (see Table 2.1). He further observes that regarding the theoretical aspects of CSR, researchers have moved to 'implicitly normative and performance-oriented studies from explicitly normative and ethics-oriented studies' (p. 54). Lee notes that globalisation is a major factor in the expansion of CSR, but remarks that current CSR research still remains largely local or focuses only on comparative studies. He believes the current phenomenon of globalisation will influence CSR researchers to explore critical dimensions, and concludes that CSR theory is inconclusive in its empirical studies.

Table 2.1 Conceptual trends of CSR.

	1950s and 1960s	→	1990s
Level of Analysis	Macro-social	→	Organisational
Theoretical Orientation	Ethical/Obligation	→	Managerial
Ethical Orientation	Explicit	→	Implicit
Relationship between Corporate Social Responsibility and Corporate Financial Performance	Exclusive/No discussion	→	Tight coupling

Source: Lee (2008).

From the evolution and trends of CSR it can be seen that previous research has principally examined the nature of CSR and the extent of CSR disclosure. However, much prior research focused on developed countries (Hackston and Milne, 1996) with less attention being paid to examining CSR in developing countries (Kuasirikun and Sherer, 2004). Ghazali (2007) suggested that it would be worthwhile to gain a fuller understanding of CSR in developing countries and that this issue deserves greater attention from researchers. CSR in developing countries is in its infancy; therefore, longitudinal studies on CSR in developing countries could reveal the macro and micro levels of economic development in a country (Tsang, 1998).

In section 2.5 will discuss CSR in a developing country. Informed by the comments of Ghazali (2007), Malaysia has been chosen as the research context.

CSR is a constantly evolving concept which incorporates different approaches depending on circumstances and needs. CSR doctrine has reflected business communities' dealings with world-class social services and competitive economic activity, alongside growing evidence of social exclusion and environmental deterioration (Rogaly, 1999). In short, it is the framework for the role of business in society. The following section discusses the underpinning theories of CSR in order to have a clear view and understanding of its concepts.

2.2.2 Theories Underpinning Corporate Social Responsibility

The discussion so far has described the framework of CSR as the role of business in society, setting standards of behaviour with which all stakeholders must comply to have a positive impact, higher ethical values and a productive approach. The increasing demands of CSR motivate organisations to demonstrate their responsible beyond the purely economic, but also to show an interest in and concern for society and the environment. This section synthesises some of the major theories that underpin the practice of CSR.

2.2.2.1 The Classical View of CSR

Milton Friedman is a well-known defender of the classical doctrine regarding the role of business in society. Friedman argued that the view of having organisations extend their social responsibilities that go beyond fulfilling the interests of their stakeholders is basically a misconception of the nature of a free economy. This argument was illustrated in his 1967 book entitled *Capitalism and Freedom*, as well as in his 1996

seminal contribution, *The Social Responsibility of Business to Increase Its Profits*. He added that in a free economy “there is one and only one social responsibility of business- to use its resources and to engage in activities designed to increase its profit so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception and fraud” (Friedman, 1967).

Friedman emphasised the profit-maximisation of a firm and he also acknowledged the need for business to comply with basic rules of society. Here, Friedman, while recognising economic, legal and ethical responsibilities, opposes the idea of adopting philanthropic behaviour. In his view, philanthropic behaviour could jeopardise the business as well as threaten the shareholders’ wealth. He argued that solving social problems is not the role of business, but is part of the government’s responsibilities.

According to Friedman, socially responsible actions are really disguised forms of self-interest, apart from some socially responsible activities, such as contribution to schools, donation to the poor and local charities. In other words, Friedman believed the corporations engage in socially responsible activities only when that kind of activity can be beneficial them in term of generating profit and not just as voluntary or philanthropic activities. From his argument it appears that he (Milton Friedman) believes his position to be consistent with that of Adam Smith. Adam Smith sees a businessman as “*led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good*” (Friedman, 1996).

Hence, Adam Smith's 'invisible hand' is justified as harmonising self-interested behaviour with securing the well-being of society, which is not a part of anyone's intention. In relation to this, Boatright (1993) sees that in order for the invisible hand to operate effectively without the aid of business corporations when dealing with externalities, inequalities and instability problems, it requires the rest of society to show their ability to respond to the invisible hand conditions. Furthermore, Adam Smith's invisible hand argument states that by offering a reasonable price to the public for the product they want, unconsciously this transaction transfers the profit to consumer welfare through business. In line with this, Lantos (2001) also argues that if a company makes a profit, their employees will benefit through higher wages; thus the company will further grow and be able to hire more people and contribute to society in the form of taxes.

In the classical view, business and economy not only consider the well-being of society, but is also justified by the property rights of shareholders. Hence, Friedman (1996) sees this classical view as having the significant effect of stealing the stockholder's money when business is going beyond profit maximisation; this is not in the shareholder's best interest. Therefore, according to this view, for corporations to spend money to pursue social ends is a form of taxation without any authority. According to the taxation argument, when corporations confide their money to the managers, they hope that it will be productively utilised and shareholders will receive benefits in the form of dividends paid (Boatright, 1993). Moreover, for a business to pursue social responsibility programme is akin to taxing the customers and workers; for example, when a corporation raises the price of a product or lowers the wages of staff. In this situation, corporations are seen as unelected civil servants with the power to tax certain groups, which is an improper role in the business system (Friedman, 1996). Consequently, they

use organisational resources for social responsibility programmes, such as donations and charities, may decrease a firm's profitability or increase prices or both, in such a way that it becomes detrimental to firms (Pikston and Carroll, 1996).

Having mentioned this classical theory, in the following sections the broadening of the restrictive CSR doctrine in the light of various theories will be discussed. Theories such as the instrumental, the social contract, the legitimacy and the stakeholder theories discuss the nature and purpose of CSR. These theories are required to explain a firm's duties in society as well as to justify the need for the firm's engaging in CSR.

2.2.2.2 The Instrumental CSR Theory

An instrumental theory has developed which views CSR as a *strategic tool* for a firm to achieve its economic objectives, especially with regards to the philanthropic character of CSR. The instrumental theory is also known as the strategic CSR theory by some scholars (Burke and Logsdon, 1996; Quester and Thompson, 2001; Windsor, 2001; Lantos, 2001, 2002; Johnson, 2003; Husted, 2003; Greenfield, 2004). The instrumental theory does not totally deny the classical view, as the business may choose, for reasons of good image, the firm's competitive advantage or other strategic interests, without jeopardising the interests of their primary stakeholders by being philanthropic (Husted, 2003). According to Husted (2003), in the 1990s, senior management of large publicly listed companies began to employ CSR as strategic weapon to highlight the competitive advantage of the firm and ensure value for stockholders. Therefore, CSR is not only capable of delivering social benefits for the community, but firms also gain economic benefits. Moreover, acquiring a good corporate reputation through CSR may add more value to the firm since CSR has the potential to generate long-term profitability (Burke and Logsdon, 1996; Lantos, 2001; Husted, 2003; Windsor, 2001; Greenfield, 2004).

The resource-based view underpins this argument by positing that a firm will perform better than its competitors by interacting with human, organisational and physical resources over time. If firms have dynamic capabilities to utilise their resources, they can secure a sustained competitive advantage. For instance, a firm may produce and deliver valuable goods and services and modify and integrate them to generate new value-creating strategies which are rare, inimitable and non-substitutable. In the current environment with increasing business pressures and new challenges, social and ethical resources and capabilities are identified as the best source of competitive advantage.

According to Burke and Logsdon (1996) the instrumental CSR theory also provides an opportunity to measure the benefits of CSR in a broader context, rather than simply looking at the simple correlations between philanthropic contributions and profit. In this regard, prior studies show a positive correlation between social responsibility and financial performance of corporations (Cochran and Wood, 1984; Waddock and Graves, 1997; Stanwick and Stanwick, 1998; Johnson, 2003; Goll and Rasheed, 2004). This relationship is explained by a number of factors such as better resource competitiveness (Porter and Kramer, 2002; Cochran and Wood, 1984; Waddock and Graves, 1997), lower transaction costs (Jones, 1995; Ruf *et al.*, 2001), performance and motivation (Turban and Greening, 1997; Maignan *et al.*, 1999; Brinkman, 2003), increase in the quality of employees (Tsui *et al.*, 1997; Luce *et al.*, 2001) and customer loyalty and goodwill (McGuire, 1988; Maignan, *et al.*, 1999; Brinkman, 2003). Therefore, a firm with good social performance may be preferred by long-term investors as it has the potential to give favourable results on long-term risk and return. However, as noted by Garriga and Melé (2004), the previous findings have to be noted with caution because such a correlation is difficult to measure and results in mixed results in examining CSR and financial performance. For example, Aupperle *et al.*, (1985) reported a negative

result, whereas Ullmann (1985) found no relationship between CSR and financial performance. Many scholars believe these ambiguous results derive from the problem of conceptualising CSR and methodologies issues, as measures of CSR remain unclear (Graves and Waddock, 1994; Waddock and Graves, 1997; Griffin, 2000; Goll and Rasheed, 2004).

2.2.2.3 The Social Contract Theory

The idea of social contract revolves around the central issue of how to relate a corporation to society. This theory tries to explain the reasons for relating individuals to society, based on the assumption that every individual is rational in the sense that they will act according to their self-interest. From this view, the social contract is concerned with a firm's indirect societal obligations and resembles the social contract between citizens and government (Steidlmeier, 1992). Underpinning the philosophical foundation of the doctrine of CSR is the theoretical construct of the social contract theory (McGuire *et al.*, 1988; Maignan *et al.*, 1999; Brinkman, 2003). In relation to this, Shocker and Sethi (1973) express their view of the social contract theory thus:

“Any social institution-and business is no exception-operates in society via a social contract, expressed or implied, whereby its survival and growth are based on: (1) the delivery of some socially desirable ends to society in general; and (2) the distribution of economics, social, or political benefits to groups from which it derives its power” (Shocker and Sethi, 1973).

In an attempt to ensure business and society are equal partners, there is a direct and indirect reciprocal need between business corporations and society. In other words, business and society both enjoy the set of rights and mutual responsibilities through this

social contract. Society requires companies to continually provide sales and resources. At the same time, society has a high expectation of companies to operate in a socially responsible manner. Hence, corporations that do not act according to the society's expectations and perceptions may tend to lose their market power.

According to Boatright (1993), corporations are involved with two types of social obligation: affirmative duties and negative injunctions. With the affirmative duties, a corporation has to participate actively in society activities, such as helping the aged, voluntarily. At the same time, in negative injunctions, firms have to be responsible for any damage resulting from their own operations. Thus, firms should take precautionary action to avoid any harm or damage resulting from the firms' activities. Therefore, this is a minimum moral level of conduct for the corporation to adhere to. As discussed in the preceding section, the minimum moral level of conduct is what the law requires (Friedman, 1996). However, laws have certain shortcomings in ensuring responsible behaviour; they are limited in scope and cannot cover every possible contingency. However, society may expect more than the minimum level of moral conduct, and this is therefore a main reason for corporations to exercise greater social responsibility than the legal minimum.

As a theoretical construct, the terms of the social contract are rather ambiguous (Deegan, 2002). Consequently, among managers, perceptions about the various possible terms in the contract will be different. Furthermore, society's preferences and social values might change over time and the 'contract' will no longer be valid; hence, some alteration of the 'contract' may be required (Tomer, 1994). Offering some suggestions, Gray *et al.*, (1996) stated that legal requirements offer explicit terms of the contract, whereby other non-legislated social expectations embrace implicit terms of the contract.

However, the implicit terms of the contract remain ambiguous and somehow the nature of social contract itself is transitional. Since the societal perception may be expected to vary greatly, corporations need to adjust their behaviour and action according to how society expects them to perform (Sethi, 1979; Boatright, 1993; Humber, 2002).

In the light of the above, companies would identify themselves as involved in a CSR agenda when they have supported local communities' activities. However, this social contract viewpoint might not give a clear picture of their involvement in CSR. Therefore, a commercial benefit should be highlighted here, as propagated in the instrumental CSR theory, which enhances a company's reputation and helps it to secure of a 'licence to operate'. The notion of a 'licence to operate' is synonymous with the concept of the legitimacy of business operations in a society (Davies, 1997). In short, the idea of legitimacy can be directly related to the concepts of a social contract. In order to understand better the concept of social responsibility, the legitimacy theory is discussed in the next section.

2.2.2.4 The Legitimacy Theory

The legitimacy theory states that CSR is a response to various environmental pressures, including social, political and economic forces. In this context, legitimacy means the extent to which corporate activities meet the expectations of the members of society. Furthermore, according to the legitimacy theory, companies need to perform well and undertake various socially responsible actions if they want to continue to survive and grow. As such, firms may embrace CSR to gain and hold power and legitimacy (Davies, 1997; Deegan, 2002; Milne and Patten, 2002). In the legitimacy theory, organisations are required to look for a balance between their actions and the perceptions and expectations of society.

As reported earlier, society's perception of an organisation is crucial and there are high expectations of firms' social responsibility. If society is not satisfied with a firm due to any unacceptable business conduct, it will withdraw the organisation's 'contract' in such a way as to terminate its operations. For example in the event that consumer reducing the demand for the products of the business because it is felt that the product is harmful to health or the environment. In relation to this, the legitimacy concept is considered to a 'manipulative' tool or mechanism on which an organisation may depend for survival.

Much past research, particularly in corporate social reporting, has adopted the legitimacy framework in studies on whether the organisations use certain social disclosures to legitimise their existence within society. Based on the premise that the legitimacy theory is based on the notion that business operates through a social contract, it is vital for organisations to disclose any kind of social information (e.g., corporations normally disclose their social responsibility in their annual reports). Society may need this information to determine whether it has good CSR or not.

2.2.2.5 The Stakeholder Theory

The proponents of this theory posit that giving attention to the multiple stakeholders' interests, needs and rights in a business is an effective way to instil socially responsible behaviour among corporations (Greenwood, 2001; Dawkins and Lewis, 2003; Maignan and Ferrell, 2004). According to Freeman (1984), different stakeholders may have different objectives for a CSR agenda. The primary stakeholders (e.g., owners, management, local community, customers, employees and suppliers) are required to have continual participation for the corporation's survival. On the other hand, the

secondary stakeholders (e.g., the government, trade unions and environmentalists) are not necessary for the survival of the corporation.

Literature on the stakeholder theory can be divided into three categories, namely, descriptive, instrumental and normative. Actual corporate behaviours and characteristics of a corporation's relationship with their stakeholders are described in the descriptive approach. According to this view, the nature of some of an organisation's stakeholders is all important in predicting the organisational behaviour; for example, the organisation's values and decision making. On the other hand, due to the intrinsic justice of the claims on the firm, in this approach managers have played their roles as if only stakeholders mattered. Secondly, the instrumental view concentrates on the impact that the stakeholder may have in terms of corporate effectiveness. The proponents of this stand posit that stakeholder management principles may result in positive outcomes on the achievement of various corporate performance goals.

Furthermore this view asserts that the performance of the firm encompasses not only the financial performance. A firm's ability to manage effectively and efficiently the various stakeholders' perceptions and expectations are the key points of its performance (Cochran and Wood, 1984). In relation to this, a firm that has good relationships with their stakeholders will gain competitive advantage over firms that do not have a mutual trust and cooperation with stakeholders (Jones, 1995; Murray and Vogel, 1997). Some empirical studies have been conducted to analyse the correlation between the stakeholder approach and corporate performance (Carroll, 1979; Wartick and Cochran, 1985; Wood, 1991).

Previously, studies used conventional measures of corporate performance to analyse the aforementioned correlation. Finally, the normative approach justifies the stakeholder theory in a different way. The normative approach focuses primarily on narrative accounts of moral behaviour and philosophical guidelines for the operation and management of corporations in a stakeholder context. Thus, the studies attempt to describe what firms are supposed to do and why they have to act upon this. In addition, this category does not collect data or use scientific methods to test hypotheses. Furthermore, this category obliges corporation to take the interests of all the stakeholders' groups into account, especially as regards moral values. For instance, corporations are obliged to redesign their product if consumers feel it to be unsatisfactory, especially if the product is found to be harmful to society. Therefore, an organisation that acts ethically and morally will be trusted by its stakeholders, resulting in more efficient transactions, hence granting the corporation competitive advantage.

In contrast, Argandona (1998) argues that the theoretical foundation of the stakeholder theory lacks a basis in traditional ethical theories. Thus, the corporation's rights and duties towards its various stakeholders are deemed to be unrestricted. Argandona's criticism makes a good point, as scholars tend to use different moral and ethical theories when discussing the normative stakeholder theory (Argandona, 1998; Philips, 1997; Gibson, 2000). Problems with the stakeholder theory in relation its justification, conceptual clarity and possible inconsistency remain, although there have been many attempts to justify this theory. Goodpaster (2001) claims that corporations should not be restricted to behave in a certain manner in order to fulfil their responsibility to their stakeholders. He further argues that the use of stakeholder analysis does not necessarily mean ethical behaviour. In line with this argument, Ahmad (2003) believes there can be no pure goodness or absolute evil in a relativist society. In short, the stakeholder

approach presents CSR from a different perspective and explains that ethical theories are grounded in the stakeholder theory. In addition, a firm's relationship with all key stakeholders is seen as top priority by the management. Hence, studies on stakeholders' perceptions and expectations of CSR would help to determine business benefits, cost and risks and also to assess acceptable and unacceptable corporate behaviours from the point of view of stakeholders.

2.2.2.5.1 *Stakeholders' Perceptions of CSR*

Previous marketing and managerial studies found that perceptions of CSR may generate a high volume of resources from stakeholders. A positive perception of CSR is necessary for corporate effectiveness. Corporate effectiveness is defined as increasing profitability, a focus on long-term success of the firm and less preoccupation with short-term success (Singhapakdi *et al.*, 1995). A company that engages in CSR practices will gain long-term benefits of brand enhancement, product differentiation, increased worker motivation, quality workforce and higher profitability (Murray and Vogel, 1997; Turban and Greening 1997; Lantos, 2001; Davies, 2003; Maignan and Ferrell; 2004). In relation to this, Singhapakdi *et al.*, (1995) developed a scale for measuring managers' perceptions on the importance of ethics and social responsibility in organisational effectiveness. The items for the scale are output quality, efficiency, profitability, communication, long-term survival, competitiveness and stakeholder satisfaction. Much past research has also revealed that consumers are willing to patronise companies whose have environmental friendly practices, good ethical behaviours, make philanthropic contributions and offer favourable treatment to employees and community (Brown and Dacin, 1997; Creyer and Ross, 1997; Mason, 2000; Dawkins and Lewis, 2003; Dean, 2004).

Studies have also found positive attitudes and perceptions among CEOs and managers of companies towards CSR constructs and practices (Murray and Vogel, 1997; Greening and Turban, 2000; Quazi and O'Brien, 2000; Tencati *et al.*, 2004). For example, Murray and Vogel (1997) demonstrated that managers are more willing to deal with a company which discloses information about their CSR efforts, whereas Perrini (2006) in their study of Italian corporations, asserted that 84 percent of 91 top managers they interviewed mentioned that they were actively involved in CSR activities. Greening and Turban (2000) found that a quality workforce from corporate social performance indicates a firm's competitive advantage.

In addition, Brown and Dacin (1997) declared that negative CSR associations can have a detrimental effect on overall product evaluation, whereas positive CSR associations can enhance product evaluations. There is valid evidence for this argument, as Mason (2000) found that 44 percent of the British public had boycotted a product for ethical reasons. Smith and Alcorn (1991) in their empirical study also found that almost half of their respondents (46%) would switch brands to support companies that made donations to non-profit organisations. Interestingly, 30 percent of their respondents mentioned that they bought products simply because the manufacturers are involved in CSR activities (e.g. donations and charitable causes).

Despite the positive relationship between CSR and consumer behaviour, some studies have come to a different conclusion. For instance, Carrigan and Attalla (2001) and Boulstridge and Carrigan (2000) in their studies, found that when it came to purchasing goods or services, consumers lack awareness in terms of social responsibility. They noticed that this group of consumers possessed little social and ethical purchasing information, which will influence their purchasing decisions. In addition, consumers'

lack of personal impact (Carrigan and Attalla, 2001) and a gap between consumers' attitude and behaviour (Boulstridge and Carrigan, 2000) are other reasons why they showed a distinct lack of social responsibility awareness.

Many researchers on stakeholders' perception have focused mainly on developed countries, such as the United States, the United Kingdom and other European countries. Similar research in CSR in a developing country, such as Malaysia, remains scarce. Only a few studies have attempted to investigate stakeholders' perceptions and attitudes towards CSR in Malaysia. Nevertheless, CSR in Malaysia is at an emergent stage and CSR awareness among Malaysian stakeholders is improving. An overview of CSR in Malaysia is discussed in following section of this chapter. The following section discusses the CSR models in order to understand this concept better.

2.2.3 The Five Models of Corporate Social Responsibility

The initial debate on CSR was concerned with the general idea of business in society. CSR dimensions and its categories are as broad and various as their definitions. Some argued about whether or not a corporation should be responsible for participating in social issues in order to justify its existence (Davis, 1960; Friedman, 1962; McGuire, 1963; Manne and Wallich, 1972; Steiner, 1972; Davis and Blomstrom, 1975; Sethi, 1975). Company action when engaging in CSR has no antecedent (Ackerman and Bauer, 1976; Wartick and Cochran, 1985). Therefore, the current CSR models are unable to explain why corporations engage in socially responsible activities (Carroll, 1979; Pinkston and Carroll, 1996; Roberts 1996).

Furthermore, the term corporate social performance (CSP) has emerged as a global concept to embrace CSR, responsiveness and its strategic businesses implementation.

The model of corporate social responsiveness put forward by Ackerman and Bauer (1976) was the initial explanation of what drives a corporation to engage in socially responsible activities. This was followed by subsequent models of corporate social performance (Carroll, 1979; Ullmann, 1985; Wartick and Cochran, 1985; Wood, 1991). The following section reviews mainstream models since the 1970s and presents recent models of CSR proposed by Quazi and O'Brien (2000). The purpose of this review is to show how models of CSR have evolved towards involving firms' strategies. Furthermore, the review will highlight the fact that, to date, CSR models have not overcome the problem of firms having social values and commitments except when these are based on economic justifications.

2.2.3.1 *Ackerman and Bauer's Model (1976)*

This model of corporate social responsiveness is concerned with the social pressures firms face. The idea of this model is to connect social issues with strategy and organisation and social objectives with business objectives. The aim is to create an operational model, as opposed to the less directive concept of CSR (Ackerman and Bauer, 1976). This model is concerned with social legitimacy, as firms are implicitly regarded as social agents who do well in society, and it emphasises the kind of managerial action or strategy that responds to social issues (Ackerman and Bauer, 1976; Sethi 1975; Carroll, 1979). Based on this model, corporate social responsiveness can be viewed as the firm moving from doing nothing, to being reactive, and finally to being proactive, in relation to societal demands. However, Wartick and Cochran (1985) criticised the model because it does not provide a basis for deciding the specific demands a firm should respond to and a responsive act does not confirm legitimacy. The critique is reasonable to the extent that there must be a reason why a firm should act in response to social pressures. However, it implies that the guiding factor is an ethical

principle, as well as making the underlying assumption that business has the responsibility to do good for society in order for it to gain legitimacy. This may not be entirely true, as economic factors may also explain actions as well as responsiveness.

2.2.3.2 *Carroll's Model (1979)*

One of the earliest models of CSR was developed by Carroll (1979). Carroll (1979) categorised corporate responsibilities as economic, legal, ethical and discretionary. Carroll classified three CSR dimensions, i.e. CSR components (economic, legal, ethical and discretionary), corporate social responsiveness and corporate social issues. Carroll's corporate economic responsibilities are based on the traditional economic role of corporation. Carroll's model attempted to reach an equal balance between economic and social objectives. As such, this model assumed that the business organisation should provide goods and services that stakeholders need and want, with some profit making. In contrast to Ackerman and Bauers' model, Carroll viewed responsibility and responsiveness as interactive constituents of corporate social performance rather than alternative propositions, but to measure the corporate economic responsibilities, a firm must be evaluated on a disaggregated, industry basis, over a reasonably lengthy time. In other words, to measure economic responsibilities, a corporation should be evaluated by comparisons within the same industry. As such, the criteria of economic performance should be appropriate only to the same industry. For example, economic performance in the financial industry is impossible to compare with that of different industry, such as the construction industry. To measure CSR and profitability data such as returns on assets, returns on shareholder's equity and other economic performance should be provided for both short-term and long-term periods of time (Clarkson, 1995).

Furthermore, Clarkson (1995) argued that two other categories of the Carroll model (ethical and discretionary) are not easily accessible and this makes them difficult to test. For example, the starting point of the model is social responsibility, but this category is descriptive rather than prescriptive and this makes it difficult to differentiate between the discretionary and ethical categories. Ethical responsibilities require the firm to perform and go beyond mere legal frameworks. The ethical responsibility elements include the unwritten codes, norms, and any values implicitly derived from society. The legal responsibility that Carroll categorised is referred to as the obligation of the firm to comply within law. Therefore, the firm's policies and structures should comply with the legislation.

In relation to this, it is the responsibility of government departments to judge whether there are serious problems or just complaints in terms of laws concerning the environment, safety, labour, consumer protection and so on (Clarkson, 1995). Besides this, the discretionary types of responsibility are wholly dictated by the organisations as philanthropic corporate activities in which there are no laws or guidelines imposed. Thus, this model also falls short in explaining what it expects from a firm in terms of action to meet social demands. Moreover, Carroll's model suggests that each of his four CSR components implicitly carries different relative weights. The relative non-numeric weights of each of the four categories indicate how CSR is defined.

2.2.3.3 *Wartick and Cochran's Model (1985)*

Building on Carroll's (1979) framework, in this model CSR is viewed as a philosophical orientation of business in a micro context. Wartick and Cochran's design has three integrated stages: principle, process and policy. This approach dictates that a firm has to satisfy society's expectations about its responsibilities, decide what kind of

action to take, and implement the feedback concerning relevant matters. The model also adds to Carroll's model by assuming that the categories of CSR (economic, legal, ethical and discretionary) are based on a social contract and that the firm acts as a moral agent in society (Wartick and Cochran, 1985). Their model argues that firms need to be more socially responsible.

Wartick and Cochran's model does not strike a balance between economic and non-economic responsibilities and therefore it does not provide answers to questions about the allocation of resources to social and economic issues in a competitive environment. As such, it does not give ultimate directions for making decisions and it fails to show how firms should successfully compete among other organisations in a competitive market. This shows that firms lack strategic orientation regarding social commitment. The point is that social and strategic issues in management are two parallel areas which deserve to have an integrated approach (Wartick and Cochran, 1985). However, one of the most important ideas in this model is that it understands and emphasises economic performance as the most significant concern among the principles of social responsibility. Wartick and Cochran strongly argue that economic category cannot be separated from any other corporate social responsibilities.

2.2.3.4 *Wood's Model (1991)*

The main contribution of Wood's model (1991) is that it represents corporate social performance in a single level of analysis. Wood considered the issue of social management to be a process of social responsiveness, together with environmental assessment and stakeholder management. This author used an outcomes approach instead of policies for the third dimension of corporate social performance. The outcomes included social impacts, programme and policies. Wood also viewed CSR as

having three distinct levels: institutional, organisational and individual. At the institutional level it refers to businesses seeking legitimacy from society and this principle applies to all companies (Wood, 1991). The principle of CSR is viewed as a public responsibility; thus firms are not responsible for solving all social problems, although they must be responsible for solving problems caused by them (Wood, 1991). Finally, at the individual level, CSR refers to managerial discretion, which is similar to Carroll's (1979) discretionary category.

The fundamental contribution of Wood's model is to identify that CSR gives legitimacy to the existence of business as a social institution. Hence, CSR can be seen as grounded in legitimacy, concepts of social contract and a firm's moral agency; however, in reality this principle is not put into practice. This is why Wood (1991) had to offer an alternative by introducing principles of public responsibility and managerial discretion. However, according to this principle, a firm is only responding to problems generated by the organisation's primary activities, so this CSR behaviour would lead to a weak relationship between social commitment and a firm's primary function.

Wood's model (1991) revealed that the discretion of the manager is another possible reason why firms engage in CSR, although problems occur with managerial discretion, as in reality managers can argue against social commitment. Although managerial discretion may well be part of social commitment, it is not sufficient to explain the reasons why a firm might engage in CSR.

2.2.3.5 *Quazi and O'Brien's Model (2000)*

The model proposed by Quazi and O'Brien (2000) takes into account diverse environments of CSR. They examined CSR in different socio-cultural and market

settings and developed a two-dimensional model of CSR. The two dimensions are the span of CSR and outcomes of the social commitments of business. This broader dimension is justified as Quazi and O'Brien argue that managers not only make decisions that reflect their assessment of the responsibility of their organisation, but will also make judgements based on net benefits and cost incurred by the company for their socially responsible activities. This model has a wider perspective than the view offered by Wood's (1991) model of managerial discretion.

However, this model has only been empirically tested by managers in two divergent environments for the emergence of two basic underlying dimensions (span of CSR and outcomes of social commitments of business). Since businesses are shifting from a traditional positivist approach to an epistemological approach (Kiel, 1998) firms are now establishing a sustainable relationship with large stakeholders: customers, suppliers, employees, shareholders, community groups and others (Polonsky *et al.*, 1997). They are establishing a unique corporate image (Menon and Menon, 1997) in order to create differentiation in a competitive advantage market (Morris, 1997; Russo and Fauts, 1997). Therefore, it would be more empirically sound if the model could be applied to the expanding database to include the perceptions of managers in a wide range of industries and stakeholder groups (Quazi and O'Brien, 2000). These models were chosen and briefly discussed in this chapter as they are the main models for CSR from its introduction to date. These models are frequently cited by authors and still highly debated. The concepts and theories in these models have been identified as being related to the issues of this research. They function as a fundamental perspective on reality and therefore also as a basis for future models and theories.

2.2.4 Summary of Section 2.2

This section has discussed the issue of CSR, mostly from Western perspectives, by reviewing major aspects relating to CSR emergence, fundamental theories underpinning CSR and the models constructed of CSR. In the discussion, it demonstrates that there is much overlapping between the theories used to explain CSR; hence the models of its framework remain ambiguous. However, these integrated theories and models do offer reason as to why firms engage with CSR. With regard to firms securing their ‘licence to operate’, pressures from multiple stakeholders require them to embed CSR into their organisations. As the major aims of the present study are to explore CSR definition and CSR measurement from multiple stakeholders’ perspectives, the chapter also reviews the stakeholders’ perceptions towards CSR.

2.3 CORPORATE SOCIAL RESPONSIBILITY (CSR): HOW IS IT DEFINED?

First, this section identifies the purpose of defining CSR in section 2.3.1. Then section 2.3.2 traces definitions of CSR back 40 years and provides an overview of the development of the definition of CSR. The review has kept the definitions as they are found in their original sources. The purpose of this was that the researcher was aware of the importance of originality in defining the CSR concept, as an evaluation of the definitions should be based on relevant wording which refers to its exact meaning. CSR dimensions are discussed in section 2.3.3. Finally, a summary of this chapter is given in section 2.3.4.

2.3.1 Defining Corporate Social Responsibility

Over the past 40 years scholars have debated the definition of corporate social responsibility (CSR) and the constructs of the CSR paradigm (e.g. Bowen, 1953; Carroll, 1979; Clarkson, 1995; Brown and Dacin, 1997; Carroll, 1999). Defining CSR is difficult as ‘it means something, but not always the same thing to everybody’ (Van Marrewijk, 2003). Various management disciplines have recognised that CSR fits their purposes; for example in marketing, communication, finance, human resource management and reporting, and quality management. Consequently, a variety of CSR definitions have been adopted by different groups, specific to their own interests and purposes.

While progress has been made in understanding the concept and paradigm of CSR, there is still much debate as to what is the accepted definition of CSR. Some scholars have provided compelling arguments for their own definitions. Bowen (1953), Carroll (1979), Brown and Dacin (1997) and Sen and Bhattacharya (2001) defined CSR as social obligation. Meanwhile, Clarkson (1995), Donaldson and Preston (1995), Jones (1995), Wood and Jones (1995) and Henriques and Sadosky (1999) defined CSR as a stakeholder obligation. Some of the scholars see the definition of CSR as ethics-driven (Donaldson and Preston, 1995; Jones, 1995; Swanson, 1995) and still others withhold judgement about the definition of CSR, for example, marketing practitioners (Robin and Reidenbach, 1987). In marketing, CSR covers a diverse range of issues such as consumerism, environmentalism, regulation, political and social marketing (Carrigan and Attalla, 2001).

As highlighted in previous section, there are several reasons why there is a need to explore the definition of CSR. First, Carroll (1999) reviewed various definition of CSR

from the early 1950s to the 1990s. However, although Carroll claimed that those definitions could be revised, to date there has been no systematic evaluation of these definitions. As mentioned previously, six years after Carroll's work, Dahlsrud (2008) attempted to study the definition of CSR and he encountered the same problem as Carroll, claiming current definitions lack a proper construct. Second, a better understanding of CSR will contribute to a greater 'operationalisation' CSR among both academics and practitioners. Finally, the debate over CSR definition may have stimulated the broadening movement and the conceptualisation of CSR in this century. Researchers should to examine all widely accepted definitions, as well as definitions from developing countries that could eventually clarify CSR definition. A problem that CSR researchers have had in this discipline is that few researchers have been willing to risk time and effort in researching and writing on the definition of CSR. Normally, it is viewed as a theoretical topic that is abstract and without anchors for theory development and empirical research.

Researchers, theorists, and managers with varying perceptions of reality have used different perspectives to defend their definitions of CSR. An important question is whether a clear definition of CSR can be reached, or CSR is only definable relative to a particular context. In relation to this, CSR definitions need to be evaluated and possibly revised periodically to be useful. CSR is practised and studied for many different purposes. A definition of CSR could be used to delineate the discipline for academic purposes, diagnostic research purposes, or for an applied purpose. A major concern is whether CSR should be defined as a process, a set of activities, or as a discipline or subject matter. Any definition of CSR is an abstraction of a broad concept that contains limitations related to the use of the definition. It is probable that no one definition perfectly describes the concept of CSR, as different authors have defined CSR

differently. As more application oriented areas of CSR become apparent (e.g., corporate governance, business ethics, societal marketing) it becomes even more important to define the core discipline of CSR adequately.

2.3.2 Current Corporate Social Responsibility Definitions

The definition of corporate social responsibility was shaped into theory, research and practice many years ago, particularly in developed and industrialised countries such as Britain, other European countries, and the USA. Carroll (1999) noted that CSR was known as social responsibility (SR) before the modern era of social responsibility began. Howard Bowen (1953) was among the early authors who wrote about the doctrine of social responsibility and his early definition of CSR has influenced the theory and practice of CSR up to the present. He believed that businesses have a decision making power which may influence their actions and have an impact on society as a whole. His argument was that the purpose of social responsibility is not so much to solve problems in businesses and society, but rather to act as a mechanism to assist businesses. Based on his notable contribution to CSR literature, Howard Bowen has come to be known as the ‘Father of Corporate Social Responsibility’ (Carroll, 1999).

Following on from Bowen’s initial definition, in the 1960s there was a significant growth in attempts to further define CSR. Authors such as Davis, Frederick, McGuire, Walton and Blomstrom were among the early academics who offered definitions of CSR in the literature. Davis (1960) viewed businessmen as having to make their social power commensurate with the performance of their social responsibility. Frederick (1960) was concerned about public expectations of an economic system; thus, the businessman’s role is to monitor this operation. McGuire (1963) believed that organisations’ responsibilities towards society are beyond the economic and legal

expectation, but Davis and Blomstrom (1966) identified individual's character as a main contributor to social responsibility. There is also difference in terms of emphasis on coercion and voluntarism. Walton (1968) preferred voluntarism over coercion. The European Commission makes same argument with Walton, as it states that companies subscribing to CSR integrate social environmental concerns in their business operations and interact with their stakeholders on a voluntary basis. From this viewpoint, it means that an organisation being socially responsible is not only fulfilling legal expectations, but also going beyond compliance, investing more into human capital, the environment and relations with stakeholders (Walton, 1964; Vuontisjärvi, 2004). Therefore, these authors recognised the relationship between organisation and society in the implementation of the concept of social responsibility.

Later, in the 1970s, there appeared to be an improvement in defining CSR in scholarly work. Authors such as Johnson, (1971); Davis (1960); Steiner (1971); Eells and Walton (1974); Sethi (1975); Preston and Post (1975) and Carroll (1999) were able to define CSR in a more specific way. They viewed CSR as ethics-driven, economics-driven, involving stakeholder obligation and social obligation. For example, Johnson (1971) argued that a socially responsible firm must take into consideration their employees, suppliers, dealers, local communities and the nation. Steiner (1971) assumed that social responsibilities are more of an attitude, as an organisation is helping society to achieve its basic goals. Thus, CSR is not only enhancing the economy, but its movement represents a broader concern with the role of business, as well as improving the social obligation (Eells and Walton, 1974).

Other authors defined CSR as more than profit-making (Davis, 1960; Backman, 1975) as going beyond economic and legal requirements (McGuire, 1963); as a voluntary

activity (Manne and Wallich, 1972); as concern for the social system (Eells and Walton, 1961); and as an approach to social responsiveness (Sethi, 1975; Ackerman and Bauer, 1976). Subsequently, in the early days of CSR research, many scholars in this field were concerned with economic issues and the interest group pressures of governments (Marens, 2008).

In the 1980s, emphasising ethics of executive decision making became a dominant paradigm of CSR. Between the 1980s and late 1990s, fewer studies were found on CSR definition. In spite of decades of research and numerous publications, CSR remains a construct that lacks clarity (Clarkson, 1995). However, alternative concepts and themes began to appear. Corporate social performance, corporate social responsiveness, business ethics and stakeholder management are some examples of the alternative concepts and themes which were developed during that era. Subsequently, most of the research work began to articulate other concepts that were related to CSR theory. This new trend is a way to operationalise CSR.

Recent CSR literature has begun to consider business responsibilities to stakeholder society (particularly in newly emergent technologies) including global levels and commercial values. In this context, it appears that the emergence of societal marketing can be classified as the modern beginning of CSR literature. Kotler *et al.*, (2005) state that in a societal marketing concept, marketers should balance three considerations when making marketing policies: company profits, consumer desires and society's interests. In relation to this, societal marketing has been used as an umbrella term to cover types of marketing that involve social values: social marketing, cause-related marketing, green marketing and ethical marketing. Thus, such marketing activities can be considered as yet another classification of CSR.

To attempt to reach a clear and universal definition of CSR, the various definitions are listed below, along with some reviews and explanations of their shortcomings. Table 2.2 displays CSR definitions from the first generation of CSR scholars, dating from the 1950s and definitions from representatives of business and civil society. These definitions were gathered through a literature review and most of the definitions are also referred to in the works of Carroll (1999), Dahlsrud (2008) and Kakabadse *et al.*, (2005).

Table 2.2 CSR Definitions from the 1950s to the Present.

Year	Author	Definition
1953	Bowen	SR refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society (p.6).
1960	Davis	Iron Law of Responsibility, which held that social responsibilities of businessmen need to be commensurate with their social power (p.71).
1960	Frederick	SRs mean that businessmen should oversee the operation of an economic system that fulfils the expectations of the public. And this means in turn that the economy's means of production should enhance total socio-economic welfare. SR in the final analysis implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms (p.60).
1963	McGuire	The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations. The corporation must take an interest in politics, in the welfare of the community, in education, in the 'happiness' of its employees, and, in fact, in the whole social world about it. Therefore, business must act 'justly' as a proper citizen should (p.144).
1966	Davis and Blomstrom	Social responsibility, therefore, refers to a person's obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interests of others who may be affected by business actions. In so doing, they look beyond their firm's narrow economic and technical interest (p.12).
1967	Walton	In short, the new concept of social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals (p.18).
1970	Heald	The idea of social responsibility as businessmen themselves have defined and experienced it. The meaning of the concept of social responsibility for businessman must finally be sought in the actual policies which they were associated (p. Xi).
1971	Johnson	A socially responsible firm is one whose managerial staff balances a multiplicity of interest. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees,

		<p>suppliers, dealers, local communities, and the nation (p.50).</p> <p>Social responsibility states that business carry out social programs to add profits to their organization (p.54).</p> <p>The third approach of social responsibility assumes that the prime motivation of the business firm is utility maximization; the enterprise seeks multiple goals rather than only maximum profits (p.59).</p> <p>A socially responsible entrepreneur or manager is one who has a utility function of the second type, such that he is interested not only in his own well-being but also in that of the other members of the enterprise and that of his fellow citizens (p.68).</p> <p>The goals of the enterprise, like those of the consumer, are ranked in order of importance and that targets are assessed for each goal. These target levels are shaped by a variety of factors, but the most important are the firm's past experience with these goals and the past performance of similar business enterprises; individuals and organizations generally want to do at least as well as others in similar circumstances (p.73).</p>
1971	Community for Economic Development (CED)	<p>The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic function-products, jobs and economic growth.</p> <p>The intermediate circle encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities: for example, with respect to environmental conservation; hiring and relations with employees; and more rigorous expectations of customers for information, fair treatment, and protection from injury.</p> <p>The outer circle outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment. (For example, poverty and urban blight) (p.15).</p>
1971	Steiner	<p>Business is and must remain fundamentally an economic institution, but...it does have responsibilities to help society achieve its basic goals and does, therefore, have social responsibilities. The larger a company becomes, the greater are these responsibilities, but all companies can assume some share of them at no cost and often at a short-run as well as a long-run profit.</p> <p>The assumptions of social responsibilities is more of an attitude, of the way a manager approaches his decision-making task, than a great shift in the economics of decision making. It is a philosophy that looks at the social interest and the enlightened self-interest of business over the long run as compared with the old, narrow, unrestrained short-run self-interest (p. 164).</p>
1972	Manne and Wallich	<p>I take responsibility to mean a condition in which the corporation is at least in some measure a free agent. To the extent that any of the foregoing social objectives are imposed on the corporation by law, the corporation exercises no responsibility when it implements them (p.40).</p>
1973	Davis	<p>For purposes of this discussion it (CSR) refers to the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm (p. 312).</p> <p>It is the firm's obligation to evaluate in its decision making process the effects of its decisions on the external social system in a manner that will accomplish social benefits along with the traditional economic gains which the firm seeks (p. 313).</p> <p>It means that social responsibility begins where the law ends. A firm is</p>

		not being socially responsible if it merely complies with the minimum requirements of the law, because this is what any good citizen would do. (p.313).
1973	Eilbert and Paret	<p>Perhaps the best way to understand social responsibility is to think of it as 'good neighbourliness'. The concept involves two phases. On one hand, it means not doing things that spoil the neighbourhood. On the other, it may be expressed as the voluntary assumption of the obligation to help solve neighbourhood problems.</p> <p>Those who find neighbourliness an awkward or copy concept may substitute the idea that social responsibility means the commitment of a business or Business, in general, to an active role in the solution of broad social problems, such as racial discrimination, pollution, transportation, or urban decay (p.7).</p>
1973	Votaw	The term social responsibility is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behaviour in an ethical sense; to still others, the meaning transmitted is that of 'responsible for', in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for 'legitimacy', in the context of 'belonging' or being proper or valid; a few see it as sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large (p.11).
1974	Eells and Walton	In its broadest sense, corporate social responsibility represents a concern with the needs and goals of society which goes beyond the merely economic. Insofar as the business system as it exists today can only survive in an effectively functioning free society, the corporate social responsibility movement represents a broad concern with business's role in supporting and improving that social order (p.247).
1975	Backman	<p>Social responsibility usually refers to the objectives or motives that should be given weight by business in addition to those dealing with economic performance (e.g., profits) (p.2).</p> <p>Employment of minority groups, reduction in pollution, greater participation in programs to improve the community, improved medical care, improved industrial health and safety-these and other programs designed to improved the quality of life are covered by the broad umbrella of social responsibility (p. 2-3).</p>
1975	Sethi	Social responsibility implies bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values, and expectation of performance (p. 62).
1975	Preston and Post	In the face of the large number of different, and not always consistent, usages, we restrict our own use of the term social responsibility to refer only to a vague and highly generalised sense of social concern that appears to underlie a wide variety of ad hoc managerial policies and practices. Most of these attitudes and activities are well-intentioned and even beneficent; few are patently harmful. They lack, however, any coherent relation to the managerial unit's internal activities or to its fundamental linkage with its host environment (p.9).
1975	Bowman and Haire	Represented CSR as opposed to those that were strictly 'business' (p.50).
1976	Fitch	Corporate social responsibility is defined as the serious attempt to solve social problems caused wholly or in part by the corporation (p.38).
1979	Carroll	The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time. (p.500).
1980	Jones	CSR is defined as the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that

		prescribed by law or union contract, indicating that a stake may go beyond mere ownership.
1983	Carroll	In my view, CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible... then means that profitability and obedience to the law are foremost conditions to discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent. Thus, CSR is composed of four parts: economic, legal, ethical and voluntary or philanthropic (p.604).
1986	Murray and Montanari	A socially responsible firm is one that accomplishes and is perceived to accomplish the desired ends of society in terms of moral, economic, legal, ethical, and discretionary expectations.
1987	Epstein	Corporate social responsibility relates primarily to achieving outcomes from organisational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders. The normative correctness of the products of corporate action has been the main focus of corporate social responsibility (p.104).
1991	Carroll	For CSR to be accepted by the conscientious business person, it should be framed in such a way that the entire range of business responsibilities is embraced. It is suggested here that four kinds of social responsibilities constitute total CSR: economic, legal, ethical and philanthropic. Furthermore, these four categories or components of CSR might be depicted as a pyramid. To be sure, all of these kinds of responsibilities have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place (p.40).
1994	Reder	An all encompassing notion, (corporate) social responsibility refers to both the way a company conducts its internal operations, including the way it treats its work force, and its impact on the world around it.
1998	Hopkins	Corporate social responsibility is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. Consequently, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation.
1999	Kilcullen and Kooistra	CSR is the degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state.
1999	World Business Council for Sustainable Development	The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.
1999	Khoury, Rostami, and Turnbull	Corporate social responsibility is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.
1999	Woodward-Clyde	CSR has been defined as a 'contract' between society and business wherein a community grants a company a license to operate and in return the matter meets certain obligations and behaves in an acceptable manner.
2000	World Business Council for Sustainable Development	Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.
2000	Business for Social Responsibility	Business decision making linked to ethical values, compliance with legal requirements and respects for people, communities and the environment. Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. Social responsibility is a guiding principle for every decision made and in every

		area of a business.
2001	UK Government	Corporate social responsibility recognizes that the private sector's wider commercial interests require it to manage its impact on society and the environment in the widest sense. This requires it to establish an appropriate dialogue or partnership with relevant stakeholders, be they employees, customers, investors, suppliers or communities. CSR goes beyond legal obligations, involving voluntary, private sector-led engagement, which reflects the priorities and characteristics of each business, as well as sectoral and local factors.
2001	Pinney	Corporate social responsibility (CSR) or corporate citizenship can most simply be defined as a set of management practices that ensure the company minimizes the negative impacts of its operations on society while maximizing its positive impacts.
2001	Commission of the European Communities	A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment.
2001	Foran	CSR can be defined as the set of practices and behaviours that firms adopt towards their labour force, towards the environment in which their operations are embedded, towards authority and towards civil society.
2001	Jackson and Hawker	Corporate social responsibility is how you treat your employees and all your stakeholders and the environment.
2001	Van Marrewijk	Companies with a CSR strategy integrate social and environmental concerns in their business operations and in their interactions with their stakeholders and demonstrate openly their triple P performances.
2001	Marsden	Corporate social responsibility (CSR) is about the core behaviour of companies and the responsibility for their total impact on the societies in which they operate. CSR is not an optional add-on nor is it an act of philanthropy. A socially responsible corporation is one that runs a profitable business that takes account of all the positive and negative environmental, social and economic effect it has on society.
2001	McWilliams and Siegel	Actions that appear to further some social good, beyond the interests of the firm and that which is required by law (p.117).
2001	Kok, Wiele, McKenna and Brown	The obligation of the firm to use its resources in ways to benefits society, through committed participation as a member of society, taking into account the society at large, and improving welfare of society at large independently of direct gains of the company.
2002	Commission of the European Communities	Corporate social responsibility is about companies having responsibilities and taking actions beyond their legal obligations and economic/business aims. These wider responsibilities cover a range of areas but are frequently summed up as social and environmental-where social means society broadly defined, rather than simply social policy issues. This can be summed up as the triple bottom line approach: i.e. economic, social and environmental.
2002	Lea	CSR can be roughly defined as the integration of social and environmental concerns in business operations, including dealings with stakeholders. CSR is about business and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organizations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent they attempt to protect the environment.
2003	Amnesty International Business Group (UK)	Companies (have) to recognise that their ability to continue, to provide goods and services and to create financial wealth will depend on their acceptability to an international society which increasingly regards protection of human rights as a condition of the corporate license to operate.
2003	Baker	CSR is about how companies manage the business processes to produce an overall positive impact on society.

2003	Anderson	We define corporate social responsibility broadly to be about extending the immediate interest from oneself to include one's fellow citizens and the society one is living in and is a part of today, acting with respect for the future generation and nature.
2003	IndianNGOs.com	Corporate social responsibility is a business process wherein the institution and the individuals within are sensitive and careful about the direct and indirect effect of their work on internal and external communities, nature and the outside world.
2003	International Business Leader Forum (IBLF)	Open and transparent business practices based on ethical values and respect for employees, communities and the environment, which will contribute to sustainable business success.
2003	Commission of the European Communities	CSR is the concepts that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.
2003	CSR Europe	Corporate Social Responsibility is the way in which a company manages and improves its social and environmental impact to generate value for both its shareholders and its stakeholders by innovating its strategy, organisation and operations.
2003	CSRwire	CSR is defined as the integration of business operations and values, whereby the interest of all stakeholders including investors, customers, employees and the environment are reflected in the company's policies and actions.
2003a	Business for Social Responsibility	Socially responsible business practices strengthen corporate accountability, respecting ethical values and in the interests of all stakeholders. Responsible business practices respect and preserve the natural environment. Helping to improve the quality and opportunities of life, they empower people and invest in communities where a business operates.
2003b	Business for Social Responsibility	Corporate social responsibility is achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment.
2003	Hopkins	CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. 'Ethically or responsible' means treating stakeholders in a manner deemed acceptable in civilised societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation.
2003	Ethical Performance	At its best, CSR is defined as the responsibility of a company for the totality of its impact, with a need to embed society's values into its core operations as well as into its treatment of its social and physical environment. Responsibility is accepted as encompassing a spectrum from the running of a profitable business to the health and safety of staff and the impact on the societies in which a company operates.
2003	Global Corporate Social Responsibility Policies Project	Global corporate social responsibility can be defined as business practices based on ethical values and respect for workers, communities and the environment.
2003	Ethics in Action Awards	CSR is a term describing a company's obligation to be accountable to all of its stakeholders in all its operations and activities. Socially responsible companies consider the full scope of their impact on communities and the environment when making decisions, balancing the needs of stakeholders with their need to make a profit.
2003	Strategies	CSR is generally seen as the business contribution to sustainable development, which has been defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs, and is generally understood as focusing on how to achieve the integration of economic, environmental

		and social imperatives.
2003	World Business Council for Sustainable Development (WBCSD)	CSR is business' commitment to contribute to sustainable economic development working with employees, their families, the local community, and society at large to improve their quality of life.
2003	Organisation for Economic Co-operation and Development (OECD)	Corporate Responsibility involves the 'fit' business develop with the societies in which they operate. (...) The function of business in society is to yield adequate returns to owners of capital by identifying and developing promising investment opportunities and, in the process, to provide jobs and to produce goods and services that consumers want to buy. However, corporate responsibility goes beyond this core function. Businesses are expected to obey the various laws which are applicable to them and often have to respond to societal expectations that are not written down as formal law.
2003	Corporate Responsibility Coalition (CORE)	As an 'organ of society', companies have a responsibility to safeguard human rights within their direct sphere of operations as well as within their wider spheres of influence.
2003	Novothic	Linked to the application by corporations of the sustainable development principle, the concept of CSR integrates three dimensions: an economic dimension (efficiency, profitability), a social dimension (social responsibility) and an environmental dimension (environmental responsibility). To respect these principles, corporations must pay more attention to all the stakeholders (...) which inform on the expectations of civil society and the business environment.
2003	Unilever	We define social responsibility as the impact or interaction we have with society in three distinct areas: (i) voluntary contributions, (ii) impact of (business's direct) operations, and (iii) impact through the value chain.
2003	Novo Nordisk	Social responsibility for Novo Nordisk is about caring for people. This applies to our employees and the people whose healthcare needs we serve. It also considers the impact of our business on the global society and the local community. As such, social responsibility is more than a virtue-it is a business imperative.
2003	Van Marrewijk	In general, corporate sustainability and CSR refer to company activities-voluntary by definition-demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders.
2005	GAP	The first one is this whole idea of sustainable solutions in our supply chain. This consists of working on a four-part strategy to improve working conditions, monitor factories, integrate labour standards into our business practices, and the whole idea of collaborating with outside partners to drive industry-wide change. The second is with our employees and making Gap inc., a place where people can really flourish and build their careers in a positive work environment. The third is community involvement, including everything from our foundation to our volunteerism. And the fourth key area in corporate social responsibility for us is environment, health and safety. This is everything from the average store energy consumption to the safety of our stores for customers and employees to a high-level environmental impact assessment for all of our business operations. So, we define it broadly, then. Supply chain, employees, community involvement, and environment. (p.5)
2007	Antal and Sobczak	CSR includes cultural and socioeconomic concepts.
2008	Dahlsrud	CSR includes environmental, social, economic, stakeholder and voluntariness
2008	Matten and Moon	CSR reflects social imperatives and social consequences of business success. These consist of articulated and communicated policies and practices of corporations that reflect business responsibility for societal good deeds.
2009	Gjølberg	CSR cannot be separated from contextual factors.

These definitions of CSR range from highly conceptual to very practical statements. The definitions are derived from a variety of themes such as social responsibility, sustainable development, business ethics, corporate accountability, corporate citizenship, triple-bottom line, corporate philanthropy and corporate governance. These definitions have been kept as they were written in the original text in order to demonstrate the richness of the CSR concept and how previous scholars defined CSR in their research.

From a constructivist point of view, De George (2008) highlighted the reflexivity of CSR. Taking a deconstructive approach, he assumes there should be no definitive meaning of terms. However, he states that, rhetorically, the purity of CSR concepts may be influenced by “the thought of human flourishing, of better and worse actions and human conditions, of respects for human dignity, of justice” (p.85), and continues by stating that “whatever supports these should be accepted” (ibid), regardless of the lack of a definitive definition of CSR.

Defining CSR is not an easy task, and for this reason definitions of CSR have varied widely. Matten and Moon (2008) identified three major reasons for this difficulty.

“First, this is because CSR is an ‘essentially contested concept,’ being ‘appraisive’ (or considered as valued), ‘internally complex,’ and having relatively open rules of application (Moon, Crane, and Matten, 2005: 433-434). Second, CSR is an umbrella term overlapping with some, and being synonymous with other, conceptions of business-society relations (Matten and Crane, 2005). Third, it has clearly been a dynamic phenomenon (Carroll, 1999:405)”.

The reasons given above are similar to those stated by Kakabadse *et al.*, (2005), who also recognised that CSR had often been associated other concepts, such as corporate social responsiveness (CSP) and corporate social performance (CSP). Carroll (1999) traced the evolution of CSR from 1950s up to the late 1990s and found that recent scholars had failed to form any new definition of CSR.

In relation to this, Moir (2001) also reviewed a general understanding of what practitioners mean by CSR and how and why firm undertake CSR behaviour. Moir found that practitioners are struggling to access CSR performance because current measures only focus on particular areas of CSP, and the method is limited as to how and why stakeholder relationships occur and develop. Moir reported that companies use input, output, outcome and process indicators to measure their overall performance on CSR (CSR Europe, 2000). In relation to this, his work does not contribute a great deal to CSR definition, as it offers no guidance as to how CSR should be defined, other than by referring to limited CSR literature.

On the other hand, Dahlsrud (2008), through content analysis, analysed thirty-seven definitions of CSR from twenty-seven authors and covered a time span from 1980 to 2003. He was able to develop five dimensions of CSR (i.e., environmental, social, economic, stakeholder and voluntaries) but the frequency counted from Google is subject to lack of validity and reliability. However, all these scholars agreed that common threads in literature involved establishing principles of CSR as a social construct, although methods of assessing CSR are still emerging and not yet established and are subject to considerable debate. After several decades of studying CSR, McWilliams *et al.*, (2006) strongly argued that;

“...there is a no strong consensus on a definition for CSR”.

(p.8)

This was echoed by De George (2008), when he claimed that;

“There is no agreement on exactly what it means, and what it requires of which corporations in which societies. (p.74).... and CSR is ill defined (p.76)”.

Recently, Freeman and Hasnaoui (2010), also examined the meaning of CSR from the vision of four nations (i.e. United Kingdom, France, the United States and Canada). They looked for a consensus of understanding in an attempt to propose a more universal framework to enhance international adoption and practice of CSR using the triple bottom line. However, their study is only subject to the qualitative approach and based on researchers' interpretation. The results may influence by fallibility of the human. Their discussion is failed to conceptualise CSR because of the researchers' different ethnicity and culture background. In practice an operationalisation of CSR, must bear witness to its understanding by the population too.

2.3.3 Current Corporate Social Responsibility Dimensions

Carroll (1979) constructed a framework to integrate all dimensions of social responsibility into a firm's corporate culture and decision making process. The four dimensions of the defining model are categorised as economic, legal, ethical, and discretionary (or philanthropic). He defines them as follows:

‘Economic responsibilities: the first and foremost social responsibility of business is economic in nature. Before anything else, the business institution is the basic economic unit in our society. As such it has a responsibility to

produce goods and services that society wants and to sell them at a profit.

All other business roles are predicated on this fundamental assumption...

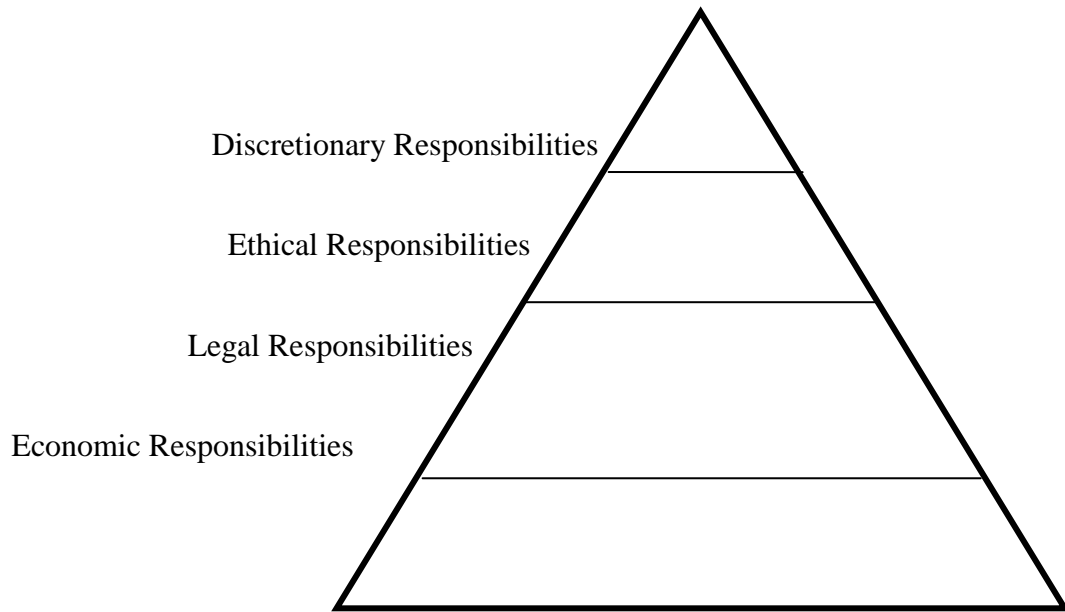
Legal responsibilities: just as society has sanctioned the economic system by permitting business to assume the productive role, as a partial fulfilment of the 'social contract', it has also laid down the ground rules-the laws and regulations-under which business to fulfil its economic mission within the framework of legal requirements...

Ethical responsibilities: are ill defined and consequently are among the most difficult for business to deal with. In recent years, however, ethical responsibilities have clearly been stressed-though debate continues as to what is and is not ethical. Suffice it to say that society has expectations of business over and above legal requirements...

Discretionary responsibilities: or volitional, are those about which society has no clear-cut message for business even less so than in the case of ethical responsibilities. They are left to individual judgement and choice. Perhaps it is inaccurate to call these expectations responsibilities because they are at business's discretion; however, societal expectations do exist for businesses to assume social roles over and above those described thus far (p. 500).'

Figure 2.2 represents the four-part construct and Carroll's (1979) suggested weighting of 4-3-2-1, encompassing the economic, legal, ethical and discretionary dimensions. Carroll's categorisation has met with some criticism, particularly the ethical and discretionary dimensions, which are not easily accessible and are thus difficult to test (Clarkson, 1995). Further, inaccessibility of CSR dimension may cause poor measures of CSR. Therefore, theoretical meaningful relationships might be rejected in the face of insignificant results caused by inadequate operationalisations (Zahra and La Tour, 1987).

Figure 2.2 Carroll's Four Dimensions



Source: Carroll (1979).

Dahlsrud (2008) produced five CSR dimensions, comprising the environmental dimension, the social dimension, the economic dimension, the stakeholder dimension and the '*voluntariness*' dimension. Table 2.3 shows how the coding scheme was applied and gives examples of phrases. However, Dahlsrud's work is limited to 37 CSR definitions and takes into account definitions originating only between 1980 and 2003. He argues that the reason for not considering definitions before 1980 was because previously CSR was referred to as 'social responsibility'. Thus, in order to be consistent in his analysis, he excluded any definitions of 'social responsibility'. However, it should be noted that the earliest CSR definitions formed the basis of more recent CSR definitions and therefore, CSR definitions before 1980 are significant in the development of the CSR dimension. Dahlsrud's method of coding can be considered reliable and precise but should have considered prior 1980's definitions.

Table 2.3

How the coding scheme was applied and example phrases.

Dimensions	The definition is coded to the dimension if it refers to	Example phrases
The environmental dimension	The natural environment	'a cleaner environment' 'environment stewardship' 'environmental concerns in business operations'
The social dimension	The relationship between business and society	'contribute to a better society' 'integrate social concerns in their business operations' 'consider the full scope of their impact on communities'
The economic dimension	Socio-economic or financial aspects, including describing CSR in terms of a business operation	'contribute to economic development' 'preserving the profitability' 'business operations'
The stakeholder dimension	Stakeholders or stakeholder groups	'interaction with their stakeholders' 'how organisations interact with their employees, suppliers, customers and communities' 'treating the stakeholders of the firm'
The voluntariness dimension	Actions not prescribed by law	'based on ethical values' 'beyond legal obligations' 'voluntary'

Source: Dahlsrud (2008).

Furthermore, Ramasamy and Yeung (2009), based on studies by Katz *et al.*, (2001), Maignan (2001) and Williams and Zinkin (2006) identified culture as one of the CSR dimensions, without, however, being entirely certain as to the nature of this dimension, which remains subject to interpretation. In relation to this, Kakabadse *et al.*, (2005) stated that CSR may have different meanings in developed countries and developing countries. Thus, for those from different societies, notwithstanding the problem of literal translation, CSR may be interpreted and implemented in different ways. Therefore, culture exerts an influence on CSR.

However, Swift and Zadek (2002) argued that the CSR dimension should have fewer categorisations than corporate responsibility. One reason for this is that it is based on the CSR definition derived from The European Commission; therefore Swift and Zadek emphasised strongly that CSR activities are carried out only on a voluntary basis. From

their perspective, organisations are more ‘responsible’ for their corporate responsibility than their corporate social responsibility.

2.3.4 Summary of Section 2.3

In summary, the definition of CSR depends on the extent to which an organisation understands its major role in society. Within the literature on CSR, development of understanding in CSR definitions can be identified. This is well described by Carroll (1979, 1999), Moir (2001), Dahlsrud (2008) and Freeman and Hasnaoui (2010) in their works and progression of the development of CSR definition. Carroll (1979) identified the dimensions of CSR (i.e., economic, legal, ethical and discretionary). However, in the 1990s he further developed the understanding of CSR by examining scholars understanding of CSR and no newer definition was found. Latterly, Freeman and Hasnaoui (2010) also struggled to justify how CSR is understood varies by nation.

According to Swift and Zadek (2002), it is a major challenge to identify CSR dimensions, as currently CSR is a multi-faceted issue. It remains uncertain whether CSR as a term that does not need universal definition (Campbell, 2007; Palazzo and Scherer, 2006). Since these can and do make a difference to CSR measurement, there is therefore a clear challenge to ensure that the multitude of social responsibilities do not damage the dynamism of corporate social responsibility dimensions. The evidence to date shows that it makes a significant and lasting contribution to address CSR dimensions before developing CSR measurement.

This premise will lead to the next discussion.

2.4 CORPORATE SOCIAL RESPONSIBILITY (CSR): HOW IS IT MEASURED?

As we have seen through the Introduction and the previous chapter, discussion of CSR measurement seems to evoke comment, criticism and argument. The researcher has noticed that on the one hand many scholars perceive CSR as a tool for business competitive advantage. This movement has grasped the importance of measurement to evaluate CSR. Within this argument, broader issues surrounding the operationalisation of CSR can often be found. On the other hand, CSR is seen as a useful tool that offers the stakeholders, especially the practitioners (e.g. government, regulator, suppliers), a means to offset some pertinent criticisms of practice and theory.

In this section, it is suggested that CSR could be measured systematically by using scale, something that scholars of CSR have seldom addressed. Instead through observation and review of previous studies, the researcher believes that this method could resolve the CSR measurement problem. The motivation for writing about CSR and its measures in this study is not simply to draw attention to the shortcomings of other methods and concepts of CSR, concepts that can be explored for meaningful message and ideas about the state of CSR and society, but rather to provide an appropriate measure to begin to settle the measurement issues in CSR.

2.4.1 Current Measures of Corporate Social Responsibility (CSR)

A few useful constructs and measurements have been developed in the management and marketing literature to measure CSR (e.g. Abbott and Monsen, 1979; Maignan, 2001). However, *a conceptualisation and scale for measuring CSR has not yet been developed* (McWilliams *et al.*, 2006). In addition, research has studied contexts in which to measure CSR performance. However, research has largely ignored the exact scale and

dimensional structure of CSR. Notably, CSR measure has attracted a great deal of attention from scholars and practitioners. Management and marketing practitioners have come to realise that understanding CSR measurement is critical for developing competitive advantage and sustainable organisation. There are studies have appeared that present useful concepts as well as some ad hoc measurements (Abbott and Monsen, 1979; Carroll, 1979; Aupperle *et al.*, 1985). Examples of CSR measures include 'line-count' of information provided in corporate documents, content analysis, self ratings by firms, evaluation by judgement of a company's reputation, forced choice item formats, and, more recently Maignan (2001) attempted to develop better measures for CSR. While the diversity of these operationalisation attests to a continued interest in this area, little evidence has been provided regarding the paradigm for developing better measure of CSR construct.

In this section, the current study presented both a conceptual analysis of CSR measures and how CSR was measured. However, the current construct is not clearly discussed. For example, corporate social performance (CSP) and corporate social involvement (CSI) have been defined on the basis of equivalent concepts to measure CSR; as a result, the development of scale items was relatively confusing. Therefore, this research is operationalising the construct and developing scale items based on the conceptualisation. To operationalise CSR construct, a review of the previous work on CSR measure is undertaken. This study also examined the method scholars used in their work to measure CSR and identified the shortcomings.

The measurement of corporate social responsibility has been an object of debate since the 1960s. Initially, two methods were commonly applied by scholars to measure CSR. First, measurement was made using the reputation index. Bragdon and Marlin (1972),

Folger and Nutt (1975) and Spicer (1978) used the ranking of pollution control performance in the pulp and paper industry for measurement. Moskowitz (1972) and Sturdivant and Ginter (1977) developed a rating system and gave firms such ratings as 'outstanding', 'honourable mention' or 'worst'. Then, Vance (1975), Heinze (1976) and Alexander and Bucholz (1978) noted how students rated corporations and developed a scale to measure CSR based on these ratings. The second method was content analysis. Using this method, Bowman and Haire (1975) developed an index or scale based on the number of lines of annual reports devoted to CSR. Abbot and Monsen (1979) and Ingram (1978) simply followed Beresford's (1973) index. Beresford's work used the compilation of social measurement disclosures in Fortune 500 Annual Reports. Those authors were among the earliest scholars who attempted to develop CSR measurement.

Following on from them, in 1975, Vance measured the corporate social involvement by using reputation indexes. The scales he used were the ratings of 45 corporations by corporate staffers and of 50 corporations by business students as well as the percentage change in the price per share in 1974. Vance reported a negative result between social involvement and profitability whereas Heinze (1976) and Bowman and Haire (1975) reported a positive result, although they used the same scales. These conflicting results derived from research design problems, as the respondents (i.e. students) did not represent an appropriate sample and the time line (i.e. 1974) chosen was during a stock market crash. Therefore, their measurement is clearly flawed (Cochran and Wood, 1984) as they only changed the price per share element when measuring the investor returns, although dividend income is another element that should also be included in investor returns measures.

Next, Abbot and Monsen (1979) used self-reported disclosures as a method of measuring corporate social involvement. In their work, they used the Fortune 500 Social Involvement Disclosures (SID) scale for three reasons. The first reason was the availability of data and lower research cost compared to other data collection methods. Secondly, it is possible to replicate the results since the data are in the public domain, and finally there is limited validity when using the SID scale. However, there is a drawback to using this scale as its social involvement index is only measured within the context of the U.S.A.; therefore, a generalisation problem arises. Similar to with Ingram's (1978) work, they used the environment, equal opportunity, personnel, community involvement, products among other factors, as corporate social involvement areas. In order to produce better results than Vance's (1975) work, they used the change in share price plus dividends as their measure of investor returns. However, they failed to capture another dimension of vital importance to investors, which is the risk. Later in their study, they found SID to be a more adequate technique for measuring CSR than the reputational index, as a reputational index requires a longer time period and elements of price and stock market always fluctuate; thus, the scale used does not appear to be strong and representative.

Cochran and Wood (1984) also used a specific reputation index as a measure of CSR. They conducted studies over two periods of times in order to enhance the sample size as an inadequate sample was found to be one of the measurement problems. In their study, they found asset age to be one of the significant variables for CSR and they argued that other possible CSR variables should be explored. However, their study revealed a weak linkage between CSR and financial performance and they became aware that CSR lacked extensive measures, (i.e. rankings). They also noted that categorisation of CSR might give a relevant effect of CSR financial performance as well as other subsequent

effects; consequently, they strongly recommended the development of better measures for CSR. However, Ullmann (1985) disagreed with the conclusion drawn by Cochran and Wood (1984) regarding their research findings, arguing that Cochran and Wood in fact used a poor measure of social performance when they used a reputational scale in their studies.

Nevertheless, Aupperle *et al.*, (1985) developed a survey instrument drawing on Carroll's (1979) CSR constructs. Based on the four components, economic, legal, ethical, and discretionary (or philanthropic), they used a force-choice methodology for respondents to measure CSR. Aupperle pointed out the shortcomings of previous empirical measures of CSR research as:

“Compounding the difficulties in the CSR arena has been the lack of effort to empirically test definitions, propositions and conceptions. Instead, there has been a tendency for researchers to create their own measures of CSR rather than to use one of the many existing definitions in the literature. Not only has this hindered inter-study comparisons and analyses, but has limited the development of research base in the social issues area” (Aupperle, 1990:238).

With this assumption, he developed a social responsibility measurement instrument based on a definitional model of CSR in the literature as mentioned earlier. Aupperle attempted to provide empirical evidence of Carroll's weightings on economic, legal, ethical and discretionary (philanthropy) and theirs' work does support Carroll's weighting set. Their results show that the economic responsibility dimension was the most significant compared to the other dimensions (legal, ethical, and discretionary or philanthropic).

Compared to previous studies (Ingram 1978; Abbot and Monsen 1979; Zenisek, 1979), this work appeared to be the most methodologically sound. In addition, the instrument itself was based on that of Carroll (1979); therefore its validity was well established. They also tested the reliability of the instrument by administering it to 158 business policy students in a large business school. Nonetheless, the result of their study was also unable to support its empirical examination of the relationship between CSR and profitability due to the limitation of its findings when assessing perceptions of CSR among their delegated representatives. Furthermore, the research instrument is sound if administered to employees of organisations surveyed. Aupperle *et al.*, (1985) suggested the development of superior methodological approaches in CSR measurement, asserting that a new qualitative approach was required, as this could respond to scientific inquiry in terms of the subjective characters of CSR.

Furthermore, McGuire *et al.*, (1988) obtained a set of CSR data from *Fortune* magazine's annual survey of corporate reputations. They used *Fortune* magazine data because its data set gave comparable data from year to year from 1982. They assessed the corporate behaviour of the entire 500 industrials. Moreover, the *Fortune* survey covers large numbers of respondents (8000 executives, outside directors, and corporate analysts) and the respondent rate only firms that they are familiar with. Compared to annual reports and other official documents, *Fortune* provides complete and consistent information, as it provides industry information which is normally particularly critical in the area of CSR. According to McGuire *et al.*, the validity and appropriateness of the *Fortune* measure require testing in further studies, as they perceived the *Fortune* ratings to be biased, thus affecting results. For example the issues of environment, equal opportunity and product quality have received substantial attention in *Fortune* 500 reports because these reflect the criticisms that modern corporation encountered and

also become governmental regulation. There are theoretical assumptions to expect the corporation to underreport its social involvement activities. Furthermore, the raw data in the report are not recent and its categorisation maybe wrongly categorised, thus affect the validity and reliability of the resulting scale.

In addition to Aupperle's work, Pinkston (1991) extended the research in terms of applying Aupperle's instrument to the multinational area. Pinkston utilised Aupperle's instruments to the multinational-owned chemical subsidiaries located in the U.S. with their head-quarters in Great Britain, France, Germany, Japan, Sweden and Switzerland. Again, in Pinkston's work, the economic responsibilities, overall, were still the most significant, followed by legal, ethical and discretionary. Exceptions were Germany and Sweden, where legal was ranked in the highest position, followed by economic, ethical and discretionary in that order. Pinkston's work indicated that CSR orientations and its social issues in the global perspectives are also very similar in response of components of CSR goals.

Moreover, Maignan (2001) developed his measurement instruments based on Aupperle *et al.*'s (1985) survey instrument and a measure of corporate citizenship developed by Maignan and Ferrell (2000). Maignan (2001) followed the technique recommended by Churchill (1979) to develop better measures for CSR. Maignan (2001) conducted three pre-tests to ensure the quality, face validity and content validity of the items. He asked six scholars with expertise in the field of business and society to rate the items in terms of their representativeness and consistency. The resulting items were then used in a second pre-test with university employees, who were asked to participate in a survey about shopping. The resulting items were resubmitted to the six experts in the field of business and society, who made only minor modifications to the wording and

presentation of the items. At the end of this process, a five-item instrument to measure consumer's support of responsible business was produced. However, Maignan realised that his measure faced problems with conceptualisations of CSR because the respondents had to rate pre-defined corporate responsibilities that had been classified beforehand. Finally, Maignan suggested that qualitative inquiries be made to examine how CSR is defined. He also criticised Carroll's (1979) classification of CSR, as in his findings, economic responsibility does not show any link between consumer intention and consumer behaviour.

Recently, Ramasamy and Yeung (2009) relied on Maignan's (2001) instrument to measure the perception of CSR, although even though Maignan (*ibid*) had noted certain conceptual problems with his instruments. Ramasamy and Yeung (2009) again included Carroll's (1979) four components of responsibility when developing their questionnaire in an attempt to develop a measure. Such findings show that the items employed are not representative of the same underlying construct. This resulted because many researchers tended to change and 'fit in' others' instruments, as they assumed these could measure CSR. Thus, this kind of construct may not be sufficient to provide an overall understanding of CSR.

Previous researches have attempted to measure CSR while in fact measuring other things. They used only CSR data sets to measure primarily the corporate social performance (CSP), meaning that they used those methods, as mentioned previously, to 'quantify' CSR in the organisation (Ramasamy *et al.*, 2007). However, the data sets and techniques they used also suffered from both inconsistency and lack of generalisability. For instance, the survey method used by Aupperle *et al.*, (1985) had difficulty relating to return rates and consistency among rates, while the *Fortune* ratings have been

criticised by many authors as they measure overall corporate financial performance rather than corporate social performance (Graves and Waddock, 1994). Moreover, the scale used only attempts to reflect a firm's actual behaviour and it has focused only for research purposes on the firm's social responsibility, which may not be valid for every industry.

As shown in previous studies (e.g. Vance, 1975; Abbot and Monsen, 1979; Cochran and Wood, 1984; Aupperle *et al.*, 1985), these authors wish to show CSR performance, but they misapprehend the basic tools to measure the performance; therefore, to date, no universally accepted measure of CSR has been developed. As discussed earlier, there is no consensus on any single study that has attempted to develop CSR measurement and focus on measuring CSR. For example, until to date the uncertainty about the relationship between CSR and financial performance arisen from the problem of measuring CSR. No clarity has been reached on measurement of CSR.

Appendix 4.1 highlights the chronology of CSR measurement from 1970s until present (see appendix section, page 418).

In relation to this, CSR should be uniformly measured across a wide range of companies and a consistent range of important social issues and should be applicable in industry and other fields. However, although current research on CSR has met with difficulty in measuring that concept (Abbot and Monsen, 1979; Ullmann, 1985) and there are major shortcomings with a limited set of measures, the introduction of a new measure of CSR has assisted in reducing the mis-measurement bias that had persisted and has gone some way to clearing the confusion in the current body of research (McGuire *et al.*, 1988). If

the conceptualisations of CSR are in clear focus, this will help to ease the limitations of CSR study (Maignan, 2001).

2.4.2 Summary of section 2.4

As a previous chapter illustrates, various sources of the CSR construct are acknowledged in the previous research. Foremost is the diversity of opinions concerning the character of CSR constructed, reflected in the competing philosophical and moral positions of the various commentators on the CSR debate (Banks, 1975; Epstein, 1977). CSR can have multidimensional constructs, including a wide range of business operational behaviours (internal and external processes) such as pollution control investment and environmental strategies, treatment of woman and minorities, quality of products, customer needs and wants and philanthropic programmes within society (Aupperle *et al.*, 1985; Aupperle, 1991; Wolfe and Aupperle, 1991; Wood, 1991) and industries performance (Waddock and Graves, 1994).

The CSR measures used in the past have focused on forced-choice and Likert scale survey instruments (Aupperle, 1991), financial reports, including return rate, the *Fortune* reputational scales and social responsibility indexes (Bowman and Haire, 1975; McGuire *et al.*, 1988; Wolfe and Aupperle, 1991), social disclosures (Abbot and Monson, 1979; Ullman, 1985), pollution control investment (Bowman and Haire, 1975; Spicer, 1978; Shane and Spicer, 1983) and scale development (Maignan and Ferrell, 2000; Lindgreen *et al.*, 2008; Turker, 2009; Kim and Kim, 2010).

Past research has tended to stress financial performance criteria and economic become the predominant in practice. The measures used in prior empirical works have mostly been a single factor or dimensional variable, and have also been applied to a small

number of corporate samples. Therefore, large numbers of corporate samples are required. In addition, a limitation of past research is that it does not provide specific guidelines to the process of determining the CSR measure and lack of validity establishes limitation (Franklin, 2008). Current CSR measures are single or even undimensional, incomplete and these may not adequately reflect the overall CSR (Brickson, 2007). Thus, they are difficult to apply consistently across the range of industries and corporation to be studied. Moreover, research on CSR is limited to developing countries and was not well recognised as a global or international concept (Freeman and Hasnaoui, 2010). Similarly, Matten and Moon (2008) show how the recent CSR practices are moulded as ‘Americanization’ (p.406). However, discrepancies between definitions of CSR does occur between countries, it is important, therefore, to address these concerns in developing country too. Thus, CSR practices are becoming more universal and worldwide adoption, suggesting that the framework has broad applicability.

In the following section 2.5 an overview of CSR in Malaysia is discussed.

2.5 CORPORATE SOCIAL RESPONSIBILITY (CSR) IN MALAYSIA

Corporate Social Responsibility (CSR) has only recently established a foothold in developing countries. This is evidenced by a lack of literature in the area of CSR among these countries. Business trends have changed and a new wave is arriving (i.e., globalisation); thus, an increasingly important part of debates surrounding social issues revolve around the need for good CSR in Malaysia. It is clear that a weak institutional framework for CSR is incompatible with sustainable financial and market development. Good CSR is about creating-value with all stakeholders (Gariga and Melé, 2004; de Quevedo-Puente *et al.*, 2007; Gugler and Shi, 2009). However, good CSR could be

misunderstood by stakeholders if what constitute CSR is not clear, and it has become a challenge to encompass the core issues of CSR.

This section discusses various issues underpinning the construct of CSR in the Malaysian context. Malaysia was chosen as the focus of this research since this developing country has demonstrated an increasing awareness of CSR in recent years (Rashid and Ibrahim, 2002; Lu and Castka, 2009). Malaysia also promotes its CSR agendas at all levels (Najib, 2004; Cheng and Cheng, 2008).

2.5.1 The Historical Evolution of CSR in Malaysia

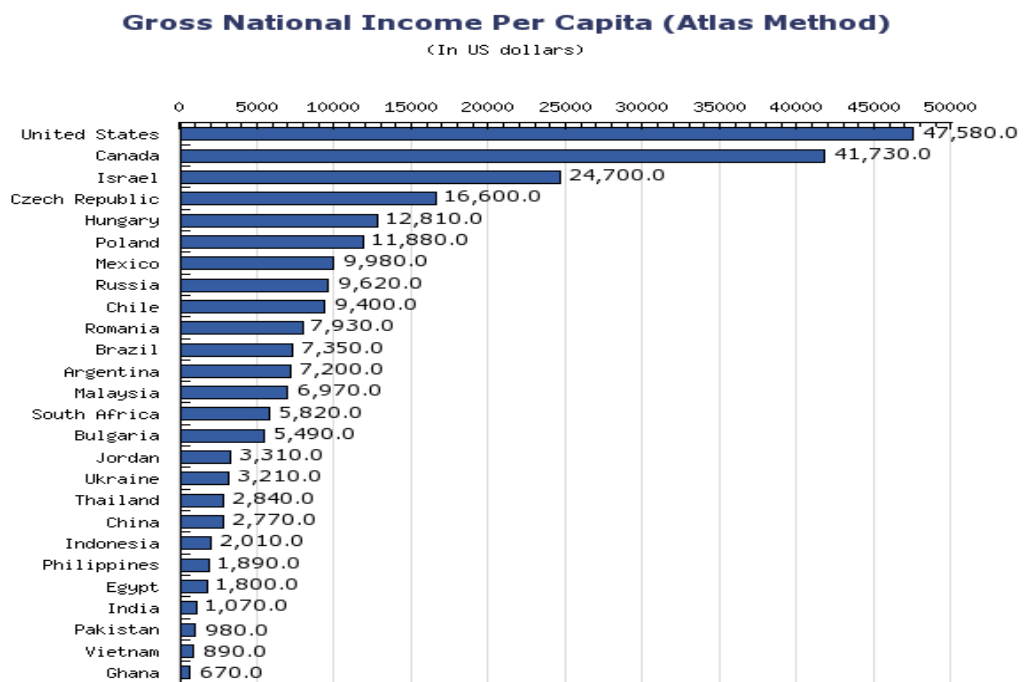
Malaysia is a typical developing country which has undergone substantial structural changes in recent years. This developing country has been categorized in the upper middle-income level by the World Bank. Malaysia Prime Minister, Datuk Seri Najib Tun Razak said that Malaysia's Gross National Income is projected to increase close to RM1.7 trillion (US\$524 billion) in 2020 under the government's economic transformation programme from RM600 billion (US\$188 billion)¹. As a small open economy in Southeast Asia, its per capita income is about USD6970² as per illustrate in Figure 2.3. Geographically, Malaysia is situated bordered by Thailand in the north, Indonesia in the south, and the Philippines in the east (see Appendix 2.1 for the Malaysia map, page 411). The strategic importance of Malaysia is in its location along the Strait of Malacca, which is a major, sea-route connecting the Far East to Asia, Europe, and the Middle East. Consequently, the Global Trade Performance Report in 2005, Malaysia is the nineteenth biggest world exporter.

¹ As reported in local newspaper; New Straits Times on the 17th August 2010.

² Summarized below are statistics on Gross National Income (GNI) per capita for leading outsourcing countries. GNI data is sourced from the [World Bank](#). Data is for 2008 and was published in July 2009.

Nevertheless, a challenge hit the Malaysian economy during the Asian Financial crisis in 1997. Before the crisis, Malaysia was on the list of the most promising developing economies in the world as its continual growth rate exceeded 8% up to 1996 with an impressively low inflation rate. In relation to this, the former Malaysian Prime Minister, Tun Dr. Mahathir Mohamad had declared that Malaysia would achieve the status of a developed country by the year 2020 (Mahathir, 1991). However, when the 1997 financial crisis hit the Malaysian stock market until it plunged to an historical low of 262 points from the height of 1077 on 1st September, 1997, Malaysia experienced a negative growth rate in 1998 (Barro, 1998).

Figure 2.3 Malaysia Gross National Income Per Capita².



According to some researchers, the main cause of the crisis was poor corporate practices and management among Asian countries (Scott, 1999; Wiwattanakantang *et al.*, 2002; Claessens and Fan, 2003). The impact of the financial crisis and concerns about corporate scandals awakened the Malaysian government to the need to reinforce CSR. Thus, the developments of CSR reform in Malaysia have been subsequent to the 1997

East Asian financial crisis. Since the 1997 financial crisis, the government and government-linked institutions and corporations have appeared to promote the CSR agenda. As a consequence, businesses have gradually begun to perceive CSR as a value-added strategy in enhancing corporate reputation and financial performance. Many organisations started to incorporate CSR elements in their business strategies to stay competitive. As a result of Malaysia's bold policies (Zainal Abidin, 2000; Ramasamy and Yeung, 2002), the nation has been able to survive its economic downturn to the point where it experienced nearly 5.2% growth in 2003 (www.statistics.gov.my). Thus, CSR has been given more emphasis by Malaysian organisations and they have integrated CSR into all aspects of their businesses (Rashid and Ibrahim, 2002; Lu and Castka, 2009). Therefore, it is crucial for Malaysian organisations to develop CSR practices and capabilities.

Nevertheless, the Malaysian government efforts at promoting Malaysian compliance to CSR is demonstrated in their comprehensive current regulatory framework, best practices and establishment of institutions for continual growth. The Prime Minister, Datuk Sri Najib Tun Razak has advised businesses to embrace CSR and conform to ethical standards when making decisions in business. He wants corporations to consider the interests of society and the environment as well as their own economic well-being (Najib, 2004). In relation to this, in Chapter 25 of the 9th Malaysia Plan that covers the period from year 2006 to 2010, government has made an effort to complement regulatory enforcement.

The elements of CSR have been incorporated in Malaysian legislation for quite sometimes for example the Environment Quality Act (1974), the Anti-corruption Act (1977) and the Human Rights Commission of Malaysia Act (1999). Recently, there

have been growing numbers of CSR initiatives by Malaysian organizations. An established organization, the Minority Shareholders Watchdog Group (MSWG) serves to strengthen corporate social responsibility by conducting awareness programmes to encourage adoption of the Code by private companies and to develop its own code of ethics. Moreover, the establishment of the Business Ethics Institute of Malaysia (BEIM) has also helped to inculcate ethical integrity among Malaysian businesses. The BEIM's training and education programmes encourage marketplace honesty and increase awareness among the public for better governance.

Furthermore, in April 2004, the Government launched the National Integrity Plan (NIP) aiming to improve performance of public services. On a large scale, the NIP works to improve investors' confidence and perceptions of the country's efforts in reducing corruption, and particularly to improve Malaysia's position on the international Corruption Perception Index. In addition, the NIP is reinforcing the institution of the family and the betterment of social prosperity (IIM, 2008). The government has also established the Village Development and Security Committee, known as the *Rukun Tetangga*, in an attempt to build a society with high morality and integrity. This committee acts as a communication platform within society. Furthermore, the CSR Framework launched by Bursa Malaysia in September 2006 has provided useful guidance for Malaysian public listed companies (PLC) to assist them to develop meaningful CSR agendas, policies and initiatives. This valuable initiative may influence companies' reports on financial performance. Furthermore, the emergence of non-governmental organizations (NGO) such as the Consumer Association of Penang (CAP), the Federation of Malaysia Consumers Association (FOMCA) and the UN Global Compact in Malaysia has also contributed to this awareness (Ramasamy, *et al.*, 2007).

From what has been observed from previous literature, from the early 1980s (Teoh and Thong, 1981) to date, companies have slowly begun making their presence felt through foreign-owned corporations (Teoh and Thong, 1984; Foo and Tan, 1988; Andrew *et al.*, 1989). Recently, some local companies have also begun practising social reporting, although many local companies are reluctant to disclose more than what is mandated (Tan *et al.*, 1990; Hossain *et al.*, 1994). However, the involvement in CSR of various stakeholders in Malaysia (e.g., government, businesses, non-governmental organizations and the public) as highlighted above, has the potential to increase the level of public awareness of the CSR campaign and to make CSR part of Malaysian culture in the near future (Cheng and Ahmad, 2010).

2.5.2 CSR Status and Practices in Malaysia

CSR in Malaysia has gradually gained momentum. Improved awareness of social responsibility and sustainable development on the part of stakeholders is encouraging Malaysian organizations to improve their alignment with global management practices. In Malaysia, CSR issues normally focus on the status of CSR, namely the social role of Malaysia companies, confusion as to what CSR actually is, current CSR guidelines and the role of religion in embracing CSR. In a recent study on experts' views and perspective of CSR in Malaysia, Lu and Castka (2009) found that Malaysian organizations are involved only in certain aspects of CSR such as philanthropy and public relation (PR) but significantly, they note that the CSR concept is not entirely new to Malaysia.

As discussed in the previous section, the Malaysian government has been focusing on improving CSR. Table 2.4 shows the guidelines created for Malaysian organisations to fulfil the governments' expectations.

Table 2.4 Recent Guidelines for Malaysian Organisations.

Malaysian Guidelines	Date	Monitored by	Main Issues
Malaysian Code of Corporate Governance (MCCG)	1999, revised 2007	Malaysian Institute of Corporate Governance	Corporate governance
National Integrity Plan (NIP)	April 2004	Institute Integrity of Malaysia (IIM)	Enhancing corporate governance, business ethics and Corporate Social Responsibility. Has a Corruption Perception Index (CPI) factor
Government-linked Companies (GLCs) Transformation Program	May 2004	Putrajaya Committee on GLC High Performance (PCG)	Enhance board effectiveness, strengthen directors Capabilities, enhance GLC monitoring and management functions, improve the regulatory environment, clarify social obligations, review and revamp procurement, optimize capital management practices, manage and develop leaders and other human capital, intensify performance management practices, enhance operational improvement
The Green Book	April 2006	Putrajaya Committee on GLC High Performance (PCG)	Enhancing board effectiveness-governance
The Silver Book	September 2006	Putrajaya Committee on GLC High Performance (PCG)	Enhance shareholder returns and meet the needs of other key stakeholders, create value for shareholders and other key stakeholders, manage contributions to society
CSR Framework	September 2006	Bursa Malaysia	Environment, community, market place and workplace

Source: Lu and Castka (2009).

These initiatives are not only promoting CSR but also aiming to encourage Malaysia's organizations to have a better understanding of good CSR practices and to adopt these. In May 2004, the Government-linked Companies (GLC) Transformation Program was initiated to reform state-owned firms, which account for one-third of Malaysia's stock market. This programme was monitored by the Putrajaya Committee on GLC High Performance (PCG). To date, the PCG has issued the Green Book and the Silver Book for the making of GLCs into high-performing entities. As well as this initiative for GLCs, Bursa Malaysia also issued a CSR framework for public listed companies (PLC) in 2006.

In Lu and Castka's study, they observe that the major local organizations, as well as multinational corporations (MNC) are the major players in CSR implementation in

Malaysia. These organizations use CSR as a PR tool and some of them tend to use charity donations as a mechanism to enhance their public relations practice. In addition, CSR in MNCs in Malaysia seems to be driven by their overseas headquarters (HQ) and normally obtain their CSR budget from their HQ. MNC also impose their set of guidelines for CSR. On the other hand, CSR in small and medium enterprises (SME) are driven by local business. Many experts believe these SME should also be ready for CSR in this decade; otherwise, they will be excluded from international trade. However, in practice there was an imbalance in the media coverage in terms of large and small organisations' efforts in CSR. The local newspapers prefer to give wide coverage to large organizations such as Petronas, Telekom Malaysia, Digi and Nestle rather than to the small and medium enterprises (Lu and Castka, 2009). In this case, the media should not be biased. They should be realistic as the general public should be informed that CSR is not only limited to large organizations. Therefore, experts have highlighted the importance of having standardized CSR guidelines for implementation in order to ensure that CSR will become more successful in Malaysia. Importantly, Lu and Castka have highlighted the role of religion in the CSR in Malaysia. In their interview with experts, many say that CSR is already instilled among Malaysians because their religion teaches them to believe in God, be strong in spiritual matters and live moral lives. When reporting and promoting CSR in Malaysia, the factor of religion has to be taken into account, as Malaysia is a religious country. Thus, the perception of CSR among Malaysians might be influenced by this religious factor.

Even though the CSR concept is in its infancy, some Malaysian organizations seem to be practicing CSR well. For example, Petronas is not only involved with charity donation but this petrochemical industry is actively practising CSR in rural education, health care, and by sponsoring art and sporting events and so forth. In addition, Petronas

is not only focusing on local CSR events but is also participating in CSR projects outside the country, such as in Vietnam and South Sudan. As early as 1974, Petronas was practising CSR, and this organisation has encouraged their employee to voluntarily participate in the CSR activities. For example, they sent their employees to help the victims of the tsunami and earthquake in 2006.

In term of media to communicate CSR, websites are the most popular method amongst Malaysian organizations (Lu and Castka, 2009). There are other approaches, including internal newsletters and newsletter to stakeholders and using posters. They also organize CSR seminars, workshops and education programmes to educate others about CSR. Philips targets students from an early age (kindergarten) to enhance CSR awareness. This organisation awards the Book Prize Award to rural students who excel in their kindergarten studies. At a higher level, British Petroleum (BP) awards university students with the annual Young Inventor's Award for their innovation and creativity and Petronas collaborates with the British Council in Vietnam to teach English to university students. In terms of this educational effort, the Malaysian government also provides free education for secondary level students and examination fees for students have been abolished. The educational effort is the most important step toward successful CSR implementation in Malaysia (Lu and Castka, 2009). Moreover, a more educated public will create external pressure for organisations to be more socially responsible.

As noted earlier, CSR status in Malaysia is not new but this concept is still in its infancy (Lu and Castka, 2009). Most of previous studies (see Abdul Rashid and Saadiatul, 2002; Nik Ahmad and Abdul Rahim, 2003; Ramasamy and Ting, 2004) focus only on philanthropy and the personal relations aspect of CSR. However, many organizations in Malaysia, including the government, are practising CSR with some advanced methods.

Their journey toward wider CSR contribution has revealed the current status and practices of CSR development in Malaysia. In the following section, prior studies in Malaysia are briefly discussed.

2.5.3 Prior CSR Research in Malaysia

Previous studies on CSR in Malaysia remain scarce (Ramasamy *et al.*, 2007) and CSR research appears to be at a nascent stage in Malaysia (Saleh *et al.*, 2010, Nik Ahmad and Abdul Rahim, 2003; Williams and Ho, 1999). Initially, prior studies in this area reported on corporate social involvement, social reporting, and social performance issues (Teoh and Thong, 1984; Abdul Rashid and Abdullah, 1991). Indeed, much corporate social reporting in Malaysia is carried out by the accounting profession. Some studies examined the scope of CSR (Nik Ahmad *et al.*, 2003; Jamil *et al.*, 2002; Abdul Hamid, 2004; Thompson and Zakaria, 2004). Later, others examined the factors of CSR (Abdul Rashid and Saadiatul, 2002; Amran and Devi, 2007). Dusuki (2005) and Ramasamy *et al.*, (2007) attempted to discuss the religious issue and recently Lu and Castka (2009) revealed the experts' view on CSR status in Malaysia. A few studies have been carried out to compare CSR disclosure in Malaysia with others (Haron *et al.*, 2004; Yusoff *et al.*, 2006; Wad and Chong, 2008).

Furthermore, the recent studies of Malaysian companies (Jamil *et al.*, 2002; Janggu *et al.*, 2007; Lu and Castka, 2009), which comprise firms engaging in CSR activities highlight the connection between CSR and corporations. These firms operate in a diversity of manufacturing industries and demonstrate a confidence in their own capabilities to handle stakeholders' CSR demands. Jamil *et al.*, (2002); Nik Ahmad *et al.*, (2003); Abdul Hamid, (2004); Thompson and Zakaria, (2004) in their studies on CSR development in Malaysia, stated that level of CSR awareness among Malaysians

appears to be growing. Amran and Devi (2007) identified that the influence from the government is a key factor for Malaysian organisation to engage in CSR. However, this does not appear to be the case in higher levels of CSR in Malaysia. Consequently, further study is needed to identify reasons for this 'gap'. As pointed out by Teoh and Thong (1984) and Thompson and Zakaria (2004), the reasons for organisations' reluctance to disclose their CSR reports is the lack of a recognized reporting guidelines and the cost of reporting itself. Moreover, some of organizations are involved in CSR for the sake for stakeholders' demand (i.e., to reduce pressure). As discussed in a previous section, overall, the CSR agenda has gained a certain momentum, sustained by the Malaysian government and related institutions and companies. It has also been adopted by certain firms based on considerations regarding cost reduction, investments in quality management, human resource development, and product and corporate branding (Chong and Wad, 2008).

However, the overall perceptions and expectations of stakeholders are ambiguous, and the participation of Malaysian firms in international indexes and CSR contests is in contrast to other firms, which may well be due to the overall weaknesses of CSR implementation in Malaysia. Furthermore, Lu and Castka (2009) in their study, conclude that Malaysian do accept the CSR concept but there is 'current confusion over the meaning of CSR', pp. 152. They further add if this concept is understood better, organisations as well as policy makers (e.g. the government) can make decisions in relation to enhancing and promoting the CSR agendas in Malaysia.

The importance of CSR has been recognised and its disclosure is in the process of emerging in Malaysian society. To the best of the researcher's knowledge, there has been no prior academic research in Malaysia studying definitions of CSR. Lu and

Castka (2009) stress the importance of clear understanding of CSR definition among key stakeholders in Malaysia. Therefore, there is a clear need to address the meaning of CSR in order to overcome the confusion. Filling this research gap has been the motivation for the present study, as there will be different interpretations and definitions among Malaysians as to what constitutes CSR. In the following sub-section, the definition of CSR and its dimensions in the Malaysia context are briefly discussed.

2.5.3.1 Definition and Themes of CSR in Malaysia Context

Lu and Castka (2009) suggested that a clear definition of CSR may help to extend diffusion and acceptance of CSR in Malaysia. Based on their current interviews with Malaysian experts, they found that a general perception of CSR is that it will cost money. In addition, they saw the implementation of CSR as requiring an effort in terms of time and it works in a long period. The general public seems to be confused in thinking that CSR is just another ‘gimmick’ by certain organisations, Lu and Castka described this as a ‘fancy management concept used by western countries’ p. 151). Furthermore, some of them are confused between voluntary and mandatory CSR; thus, this became an issue here. Most of the experts pointed out that CSR should be on a voluntary basis. They also agreed that the government’s imposition of CSR as mandatory is at its introductory stage. However, most of the experts remarked that the meanings of CSR amongst Malaysian are confused and intertwined. In relation to this, Jangu *et al.*, (2007) perceived CSR as

“...the way in which a company fulfils its social obligation both to the employees and to a wider community, such as through donations, contribution to charity events or compliance with regulations and social requirements”. (p. 9)

This definition simplifies CSR, viewing it as a broad process to meet society's social obligations. On the other hand, Jamil *et al.*, (2002) identified CSR as

“...the process of communicating the social and environmental effects of organisational economic actions to particular interest groups within a society and society at large”. (p. 140)

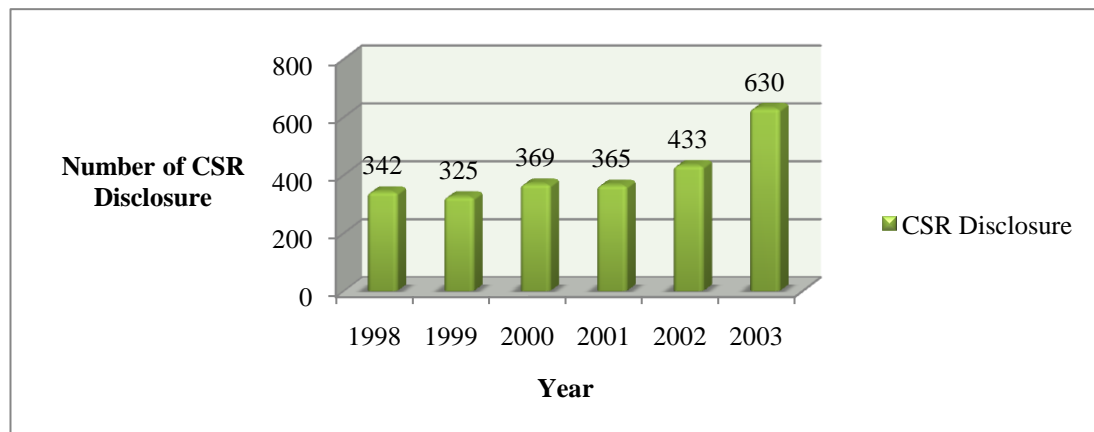
They defined CSR as going beyond a traditional role of business and involving extended accountability of organisations. Furthermore, the Malaysian government is now encouraging all organisations in the country to be involved in CSR. The government believes that CSR can improve corporate behaviour, thus enabling organisations to face business challenges. Cited in Janggu *et al.*, (2007), Malaysian Prime Minister, Datuk Sri Najib Tun Abdul Razak, at a CSR conference held in June, 2003 at the Putra World Trade Centre (PWTC), Kuala Lumpur expressed his view of CSR as

“...a concept whereby corporations integrate social and environmental concerns in their business operations and their interactions with stakeholders on a voluntary basis”. (p.9)

As the national leader, the Prime Minister defined CSR as a broad range of substantive internal and external societal benefits. The government uses CSR to pursue sustainable development objectives, and to assess the means by which shareholders collaborate with stakeholders in solving environmental problems. Malaysian corporations are now undertaking CSR seriously by translating CSR into business practices and performance, as this will enable the firms to compete and to develop and sustain a competitive advantage, as mentioned previously. Figure 2.4 illustrates the trend of CSR disclosure levels in Malaysia from 1998 to 2003. The data was taken from Janggu *et al.*, 's (2007)

research findings on the overall amount of CSR disclosure in Malaysian industries. Their findings were that the level of CSR disclosure by Malaysian companies is small, but growing steadily. The number of companies participating in CSR is also increasing.

Figure 2.4 Trends of CSR Disclosure Levels from 1998 to 2003.



Source: Janggu *et al.*, (2007).

According to Janggu *et al.*'s their findings supported prior research done by Mohamed Zain and Tamoi Janggu (2006) and Romlah *et al.*, (2003) as cited in Janggu *et al.*, (2007). In their study, the amount of disclosure was grouped into four different categories: human resources, products, environmental and community. They referred to those categories as 'themes of disclosure', which was consistent with previous studies done by Gray *et al.*, (1995); Hackston and Milnes (1996); Mohamed Zain (1999), as cited in Janggu *et al.*, (2007), whereas Haron *et al.*, (2004) in their study on levels of corporate disclosure in Malaysia found that the levels of disclosure were consistent. They also reported the human resources theme was ranked higher than the other themes (i.e., product, environment and energy). This most probably because of the national agenda imposed on human resource development policies during that time (Haron *et al.*, 2004).

In the National Development Policy (NDP) between 1991 and 1995 and the Seventh Malaysia Plan (1996- 2000) the principal objective of which was to enhance human resource awareness. Thus, a strong awareness of the importance of human resource development policies during that period contributed to human resources having the highest ranking. The second highest was the product theme, followed by the environment theme, while the energy theme was subject to little disclosure. Table 2.5 shown themes of social disclosure in Malaysia.

Table 2.5 Themes of Social Disclosure.

Themes	Items
Human Resources (HR)	<ul style="list-style-type: none"> • Appreciation • Training and development • Establishments of training centres • Number of employees • Employees' welfare • Employees' health and safety • Staff cost • Employees Option Scheme (ESOS)
Products	<ul style="list-style-type: none"> • General statement • Product quality/safety standards • Achievement and commitment to environmental award (e.g. ISO9001/9002) • Environmental and friendly use of products • Research and design
Environmental	<ul style="list-style-type: none"> • Implementation of total quality and environment management • Waste water management • Conduct of regular monitoring and audit of all possible sources of pollution • Landscaping • General-policies, management performance • Environmental control systems (e.g. statements of compliance with Department of Environment requirements)
Community	<ul style="list-style-type: none"> • Sports and culture • Health and safety • Charity

Source : Janggu *et al.*, (2007) and Haron *et al.*, (2004).

In Janggu *et al.*, (2007) study, it should be noted that the human resource (HR) theme was reported as having the highest amount of disclosure too compared to the other themes. The results of their study are consistent with previous study of Haron *et al.*, (2004). The disclosure on products was the second most popular theme. Environmental information was ranked third and community involvement disclosure ranked as least important. From these findings the authors concluded that firms care about their employees and are concerned about environmental issues. However, companies show less concern about community involvement, and this implies that they are not doing

enough to fulfil the government's aspiration to make Malaysia a 'caring society'. Ghazali (2007) examined CSR disclosure in annual reports by certain large Malaysian companies. His study shows a high percentage of firms (94.3%) making CSR disclosure in their annual reports. The study also found that the awareness of the CSR concept among managers was encouraging. Although this study was conducted with large companies, Ghazali maintains that smaller companies may also have the same interest in CSR.

In order to determine CSR disclosures by companies, Ramasamy *et al.*, (2007) also referred to four main CSR themes. They named the themes product or services, natural environment, employees, and community. They analysed companies active in CSR in Malaysia and the results of their analysis show that companies with strong CSR disclosure did not necessarily perform better than companies with weaker CSR disclosure. The increases in profits among CSR active firms were hardly distinguishable from those that were less active in CSR. A possible factor influencing their result is Malaysian consumer behaviour. In Asian countries, including Malaysia, consumers are relatively insensitive to CSR values and are most concerned with the price and quality of products (Chou and Chen, 2004). Nonetheless, the authors finally concluded that consumers' expectations towards companies with strong CSR disclosure were relatively high. Therefore, to gain loyalty from consumers, these active CSR companies must practice what they preach and deliver what they promise, otherwise, in the long term, their CSR disclosure could be considered 'harmful' to the firm.

2.5.3.2 Malaysian Industries Involved with CSR

Jamil *et al.*, (2002) findings on corporate social disclosure in Malaysia found that companies from construction, hotel and finance contributed a higher percentage of

corporate social disclosure compared to other industries such as consumer, industrial products, mining, plantation, property and trading and services. In relation to this, Yam and McGreal (2010) in their study examined CSR from housing developers' perspective, confirmed that there are significant changes in the housing development trends. According to them, there is an increase of the CSR awareness in Malaysia, and house buyers are now becoming more affluent.

In addition housing developers also incorporate CSR elements into their housing projects in order to improve their business competitiveness. This is in line with Jamil *et al.*'s (2002) that stakeholders such as housing developers from the construction industry need to be competitive in today's market economy. They need to be socially responsible and sensitive to the interest of other stakeholder (e.g. house buyers) which includes caring about the environment and society in general. Consumer and industrial products had less CSR disclosure, perhaps due to buying behaviour. Nik Ahmad (2003), in his survey of Malaysian consumer purchasing behaviour, found that 85 percent of respondents cited price and quality of products as the most important influencing factor and only 3 percent considered a firm's CSR activities as an important factor in their buying decisions.

In contrast, Haron *et al.*, (2004) in their study found that the highest disclosure was by the trading and services industry, followed by the industrial product industry and the finance industry. However, the plantation industry showed a very low level of disclosure. Rather, pollution from the plantation industry (e.g., the rubber and palm oil industries) was reduced in the middle of the 1980s due to the cooperation between industrial associations and the government in the matters of environmental.

Further, in 1998 there was a decline in crude palm oil and natural rubber production by 8.3 percent and 8.8 percent respectively. These setbacks might be a reason the plantation industry was deficient in CSR disclosure (Haron *et al.*, 2004). Other industries had relatively low disclosures, most likely because of the absence of regulations from the authorities. However, there is an increase in demand for all industries to address CSR concerns, and businesses which are not socially responsible are losing advantage to their competitors and are pressured by various stakeholders (Cleghorn, 2004; Dirks, 2004; Lewis, 2003; Waddock and Graves, 1997; Drucker, 1993; Davis, 1973; 1960). As such, an organisation which responds proactively to public issues and manages its environment with sensitivity will tend to gain public support (Roper, 2005).

On the other hand, if organizations are pushing aside the issues of CSR, these issues may in turn come back to haunt the organisation (Heath, 1997; Pesqueux and Damak-Ayadi, 2005), as pressure on them comes from certain groups (e.g. industry supply chain, public groups) who become aware of improper social and environmental effects of their operation (Tee *et al.*, 2007). Given the increasing amount of stakeholders' pressure, including introducing mandatory disclosure or reporting requirements for organisations by the government, the increase in international standards of business and access to international equity capital and investments, industry in Malaysia should not continue to resist serious engagement in corporate social responsibility.

2.5.3.3 Research Methods Used in CSR Research in Malaysia

The earliest study was a personal interview questionnaire survey by Teoh and Thong (1984). They surveyed a total of one hundred foreign and locally owned companies in Malaysia. Meanwhile, Andrew *et al.*, (1989) examined 119 annual reports of publicly

listed companies in Malaysia and Singapore in 1983. Nik Ahmad *et al.*, (2003) also used content analysis to examine the annual reports of selected Malaysian companies. A few case studies have been conducted, directed mainly towards foreign trans-national companies (TNCs) who were manufacturing in Malaysia (Johansson and Larsson, 2000).

A recent survey was conducted by The Association of Chartered Certified Accountants (ACCA) on the CSR attributes of Malaysian companies (Ramasamy and Hung, 2004; Amran, 2006; Tay, 2006). Zulkifli and Amran (2006) conducted a qualitative investigation of CSR awareness involving a few interviews on this subject with locally-based accounting professionals. On an international level, Chapple and Moon (2005) undertook a survey based on an investigation of corporate websites, while Welford (2005) reported on written policies by large corporations. However, previous studies were only done from accounting perspectives and the accountancy field has tended to dominate corporate social reporting literature (Tee *et al.*, 2007). The most common methods and research instruments used in previous research are highlighted in Appendix 2.2.

From Appendix 2.2, it can be seen that, to date, most of these empirical studies used only a single method to gather data on CSR. Many researchers attempted to examine the contents of company annual reports. A content analysis approach was frequently used to examine that research instrument (i.e., annual reports). According to Nik Ahmad *et al.*, (2003) content analysis would have provided more detailed information of CSR disclosures made by the sample companies. Thus, this might be a reason why previous studies employed a content analysis methodology in their studies. Since the understanding of CSR in Malaysia is rather limited, gathering information through interviewing some of the experts may also be considered as an appropriate approach.

Those experts normally are occupied with central understanding and direction of the whole society. Thus, some studies have adopted this method in their research. Apart from using content analysis and interview, some of them also used survey questionnaires as the research instrument.

The previous research methods used by previous researchers are subject to several limitations; for instance, in the content analysis method there is some amount of subjectivity. However, none of the prior studies used multiple methods for their data collection. A method of fostering content validity and reliability of data is through a multiple approach to data collection. To overcome current problem and limitations in the research method used previously, in this present research multiple methods, also known as ‘triangulation’, are adopted.

2.5.4 Summary of this Section 2.5

Previous research revealed that the number of companies participating in CSR is fairly consistent. The human resources theme was the theme most frequently disclosed by Malaysian organizations. This can be linked with the legitimacy theory (see previous section) wherein companies disclose more to fulfil their perceived social obligations. The two studies reported different industries as being that which made the greatest disclosure. Haron *et al.*, (2004) reported that the trading and services industry made the most extensive CSR disclosure, whereas Jamil *et al.*, (2002) found that companies from construction, hotels and finance contributed a higher percentage of corporate disclosure than other industries such as consumer, industrial products, mining, plantation, property, trading, and services. In their study, Lu and Castka (2009) found that most Malaysian organisations are somewhat confused as to the CSR concept. These organisations view CSR solely as ‘philanthropy’. They identified themselves as practicing CSR, without

actually understanding what they were embracing. This confusion can be resolved if the meaning or definition of CSR is clearly addressed (Dahlsrud, 2008; Lu and Castka, 2009).

Furthermore, no study on CSR definition in Malaysia has been conducted so far. Given the limitation of CSR research in Malaysia, there is clearly a pressing need for research to be devoted to clear this kind of confusion. This is the aim of the present study, which aims to address the gap in the existing knowledge of the definition of CSR. In short, it is the researcher's intention for this study to examine current definitions of and reveal a new definition of CSR in a global context.

2.6 SUMMARY OF CHAPTER 2

This chapter has examined the theories and concepts of CSR and taken them as the primary theoretical basis for the purpose of the research. A comprehensive discussion on the development of a definition of CSR was presented. A strong critique was carried out on how CSR is measured; thus, problems with the current measures were identified. Consequently, a better measure of CSR is found to be of great significance. In order to facilitate the research and achievement of this study researchable and achievable, Malaysian stakeholders were chosen for this research for a valid reason.

To sum up, this chapter has acknowledged that the conceptualisation of CSR has become an important inspirational source for much contemporary CSR literature. Realising the importance of the conceptualisations of CSR, this chapter first highlighted the knowledge gaps regarding the CSR component of interest- to encapsulate the heart and soul of CSR - by addressing research question (1) *How is CSR defined ?* and

research question (2) *How many CSR dimensions are there?* in this study. In other words, this study is striving to identify, categorise and analyse CSR. Second, it has demonstrated the significant reasons why the context of this study is a developing country- i.e., Malaysia. However, at the more conceptual level, it is useful to conduct a comprehensive literature review in order to develop and validate the CSR model, as this will reveal more about the potential existence of alternative - and perhaps more complete - models of CSR. With this intention, the following chapter will strategically review CSR measurement and structural model issues. A CSR model will benefit greatly if the developed construct is able to grasp correct measures and predict how they will respond to stakeholders' social demands.

Chapter Three

Literature Review – Part Two

3.1 INTRODUCTION

Researchers are often trained to search for an interesting research question and identify the constructs and relationships that explain the phenomenon under study. Basically, researchers may look to existing measures or even create measures for their constructs. They may make great efforts to validate their constructs, but often will not consider whether the relationship between the measures and constructs is formative or reflective. In respect, misspecification could be a problem in the CSR field. Moreover, this type of error at the measurement level impacts a CSR researcher's ability to interpret the results of the empirical studies and to develop a meaningful theory in the CSR field.

However, current interest in CSR has resulted in a proliferation of multi-item scales containing an aggregated mix of items that appear to form different aspects of CSR. As the corpus of CSR knowledge grows in terms of typologies, empirical studies, and managerial literature, one is struck by the richness of this construct, in the sense that the stakeholder can express his or her opinion in relation to CSR in many different ways. (see Abbot and Monsen, 1979; Alexander and Buchholz, 1978; Aupperle, *et al.*, 1985; Carroll, 1979, 1991; Clarkson, 1995; Davis and Blomstrong, 1975; Donaldson and Preston, 1995; Drumwright, 1996; Friedman, 1962; Quazi and O'Brien, 2000; Maignan and Ferrell, 2001; Moskowitz, 1972; Vance, 1975; Wartick and Cochran, 1985; Zenisek, 1979). Table 3.1 highlights some of the differentiation by scholars regarding the issue.

Table 3.1 The Example of CSR Differentiation by Scholars.

Authors	Views
Moskowitz, 1972; Vance, 1975; Alexander and Buchholz, 1978; Abbot and Monsen, 1979, Ackerman and Bauers, 1976.	Corporate social responsiveness, social legitimacy.
Carroll, 1979; Clarkson, 1995.	Corporate social performance.
Wartick and Cochran, 1985.	Economic performance.
Quazi and O'Brien, 2000; Maignan and Ferrell, 2001; Zenisek, 1979; Aupperle, <i>et al.</i> , 1985.	A broad opinion e.g., concern on environments, employee and so on.
Carroll, 1979, 1991; Clarkson, 1995; Davis and Blomstrong, 1975; Donaldson and Preston, 1995; Drumwright, 1996; Friedman, 1962.	Maximisation of shareholders.
Hart, 1997; Kotler & Lee, 2005; Orlitzky, Schmidt, & Rynes, 2003; Porter & Kramer, 2006; 2002.	Implicitly normative and performance-oriented analysis; relationship with market outcome.

Indeed, several authors have noted that there is no consensus on the conceptual definition of CSR (Clarkson, 1995; Maignan and Ferrell, 2001; Van Marrewijk, 2003; Whitehouse, 2006). This richness means that the researcher who wishes to capture CSR in an empirical study is faced with important decisions regarding which particular CSR dimensions to take into account and how to deal with their relatedness.

At present, such decisions are often made in the context of a multi-item measurement approach. This appears to be stimulated by prominent articles such as Churchill (1979) and further encouraged by the development of structural equation modelling approaches which typically demand several indicators for each construct (Anderson and Gerbing, 1988). However, some studies do not appear to be aware of the two main multi-item measurement models which are based on different assumptions regarding both item assortment and assessments of measurement properties, one of which is a reflective model and the other a formative model (Bollen and Lennox, 1991; Diamantopoulos and Winklhofer, 2001; Jarvis, MacKenzie and Podsakoff, 2003; MacKenzie, 2001; MacKenzie, 2003). Indeed, the main point of departure for this study is that misspecification regarding these two models has characterised many attempts to capture CSR with multi-measures.

Therefore, the objectives of this chapter are divided into two main sections. The first will discuss the conceptual issues and methodological issues of specifying constructs in an empirical research. The following section will discuss variables that are used in this study in response to the development of the structural model. Therefore, literatures on stakeholder theory and stakeholder behaviour (i.e. satisfaction and loyalty) are discussed.

3.2 SPECIFYING CONSTRUCT FOR MEASUREMENT MODEL

3.2.1 Brief review of terminology

Before discussing the differences between formative and reflective constructs, it is essential to describe the various terms that related to the measurement development. *Measures* or *indicators* are observable items, quantifiable scores that one could obtain through interview, self-report, observation, or other empirical means (Edwards and Bagozzi, 2000). These observable items are used to look at *constructs*, which are abstractions that ‘describe a phenomenon of theoretical interest’ (Edwards and Bagozzi, 2000). Moreover, constructs is used to explain an occurrence that is observable or unobservable and they may focus on outcomes, structures and behaviours aspects of a phenomenon being investigated (Petter *et al.*, 2007).

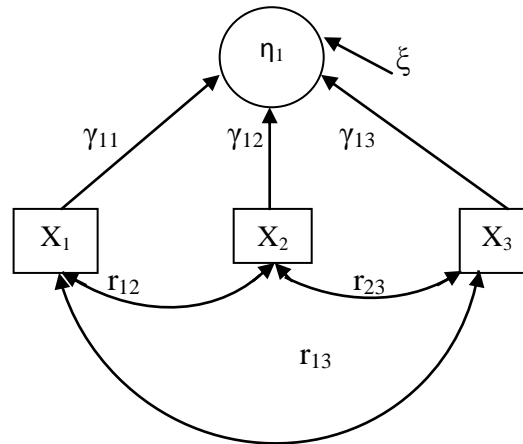
Furthermore when measures are used to examine an underlying construct that is unobservable, the measures can be referred to as *reflective indicators* or *effect indicators* (Edwards and Bagozzi, 2000). A *reflective construct* is an unobservable construct which consists of the reflective indicators and the error term for each indicator (MacCallum and Browne, 1993). Indicators that determine a construct are called *formative indicators* or *causal indicators*. A *formative construct* comprised of these causal indicators along with a disturbance term (MacCallum and Browne, 1993). Structural models comprised of all reflective constructs are called *reflective model*;

whereas if at least one construct within the model is formative, the model is considered to be a *formative model* (Petter *et al.*, 2007). What, then, are the main characteristics of the two measurement models (i.e. formative and reflective), and why are these models important in relation to CSR context? The differences between formative and reflective constructs will be further examined in the following section.

3.2.1.1 Formative versus Reflective

Consider, first, the formative construct is formed from the individual measurement items which are hypothesised to cause changes in the latent construct- which is usually conceptualised at a higher hierarchical level than the measurement items. The formative approach is constant with the idea that the items are completely uncorrelated. Therefore there is no need for unidimensionality in this formative approach. Indeed, the reason why one uses a formative approach is usually that the related construct is seen as comprising different dimensions and that different measurement items are required to tap into them. As a result, a high level of internal consistency of individual measurement items is not what one seeks in this case, and Cronbach's Alpha is not a useful estimate of reliability (Bollen and Lennox, 1991; Diamantopoulos and Winklhofer, 2001; Jarvis *et al.*, 2003). Thus, it can be noted that construct are changes in the formative measures may cause changes in the construct, the content validity is paramount and internal consistency is irrelevant. Figure 3.1 (a) illustrates the diagram of formative construct. Note in Figure 3.1 (a) that the directionality of the arrows leading from the X's to the etas is the mark of the construct is thought to be and hence modelled as formative. A way of reading this directionality is to think of the eta as 'being caused by the indicators' in the case of formative construct.

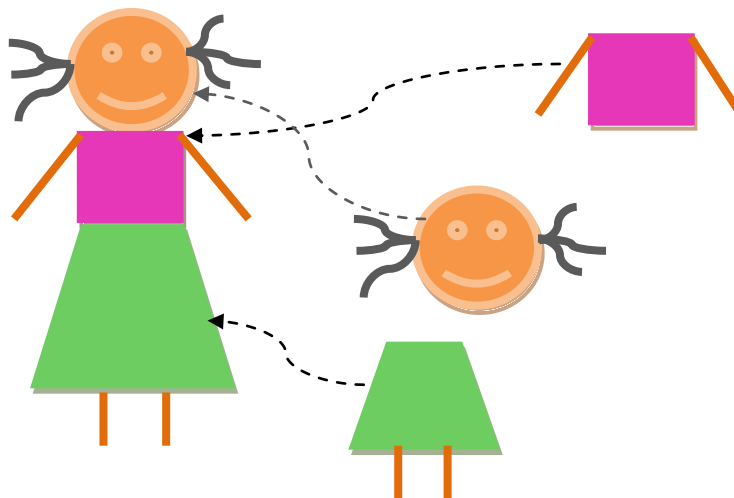
Figure 3.1 (a) Diagram of a Formative Construct.



Adapted from: Bollen and Lenox (1991).

On the other hand, Figure 3.1 (b) illustrates the graphic of formative construct in another view to further understand how the construct is formed.

Figure 3.1 (b) Graphic view of a Formative Construct.



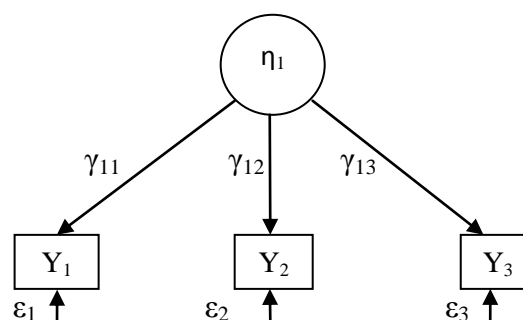
Source: Isa (2011).

With this, one cannot leave out or eliminate any part of the object to perform a formative approach. This is because ‘dropping a measure from a formative-indicator model may omit a unique part of the conceptual domain and change the meaning of the variable, because the construct is a composite of all the indicators’ (MacKenzie *et al.*, 2005: 712). Turning to the reflective construct, the basic statement is that covariation among the measurement items is caused by variation in one underlying factor (the latent

construct). Consequently, each individual measurement item to be included in a measure (usually referred to as a multi-item scale) should sufficiently reflect the same latent construct, which means that the validity of the measure is not hypothetical to change much if a single item is removed (or added). In other words, it is understood that the indicators are unidimensional (Bollen and Lennox, 1991; Gerbing and Anderson, 1988; Jarvis *et al.*, 2003).

Moreover, given that unidimensionality is confirmed, Cronbach's Alpha can be used to assess the reliability in terms of internal consistency. It should be noted that Cronbach's Alpha does not provide information about unidimensionality; other means normally confirmatory factor analysis, are needed for this consideration (Gerbing and Anderson, 1988). Thus, it can be noted that the changes in the construct create changes in the indicators. Internal consistency (i.e. reliability) is paramount for reflective construct. Figure 3.2 (a) illustrates the diagram of reflective construct. Note in Figure 3.2 (a) that the Y's to the etas is the mark of the construct is thought to be and hence modelled as reflective. A way of reading this directionality is to think of eta as 'causing the indicators' in the case of reflective constructs.

Figure 3.2 (a) Diagram of a Reflective Construct.



Adapted from: Bollen and Lennox (1991).

On the other hand, Figure 3.2 (b) illustrates the graphic of reflective construct in another view. Reflective indicators are archetypal of classical test theory and factor

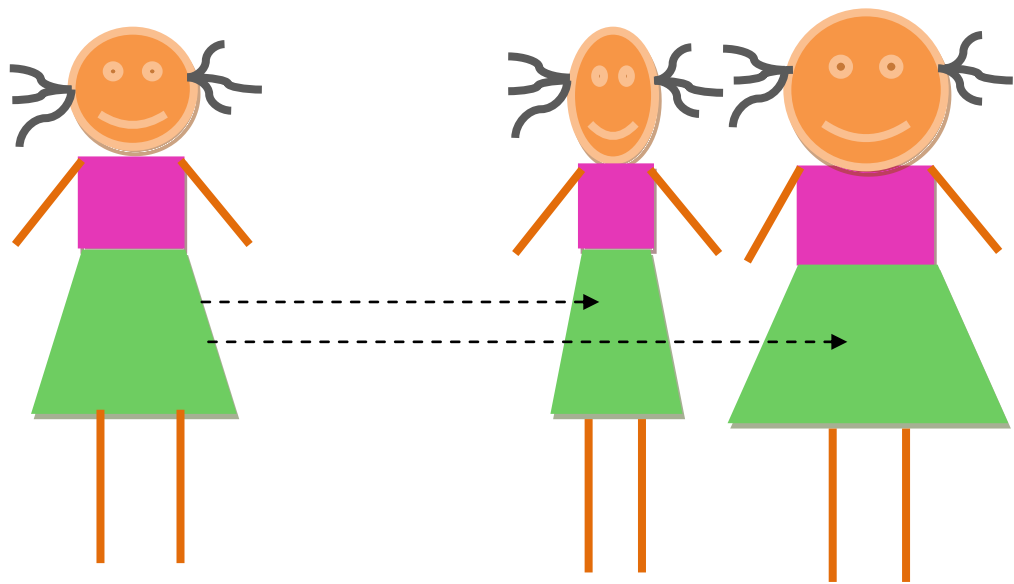
analysis models; they are invoked in an attempt to account for observed variances or covariances (Jarvis *et al.*, 2003). Taken this, reflective indicator is an explanation for observed variances or covariances and reflective models minimise ‘the trace of the residual variances in the ‘outer’ (measurement) equations (Fornell and Bookstein, 1982:442). Moreover, the direction of causality is from the construction to the indicators, and changes in the underlying construct are hypothesized to cause changes in the indicators (Fornell and Bookstein, 1982; Bollen and Lennox, 1991) indicators.

According to Bollen and Lennox (1991), although reliability estimates (e.g., Cronbach’s alpha) of the set of indicators will be lower if fewer indicators are included in the measurement model, the construct validity is unchanged when a single indicator is removed, because all facets of a unidimensional construct should be adequately represented by the remaining indicators. As shown in the graphic view below, each indicator of a reflective construct is thus represented by its own equation. Example of appropriate application of the reflective indicator model based on the graphic shown below is attitudes and purchase intention of healthy products. Typically attitudes are generally viewed as predispositions to react in a favourable or unfavourable manner toward an object and are generally measured on multi-item scales such as good-bad, like-dislike, and favourable-unfavourable.

On the other hand, purchase intentions are typically measured using subjective estimates of how likely-unlikely, probable-improbable, and/or possible-impossible future purchases are perceived to be (e.g., MacKenzie, Lutz, and Belch, 1986). Thus, it is very subjective for an individual attitude to purchase healthy products. One might have in mind whether the healthy product may help to balance their diet or vice-versa.

Therefore, in reflective model, the latent variable influences the indicators, accounting for their intercorrelations. An important point to note here, reflective indicators of a principal factor latent construct should be internally consistent and, because all the measures are assumed to be equally valid indicators of the underlying construct, any two measures that are equally reliable are interchangeable.

Figure 3.2 (b) Graphic view of a Reflective Construct.



Source: Isa (2011).

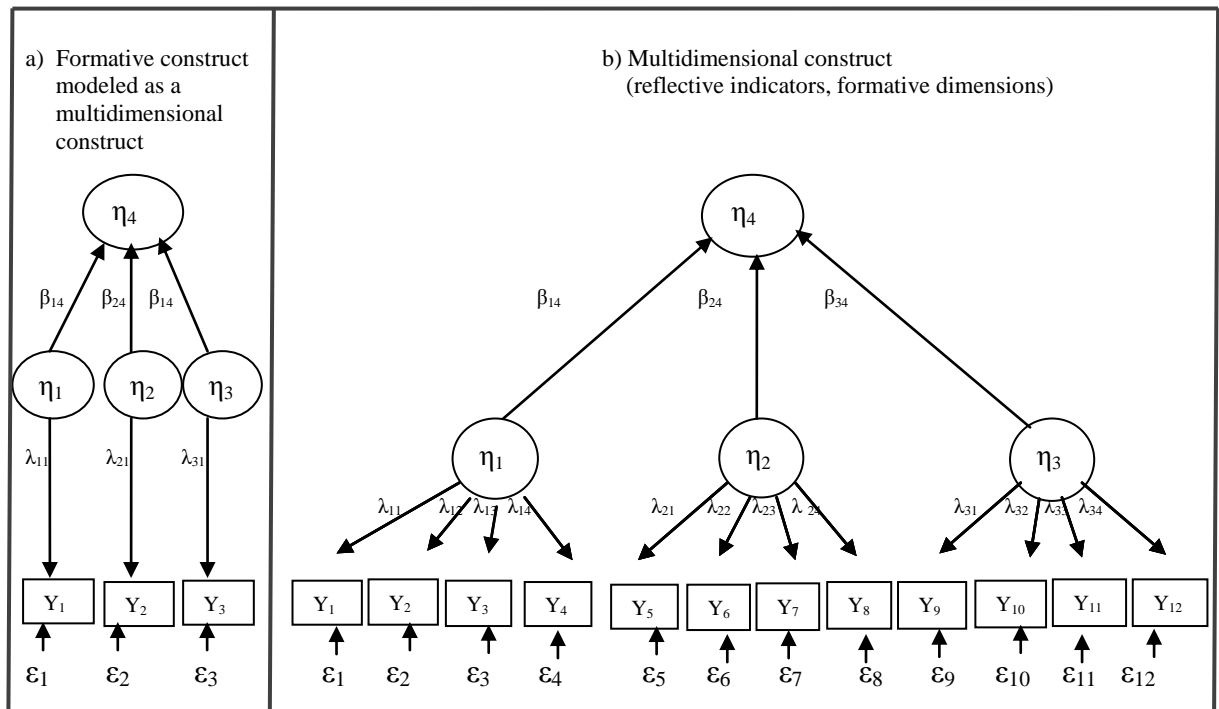
3.2.1.2 Multi-dimensional Constructs

A construct could be measured reflectively or formatively. Moreover each dimension can be measured using formative or reflective indicators. The dimensions may be formative or reflective too which related to the construct. As highlighted in the previous section, the reflective construct should be unidimensional. The measures are tightly centred on a concept.

Multidimensional constructs are another concept that relate to formative constructs. In multidimensional constructs, they contain multiple dimensions and are grouped because

there is some theoretical relationship between the various dimensions. These multiple dimensions ‘are grouped under the same multidimensional construct because each dimension represents some portion of the overall latent construct’ (Law and Wong, 1999: 144). Figure 3.3 (a) and (b) illustrates the diagram of multidimensional constructs.

Figure 3.3 Diagrams of Multidimensional Constructs

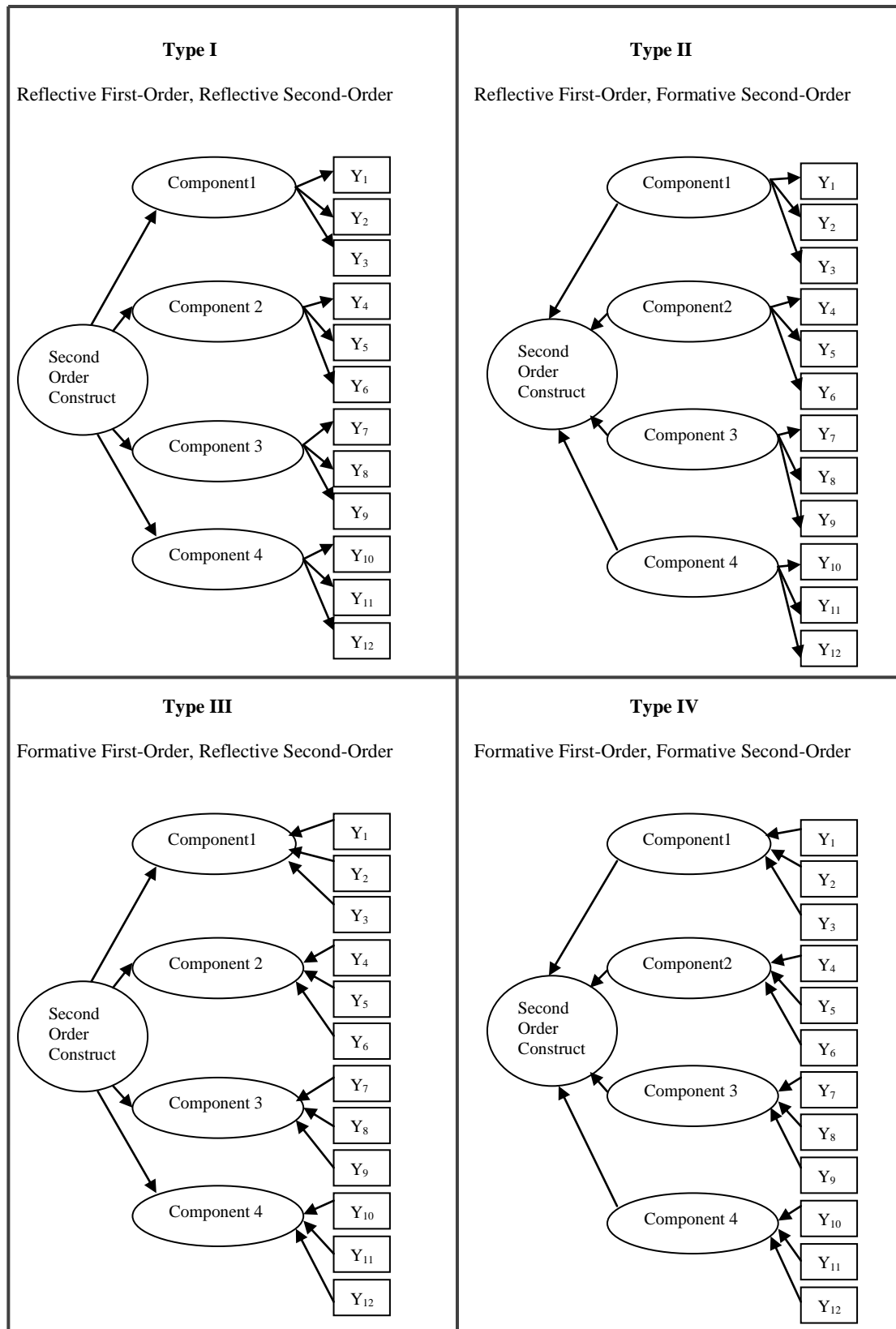


Source: Petter *et al.* (2007).

Figure 3.3 (a) illustrates an example of a multidimensional construct that is comprised of three subconstructs (i.e. Y_1 , Y_2 and Y_3). On the other hand Figure 3.3 (b) shows a construct measured in a similar manner, is comprised of subconstructs with reflective items, and relationships between the subconstructs and the constructs under study are formative. Meanwhile Jarvis *et al.*, (2003) diagrammed various types of multidimensional construct that are possible in some studies (see Figure 3.4). In the first two panels show reflective sub-dimensions (or first-order constructs) and then show either a formative or reflective relationship between the first order and second-order constructs. On the other hand, the second two panels show formative sub-dimensions

(or first-order constructs) and then show either a formative or reflective relationship between the first order and second-order constructs.

Figure 3.4 Diagram of Various Type of Multidimensional Constructs



In multidimensional constructs, the measurement items are intended to tap into the different subconstructs, and multicollinearity is protected by ensuring that the items do not tap into similar aspects. Thus, formative constructs are an example of multidimensional constructs because one measurement item is used for each dimension or subconstruct. However, Petter *et al.*, (2007) have strongly argued that not all multidimensional constructs are formative. Similarly, MacKenzie *et al.*, (2005) state that there is also potential for the construct to have some subconstructs measured using reflective items with others using formative items and/ or a combine of both formative and reflective paths between the construct and subconstructs. They also added that the choice of whether to model and analyse a construct as reflective, formative or multidimensional depends mainly on the construct under study and ‘the generality or specificity of one’s theoretical interest’ (MacKenzie *et al.*, 2005: 713).

Moreover, it is important to note that if the main topic of study involved is a complex construct, the study may be worthy of being modelled as a multidimensional construct. The reason is largely because it allows a more thorough measurement and analysis. Besides that, developing a multidimensional construct that has a formative relationship between the construct and subconstruct should take place when multiple subconstructs and measurement items are needed to fully capture the entire domain of the construct (Petter *et al.*, 2007). However, it is general practice among researchers to subside the subconstruct items into a one-dimensional construct, when measuring and analysing a multidimensional construct. Importantly, we must also note that evaluating the construct as a first-order unidimensional construct, and together with all of the items from each subconstruct as a single reflective construct, produces a construct that is not unidimensional because the items making up the constructs are in fact measuring different aspects of the construct. Given this, some researchers specify the construct as

first-order multidimensional construct in that aggregate measures for each of the subconstructs are specified as formative indicators. Again, these approaches to subdivide a high-order multidimensional construct into a single construct can compromise validity. Therefore, these approaches may also lead to measurement problem (Jarvis *et al.*, 2003, Petter *et al.*, 2007).

Given the above discussion, researchers should carry out this practice carefully, since it can adversely impact the validity of measures. Researchers need to make a distinction between the orders of the construct either first-or second-order and its dimensionality. While a multidimensional construct offers the ability to increase granularity and features on dissimilar aspects of a construct, the number of measures necessary increases as does the complexity of analysis. Consequently, it is vital for researchers to comprehend the diverse choices accessible when investigating and specifying a given construct in a research model.

3.2.1.3 The Problem with Misspecification

There is growing evidence, nevertheless, that the misspecification of the construct can create bias in the structural model. Evidence has shown that researchers with an understanding of formative constructs may make a decision to keep away from their use in theoretical models. Researchers may decide rather than foregoing the use of formative constructs is to simply model the construct as reflective, rather than formative. The reason is may be because formative construct has in the past been more difficult to employ when analysing data via covariance-based SEM approaches (Chin, 1998a) although the underlying statistics in partial least squares (PLS) analysis let it to readily handle formative measures (Gefen *et al.*, 2000).

Essentially, researcher cannot just convert formative constructs or choose to measure the construct reflectively and vice versa. The decomposition of models could lead to serious misspecification problems (Bagozzi, 1980; Fornell and Larcker, 1981; Gerbing and Anderson, 1988; Jarvis *et al.*, 2003). Therefore, the decomposition must be appropriately modelled and distinction between measurement model should carefully recognise beforehand. Consequently, the misspecification potentially has had a number of detrimental effects on progress in the research field. Firstly, hammering in parsimony, while, parsimonious models can provide abstractions that cause insightful explanations about complex phenomenon; secondly, the decomposed model may provide different theoretical implications when compared to the formative model; and finally, decomposed model can result in atomistic fallacy (Diez-Roux, 2002).

A few past studies have performed a simulation to resolve the ramifications of misspecifying formative constructs as reflective. For example, Jarvis *et al.*, (2003) (see also simulation to determine the ramifications of misspecifying formative constructs as reflective by MacKenzie *et al.*, (2005)). Jarvis *et al.*, (2003) in their study examined the effects of the structural model when an exogenous formative constructs was misspecified as reflective and when an endogenous formative construct was misspecified as reflective. The inter-item correlations among the items in the formative construct were modelled at 0.1, 0.4, and 0.7 to determine the strength of correlations among formative constructs affected structural paths. Structural paths emanating from both the misspecified exogenous and endogenous formative construct have large upward biases; however, the path leading to a misspecified endogenous formative construct has a downward bias.

On the other hand, Petter *et al.*, (2007) has tried to replicate and extended Jarvis *et al.*'s simulation because these authors wanted to examine the implication of the downward and upward bias in the parameter towards Type I and Type II error. They performed an additional series of simulations on structural models that restricted a non-significant path in order to detect if Type 1 error can happen due to misspecification. The unexpected finding from their series of simulations is that Type I error can occur regardless of whether the formative construct is specified correctly or not. From the results they have concluded that 'when the formative construct was correctly specified and the path was statistically significant, the practical significance of the parameter estimate was minimal thus suggesting to the researcher that a problem may exist with the parameter estimate' (Petter *et al.*, 2007: 631).

Given this discussion, researchers should be aware of the danger of Type I and II errors that may exist in the research studies. In the Type I error, researchers may build new theories and models based on prior research that finds support for a given relationship that does not actually exist. Consequently this may affect the research for both academics and practitioners. This is because the misspecification may direct researchers to create unlike research models and generate different insights and implications than what reality actually implies. On the other hand, if Type II error occurs it may provide many of the relationships within the model are found to be non-significant. Thus, this kind of valuable research may be unable to be published in a good journal ranking. In contrast if no construct has been misspecified and a large number of hypotheses are significant, the chances of publication in top tier journals are high (Petter *et al.*, 2007).

In sum, it is imperative for the researcher to take note that these biases and errors would affect the statistical significance of the estimates, thus rationalise the danger of

misspecification of constructs in any research. For instance, it is likely that numerous studies have been rejected in the review process because reviewers insisted on high internal consistency, reliabilities and requisite a principal factor model to fit the data. Consequently, construct that are truly formative in nature may have received less attention in the literature and/or they may have been more likely to have been modelled as scale scores without taking measurement model relationship into account (Jarvis *et al.*, 2003). As cited in Jarvis *et al.*, (2003), ‘an equally large number of studies have been published with severely restricted construct domains due to the same reviewer bias’ pp. 216. In addition, the construct domain restriction indisputably contributes to the inconsistency in findings across studies and may partially account for the generally low proportion of variance explained in many criterion variables (Peterson, Albaum, and Beltramini, 1985). Jarvis *et al.*, (2003) also noted that implication of the measurement error, a substantial proportion of the empirical results in the literature may be potentially misleading. Therefore, it is very important for any study to think more carefully about measurement model relationship. Hopefully, in future many researchers could do a better job of making sure that the measurement models used match its conceptualisation.

Next, the following section is to discuss variables that used in this study with the call for development of the structural model.

3.3 THE VARIABLES FOR STRUCTURAL MEASUREMENT MODEL

This study predicted that the formative approach would fabricate a better CSR analysis. The study also expected that it would reveal that a better CSR construct does enhanced the impact on stakeholder satisfaction and loyalty. If these expectations are confirmed, they are reliable with the call for prudence in using multi-item measures uttered by

previous authors (see Bollen and Lennox, 1991; Diamantopoulos and Winklhofer, 2001; Jarvis *et al.*, 2003; MacKenzie, 2001).

First, an introduction to the stakeholder theory has been discussed in the previous section (see section 2.2.2.5). Notably, Duhé (2009) also indicates CSR as necessary and contributory to the importance of stakeholder theory. Overview regarding the stakeholders' perception toward CSR was also been highlighted in that particular section. In this section, discussion about stakeholders' theory literature is continued and focusing more on its connection between CSR.

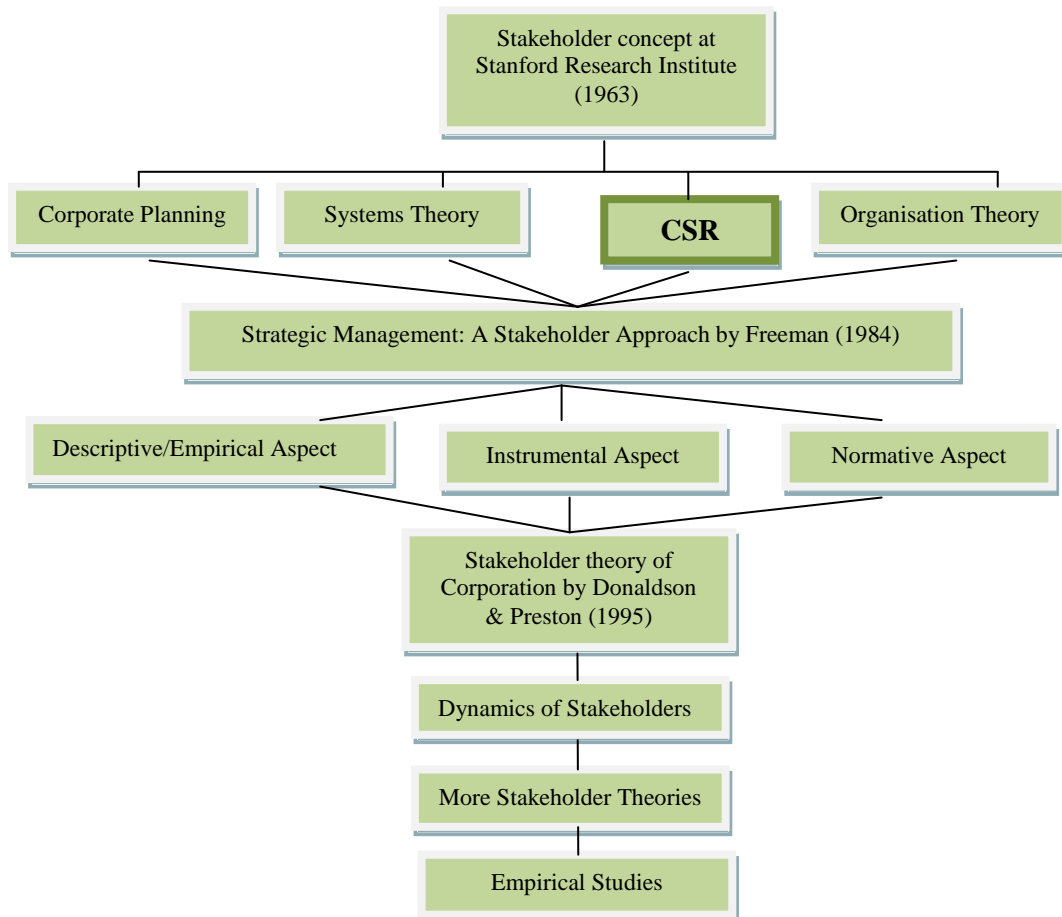
Next, the review of stakeholders' loyalty and satisfaction literature is also presented in this section.

3.3.1 Stakeholder Theory and CSR

The concept of stakeholders begins in the 1963, when the concept was discussed in an international memorandum at the Stanford Research Institute (cited in Freeman (1984). Since then, the development of stakeholder concept in the management literature has been categorised into different fields. These have been diversified into corporate planning and the stakeholder concept has become developed and contributing more to literature. The descriptive/empirical aspect, instrumental aspect and normative aspect have been introduced to the literature. Consequently, this concept began to embed in management fields and in managers' thinking (Mitchell, *et al.*, 1997). Later, Donaldson and Preston (1995) has combined these three aspects and introduced them as a 'stakeholder theory of corporation'. Starting from this point, the stakeholder literature started to spread into many areas such as, dynamics of stakeholder and stakeholder theories.

Figure 3.5 illustrates the description of stakeholder concept from how it begin and expanding. In order to shows how relevant the stakeholder theory to this present research, next sections are designed to further discuss relationship between both (i.e. stakeholder theory and CSR).

Figure 3.5 Stakeholder Literature Map



Source: Elias, Cavana and Jackson (2000:174-179).

3.3.1.1 Classical Stakeholder and CSR

Stakeholder theory was a synonym with a core concept of ‘survival’, during its early stage. This is because without support from key actors (i.e. stakeholder groups), the firm is unable to survive (Ansoff, 1965). The classic stakeholder theory originates from the concept of survival and divided into four categories namely, corporate planning, system theory, corporate social responsibility (CSR) and organisational theory (Freeman, 1984).

During the 1970s stakeholder concept was began to rise in the strategic planning and system theory literature. A few researchers, for example King and Cleland (1979) had developed and implemented stakeholders' model in the corporate planning process. The system theorists' scholar such as Ackoff (1974) and Churchman (1968) also developed a methodology for stakeholder analysis of organisational systems. These scholars believed that stakeholder involvement would help to address and solve societal problems.

From the above discussion, CSR was traced to be part of stakeholder theory since the concept appeared. CSR is potentially much to gain from this theory developments. Anyhow, CSR was and still is a contentious concept in academia as the concept and interpretation of CSR differ between scholars, even though this concept began to surface in the management literature since the 1960s. This phenomenon prolongs because of the CSR 'character' (Post, 1981) as it covered many ideas, concepts and techniques (see Sethi, 1971; Votaw and Sethi, 1974). The fact remains that, many researchers were concerned and interested with the social responsibility of business firms; and the views of stakeholders and CSR should not be separated to enhance their respective probity and utility.

3.3.1.2 Stakeholder Approach (Strategic Management) and CSR

Freeman (1984) has proposed three levels of stakeholder analysis (i.e. rational, process and transactional) to construct an approach for strategic management. First, at the rational level, organisation has to understand who their stakeholders are and they need to also understand how to manage stakeholders' relationship at the process level. The process is either implicitly or explicitly managed and should fit and work well with the concerns of multiple stakeholders. On the other hand, at the transactional level,

organisation must understand the set of transactions among the organisation and its stakeholders.

Similarly, every organisation that practices CSR and includes this concept within their organisational culture, managing stakeholder relationship should be their top priority in order to achieve successful CSR. Capturing who are their stakeholders involved in the firm activities would be a useful exercise as they form the vast resources of CSR practices. To further discuss the relationship between strategic approach and CSR, Appendix 3.1 indicated the CSR-stakeholder matrix. This matrix shows the background of CSR development and place the position of each stakeholder group into context with regard to CSR (Marimoto *et al.*, 2005).

From the matrix, the CSR system architecture and stakeholder factors are described. The CSR system architecture explains CSR policy, board responsibility and codes of conduct, corporate governance, stakeholder engagement, environmental management and complaints. Meanwhile the stakeholder factor section is divided into six sub-sections: employees and contract staff, shareholders, clients and customers, local inhabitants, suppliers and the general public that includes government. Hence, good CSR practices require good stakeholder management. An integration of CSR into corporate strategy at all levels demonstrated the strategic management approach. With this explanation it clearly shows a significant relationship between CSR and stakeholder management.

3.3.1.3 Dynamic Stakeholders and CSR

Over time, a new stakeholder may come and join in, while others may leave, through no longer being involved in the process. The dynamics of stakeholders shows that the mix

of stakeholders may change depending on the possession of power, legitimacy and urgency attributes. Similar to the CSR process, in reality stakeholders change over time, and their stakes change depending on the strategic issue under consideration (Freeman, 1984). On the other hand, if the only attribute present is power, such stakeholders are called 'dormant' stakeholders; if the only attribute is legitimacy, they are known as 'discretionary' stakeholders and finally, if the only attribute is urgency, they are called 'demanding' stakeholders.

Moreover stakeholders' salience will also be moderate if two attributes are present and such stakeholders are identified as 'expectant' stakeholders. Those having power and legitimacy attributes are called 'dominant' stakeholders; and those having power and urgency attributes are identified as 'dangerous' stakeholders. In relation to this, stakeholder salience will be high if these three attributes (i.e. power, legitimacy and urgency) are perceived by managers to be present in a stakeholder. This group of stakeholders are known as 'definite' stakeholders. Therefore, this clearly shows the relation between CSR and dynamic stakeholders, as the significance of stakeholder increases or decreases by attaining or losing one or more of the attributes. It is interesting to note that stakeholders can shift from one group to another. Hence, the dynamics of stakeholders are considered to be an important aspect of CSR.

3.3.2 Stakeholders' Satisfaction and CSR

There are many definitions of *satisfaction* in literature; however that it is process definitions. Tse and Wilton (1988:204) define satisfaction as an 'evaluation of the perceived discrepancy between prior expectations...and the actual performance of the product'. On the other hand, Oliver (1997) defined satisfaction as pleasurable fulfilment whence some need, desire, goal or so forth is attainable. Thus, satisfaction is clearly

defined as an overall evaluation based on the stakeholders' consumption experience with a good or service over time (Anderson, Fornell and Mazvancheryl, 2004; Fornell, 1992). In the marketing literature, customer satisfaction has been renowned as an essential part of corporate strategy (Fornell, Mithas, Morgeson III and Krishnan, 2006) and a key driver of firm long-term profitability and market value (Gruca and Rego, 2005).

Moreover, stakeholders' satisfaction and CSR has been the subject of investigation in some studies (see for example, Brown and Dacin, 1997; Creyer and Ross, 1997; Murray and Vogel, 1997; Turban and Greening, 1996; Ellen *et al.*, 2000; Sen and Bhattacharya, 2001). These authors stress that there are positive effects on stakeholders' attitude toward a socially responsible company. For example, Turban and Greening (1996) pointed out those companies with a good reputation for social responsibility were more attractive to college students. In addition, Maignan *et al.*, (1999) demonstrated that CSR increases staff retention, employee motivation and commitment. Furthermore, Brown and Dacin (1997) reported that consumers who have a negative image of a firms' social involvement are likely to have negative evaluations of that firm's products, whereas consumers with a positive image of firm's social responsibility will most probably have positive evaluations of its products.

Furthermore Carroll (1979) has viewed stakeholder satisfaction as multidimensional construct. This is because stakeholder satisfaction captures a wide range of items at least one for each relevant stakeholder (Waddock and Graves, 1997). However, the debate of who is the stakeholder and to whom the firm should turn its attention is still an open one (Mitchell *et al.*, 1997; Jensen, 2001; Hill and Jones, 1992), it seems that there is more agreement on the topic of which stakeholders are primary to the firm. Clarkson (1995)

identified that stakeholders are those whose participation is essential for the firm's survival (Clarkson, 1995). Typically, they viewed shareholders, employees, suppliers, customer, the community and the environments are the primary stakeholders (Clarkson, 1995; Starik 1995). Unlike Campbell and Alexander (1997), these authors identified stakeholders are those who are 'infinitely greedy' (Campbell and Alexander, 1997:4) and have commercial relationship with the company. According to them, stakeholders (i.e. suppliers, shareholders, employees and customer) who want to get as much as possible out of the relationship. But, they also view the less active stakeholders (i.e. governments, communities, and special interest group) that are not infinitely greedy as 'they often fairly easy for companies to live with' (Campbell and Alexander, 1997:4).

How should a firm's CSR initiatives lead to superior customer satisfaction?

This is an important observation in terms of construct development, because such a construct type consists of item parts for each component for forming CSR initiatives. As highlighted in the previous section, stakeholder theory has pointed to such link. The stakeholder theory suggests that a company's actions demand to all shareholders, from bottom to top, including a member of a family, community, and country (Handelman and Arnold, 1999). Building on this, Daub and Ergenzinger (2005) put forward the term 'generalised customer' to signify people who are not only customers who care about the consumption experience but also actual or potential members of various stakeholder groups that companies need to ponder. Consequently, such generalised customers are likely to be more satisfied by products and services that socially responsible firms (as opposed to their socially irresponsible counterparts) offer.

Furthermore, operationally, satisfaction is similar to an attitude, as it can be accessed as the sum of the satisfactions with the various attributes of the product or service

(Churchill and Surprenant, 1982). However, while attitude is a pre-decision construct, satisfaction is a post-decision experience construct (LaTour and Peat, 1979). Satisfaction can be considered at two levels: the transaction or encounter level and overall satisfaction (Bitner and Hubbert, 1994). The expectancy/disconfirmation paradigm in process theory provides the grounding for the majority of satisfaction studies and encompasses four constructs: 1) expectations; 2) performance; 3) disconfirmation; and 4) satisfaction. Disconfirmation arises from discrepancies between prior expectations and actual performance. There are three possibilities: zero disconfirmation can result when a product performs as expected; positive disconfirmation can occur when the product performs better than expected; and negative disconfirmation when the product performs below expectations (Churchill and Surprenant, 1982; Oliver, 1980, 1981; Oliver and DeSarbo, 1988; Tse and Wilton, 1988; Yi, 1990). Undoubtedly, Lichtenstein, Drumwright, and Bridgette (2004:17) note that ‘a way that CSR initiatives create benefits for companies appears to be by increasing consumers’ identification with corporation... [and] support for the company’.

In the context of stakeholder satisfaction, customers may look for reliability and excellence of the product or service, whereby investors and suppliers demand for credibility meanwhile communities expect responsibility on the part of the company (Fombrun, 1996). Taking this idea into account, CSR, understood in a broad sense can influence stakeholders when evaluating the product and services that the firm provides to them. The perception of socially responsible behaviour can strengthen their commitment towards the firms. On the other hand, some studies have revealed that a large number of consumers claimed to be more willing to buy products from companies involved in social causes (Ross *et al.*, 1992; Jones, 1997).

Strong, Ringer and Taylor (2001) believed that one of the keys to develop stakeholders' satisfaction is by investing in community and relationship-building activities on a consistent basis. Moreover organisation must make every effort to perform according to expectation. Besides that, when stakeholders have a sturdy sense of community, it appears they distinguish higher levels of responsibility for each other's wellbeing and satisfaction. For example when managers foster a sense of community through honest communication, employees receive equitable treatment, customers feel that they 'belongs' with the company as a result of personalised attention, and they generate a system that perpetuates its own satisfaction. Strong *et al.*, (2001) suggested that managers are competent to satisfy several stakeholder groups concurrently by communication in a timely, honest and compassionate approach. Such behaviour clearly illustrates crucial mechanism of procedural fairness, justice (Leventhal, Karuza, Fry & Mikula, 1980) and CSR. This helps to explain how stakeholder satisfaction within an organisation can be maintained.

In addition, the existing marketing literature shows an evidence for the influence of customer satisfaction on customer loyalty. Customer satisfaction (Anderson and Sullivan, 1993; Oliva *et al.*, 1992; Woodside *et al.*, 1989) is considered the predominant antecedents of consumer loyalty (Anderson *et al.*, 1994; Cronin and Taylor, 1992; Garbarino and Johnson, 1999; Nguyen and Leblanc, 2001). This explains why customers reward CSR efforts with loyalty towards the company (Maignan *et al.*, 1999). Indeed, several studies also explains why CSR activities have been adopted by firms based on growing evidence that consumers are willing to give incentives to socially responsible corporations (Brown and Dacin, 1997; Creyer and Ross, 1997; Ellen, Mohr and Webb, 2000; Nelson, 2004; Sen and Bhattacharya, 2001). Margolis and Walsh (2003) also have pointed to the impact of CSR on multiple stakeholders (e.g.,

employees, investors and consumers). It should be clear that as CSR becomes more important, the relationship between stakeholder satisfaction and corporate loyalty is a topic that deserves the attention of the marketing researcher. That is, CSR affects stakeholder satisfaction, which in turn affects corporate loyalty (Bhattacharya and Sen, 2004; Liu and Zhou, 2009).

Previously, service management literature also proposes that customer satisfaction influences customer loyalty, which in turn affects profitability. Proponents of this theory include researchers such as Anderson *et al.*, (1994); Gummesson (1993); Heskett *et al.*, (1994); Reichheld and Sasser (1990); Rust *et al.*, (1995); Schneider and Bowen (1995); Storbacka *et al.*, (1994); and Zeithaml *et al.*, (1996). They demonstrated that customer satisfaction is the result of customer's perception of the value received in a transaction or relationship. This shows that satisfaction is relative to the value expected from transaction or relationship from the providers. On the other hand relevant literature is also found in the marketing domain regarding the impact of stakeholder satisfaction on stakeholder loyalty. Yi (1990:104) concluded that 'many studies found that customer satisfaction influences purchase intentions as well as post-purchase attitude'. In relation to this, present research believe when CSR is managed effectively, transparent and honest performance mistakes need not lead to dissatisfaction among stakeholders.

Given this, stakeholders could feel a strong sense of loyalty to their own and other stakeholder groups. As a consequence, putting the pieces together, this study is making some important additions. In adding CSR to Liu and Zhou (2009) model, this study has predicted a mediating role of stakeholder satisfaction on the impact of CSR on stakeholder loyalty. Therefore, empirical work in this research is likely to provide a

complementary it to the previous model and yield research in marketing research. Thus, this present research puts forward the designated conceptual framework in Chapter Six.

Following section will discussed the stakeholder loyalty and CSR in the context of the current study.

3.3.3 Stakeholder Loyalty and CSR

The voluminous loyalty literature has astonishingly little attention to the issue of conceptualisation and operationalisation (Hammond *et al.*, 1996; Oliver, 1999). Instead a plethora of operational definitions have been put forward. The marketing literature suggested that stakeholder loyalty (i.e. customer) can be defined in two distinctive conducts (Jacoby and Kyner, 1973). The first defines loyalty as an attitude. Fornier (1994) noted that different feelings create an individual's overall attachment to a product, service or organisation. These feelings describe the purely cognitive degree of loyalty individually. The second loyalty is behavioural. Loyalty behaviour included continuing to purchase service from the same supplier or increasing the scope of relationship (Yi, 1990). Consequently the behavioural loyalty in its conceptualisation of customer loyalty that has show linked to customer satisfaction, and thus to make the demonstrated satisfaction or loyalty relationship. However, Oliver (1999) viewed that there are many definitions of loyalty in the literature. In accord with this distinction, loyalty has been defined quite differently. But in the context of this research, the study has agreed with Oliver's definition. Oliver (1999:34) defined loyalty as 'a deeply held commitment to re-buy or re-patronise a preferred product or services consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour'. Similarly, the present research has predict that stakeholders will deeply held

a strong positive relationship with organisation and reluctance to avoid companies that they like very much in some circumstances.

For some time, loyalty has become important factor in marketing and also popular ideas amongst organisation during the 1990's (Jenkinson, 1996). Big retail companies such as Sainsbury and Tesco experienced changes in their market share and profit when they enter the fields of loyalty schemes. A shift in emphasis from satisfaction to loyalty appears to be a valuable change in strategy for most firms. Companies realise and understand the profit impact of having a loyal stakeholder base. Marin, Ruiz and Rubio (2009) in their recent study have also demonstrated a link between CSR and loyalty in their recent study. They claims that CSR can be a sales-generating mechanism as it could deepen consumer relationships over time; thereby provide support for the potential relational benefits of an identity-revealing CSR focus. Their current results are relevant to the current issue, as stakeholder for example consumers are concerned with the lengths firms will go to in order to attract and keep their customers.

However, consumer normally view CSR with/or suspicion, as many of this stakeholder do not believe that company engage in relationship marketing activities is for the sole benefit of the consumer (O'Malley and Prothero, 2004). In relation to this, consumer does have cynical perceptions that company will also benefiting themselves with some hidden agenda from the marketing activities. Consequently, there will be a tendency that consumer will mock themselves not to purely trust with some of the relationship marketing activities done by companies. Therefore, companies must prevail over perceptions that relationship marketing exists only at the level of communication (Fitchett and McDonagh, 2001). Thus, CSR performances are of high value, given their role to a company long-term reputation (Du *et al.*, 2007).

Given this, the implication of CSR in an organisation is straightforward as investing in CSR initiatives is an important strategic task that will provides enduring stakeholder loyalty (Marin *et al.*, 2009). This required companies to go beyond the conventional marketing mix. Previously, rewarded programme is one of the company's initiatives to retain customer's loyalty. However, rewarded retention is costs ever more to sustain and perhaps rewards programme are easy to copy by competitors. Besides that rewards programme could divert intention from the real product or services and sometimes it can be perceived as manipulative.

In relation to this, Aaker (2004) has pointed out that organisational attributes are more enduring and resistant to competitive claims than are product attributes. Therefore, companies may reinforce the relationship marketing strategy through their investment in CSR initiatives. This strategy is more than just an emotional position derived from these CSR initiatives (Mahajan *et al.*, 2002), as companies will increase consumers' belief regarding their capability to deliver greater functional benefits through their products (Du *et al.*, 2007). A company that provides benefits to stakeholders (e.g. customers) through their various CSR activities will be perceived as a company that is both able and fascinated in caring for their consumers. Luo and Bhattacharya (2006:16) in Journal of Marketing, Corporate Social Responsibility, Customer Satisfaction, and Market Value revealed that 'CSR increases customer satisfaction, which in turn leads to positive financial returns, may improve managers' understanding of why CSR matters'. On top, CSR can enhance internal employee morale and commitment within the firm (Godfrey, 2005; McGuire, Schneeweis, and Branch, 1990) and attract more competent, young talents who are trying to 'marry their work and non-work lives' (Grow, Hamm, and Lee, 2005 as cited in Luo and Bhattacharya, 2006). Luo and Bhattacharya also suggested managers should be aware with CSR initiatives that these can influence

customers' satisfaction levels. However, Luo and Bhattacharya have reinforced the inherent traps and pitfalls of CSR because without proper understanding, CSR seems to be a double-edged sword. According to these authors firms do not always benefit from CSR actions, especially when companies are not innovative. Therefore, managers should understand that a misalignment of CSR can be detrimental and harmful to firm performance.

The effects described above will be more crucial when corporate engagement in CSR becomes not only alleged (Becker-Olsen, Cudmore, & Hill, 2006) but also salient to the stakeholders (Marin, Ruiz, & Rubio, 2009). Though studies differ in their focus, empirical and theoretical, they shared the assumption that strong and visible corporate commitment to CSR fosters the development of a favourable stakeholder attitude toward the firm (Bhattacharya & Sen, 2001; Brown & Dacin, 1997). As highlighted before, engaging in CSR may induce stakeholders to develop a sense of affective, emotional connection to the company (Marin *et al.*, 2009), which turns out in improved satisfaction (Bhattacharya & Sen, 2003; Lichtenstein, Drumwright, & Braig, 2004) and long-lasting stakeholder relations (Luo & Bhattacharya, 2006; Marin *et al.*, 2009). This is because engaging in CSR may help firms to understand their stakeholder needs better through transparent interaction, and thus improve the long-last internal and external relationship (Bhattacharya & Sen, 2001). Despite Marin *et al.*, (2009), Tsoi (2010) and Vilanova *et al.*, 's (2009) recent contributions, their findings is focused on examining the association and outcomes of CSR. Notably these authors work neglects the development of a scale that captures the entire domain of CSR. This present research believes that introducing holistic entities of CSR into the corporate ability, initiative and marketing activities into the model may increase the understanding of how stakeholder relationship is generated for a company (for an example, the customer loyalty). These limitations

constitute the basis of this research investigation of stakeholder relationship and reaction to CSR initiatives undertaken by company.

3.4 SUMMARY OF CHAPTER THREE

The literature review demonstrated that the misspecification of this construct not only has cosmetic consequences, but may also reduce theoretical development and the level of establishment in practitioners' attempts to come to terms with CSR. Further, a better understanding of the consequences of this misspecification would be gained from empirical and theoretical studies. However, if the studies fail to focus sufficiently closely on construct validity and associated measurement issues, this will make findings across studies inconsistent. Moreover, it will lead to varying conclusions about the empirical relationships between latent constructs; hence, a substantial proportion of the empirical results in the literature may be potentially misleading. Therefore, it is also worth thinking more carefully about measurement model relationships and performing the important task of ensuring that the measurement models used match that conceptualisation.

In relation to this, an important caveat must be made regarding the above discussion in this study. The reader might understand from the discussion that since CSR is related to stakeholder satisfaction and loyalty, organisations should endeavour to ensure their CSR satisfies every stakeholder, thus making them loyal. This could be a valuable research finding, but the researcher should first make clear the possibility of an error in CSR conceptualisation and measurement. CSR undoubtedly contains complex characteristics which either cannot be satisfied, given the unclear definition of CSR and unresolved measurement problems, or will never make stakeholders loyal, given companies' CSR efforts. Organisations would be wise to target and serve those stakeholders better than

do their competitors in a social and responsible manner. Therefore, from the review and discussion of current literature, this research could predict, if the companies target stakeholders with CSR initiatives, those stakeholders who would be most likely to stay with that organisation for a long period, who would purchase multiple products and services, who would recommend the company to their friends or relations, and who could be the source of the greatest returns to the companies' shareholders. However, firms must first understand the level of their CSR measurement before engaging in any CSR initiative. To date, there have been only a limited number of published CSR studies on CSR measurement models. Similarly, only a few empirical studies in SEM using formative measurement have been conducted in marketing (Jarvis *et al.*, 2003). Several authors have advocated applying formative measurement when reflective indicators do not provide adequate results (Diamantopoulos, 2008; Diamantopoulos *et al.*, 2008; Diamantopoulos and Winklhofer, 2001; Rossiter, 2002; Wilcox *et al.*, 2008). Diamantopoulos (2010) Jarvis *et al.* (2003) and Podsakoff *et al.* (2006), for example, showed that misspecification of measurement models often occurs when reflective measurement is employed instead of formative measurement. In addition, formative CSR research is still at an early stage and the focus of this current study is to develop and validate a CSR model; subsequently, a formative approach is warranted. This chapter points to the challenges related to measuring CSR. As highlighted, CSR is, due to the definitional disagreements in academia and the wide variety of practices labelled 'CSR' in the corporate world, an elusive concept which to a certain extent defies quantification. In line with arguments put forward by the literature on CSR measurement, this thesis argues that based on its construct, there is a pressing need for a CSR measure to move the CSR discipline forward by linking it to a more structurally-informed framework of analysis.

Consequently, the formative approach paves the way for drawing on the rich literature in CSR measurement. This approach will provide empirical evidence in support of previous conceptual papers which propose the use of formative measurement models as an alternative to misspecification in structural models employing reflective constructs (Diamantopoulos, 1999; Diamantopoulos *et al.*, 2008; Bergkvist & Rossiter, 2007). Thus, the adoption of a formative approach to CSR measurement can deviate from the standard reflective modelling practice, and examine more carefully the true nature of observed and latent constructs. The empirical finding also could also be interpreted as being consistent with the view that SEM should give greater weight to studies which seek to fit structural models to the observed empirical data, rather than continuing the overwhelming pre-occupation of marketing academics with finding data to support frequently naïve or self-evident theoretical models. At the same time, the use of formative and hybrid models offers the prospect of improved CSR measurement results over models based on the traditional reflective approach.

Generally, determining whether CSR measures should assume reflective or formative measurement depends on four considerations, (Bollen and Lennox, 1991; Coltman *et al.*, 2008; Edwards and Bagozzi, 2000; Jarvis *et al.*, 2003; Rossiter, 2002), namely:

(1) the nature of the CSR construct; (2) the relationships among the observed CSR indicators; (3) the direction of causality between the CSR construct and indicators; and (4) a theoretical judgment on CSR . Failure correctly to classify formed attributes has led to an inappropriate structure for identifying components and the omission of crucial items (Rossiter, 2002). Thus, theoretical justification is needed to define the nature of the CSR construct, the direction of causality, and the items used to measure constructs. Following theoretical justification, empirical justification testing for indicator intercorrelation, the relationships of indicators with their antecedents and consequences,

measurement error and collinearity in order to detect the causal direction between constructs and their indicators helps to justify the adoption of a formative approach to CSR measurement. As a generalisation, for current CSR measures, formative measurements appear better suited, and for future intentions, have been applied in this study.

To sum up, first this chapter provided an explanation of the operationalisation of CSR with its meaningful variables. Second, this chapter showed the knowledge gaps of the study relating to research question 3- *How can CSR be formatively measured?*; research question 4- *Does CSR have a positive relationship with stakeholder satisfaction?*; research question 5- *Does CSR have a positive relationship with stakeholder loyalty?*; and finally, research question 6- *Does stakeholder satisfaction influence the relationship between CSR and stakeholder loyalty?* Third, this chapter conceptually justified the adoption of a formative approach to CSR measurement. In the light of this discussion, this research holds that the level of CSR measurement and structural models are issues that should be subject to both explicit theorising and empirical testing. These tasks are not merely options, but have practical purposes, because with a single research direction it is difficult to provide a sufficiently rich picture of the CSR measurement model. In Chapter Six, this research suggested that several measurement items should be used for potential CSR dimension (see the designated conceptual framework). Then the data (see Chapters Five, Six and Seven) were used for the development of a multidimensional CSR formative construct. This exercise will inspire the development of a practitioner-based model of CSR that may or may not concur with the existing conceptualisation of CSR.

Chapter Four

Research Methodology

Methodology provides a language for talking about the process of research, not about subject matter
(Krippendorff, 2004).

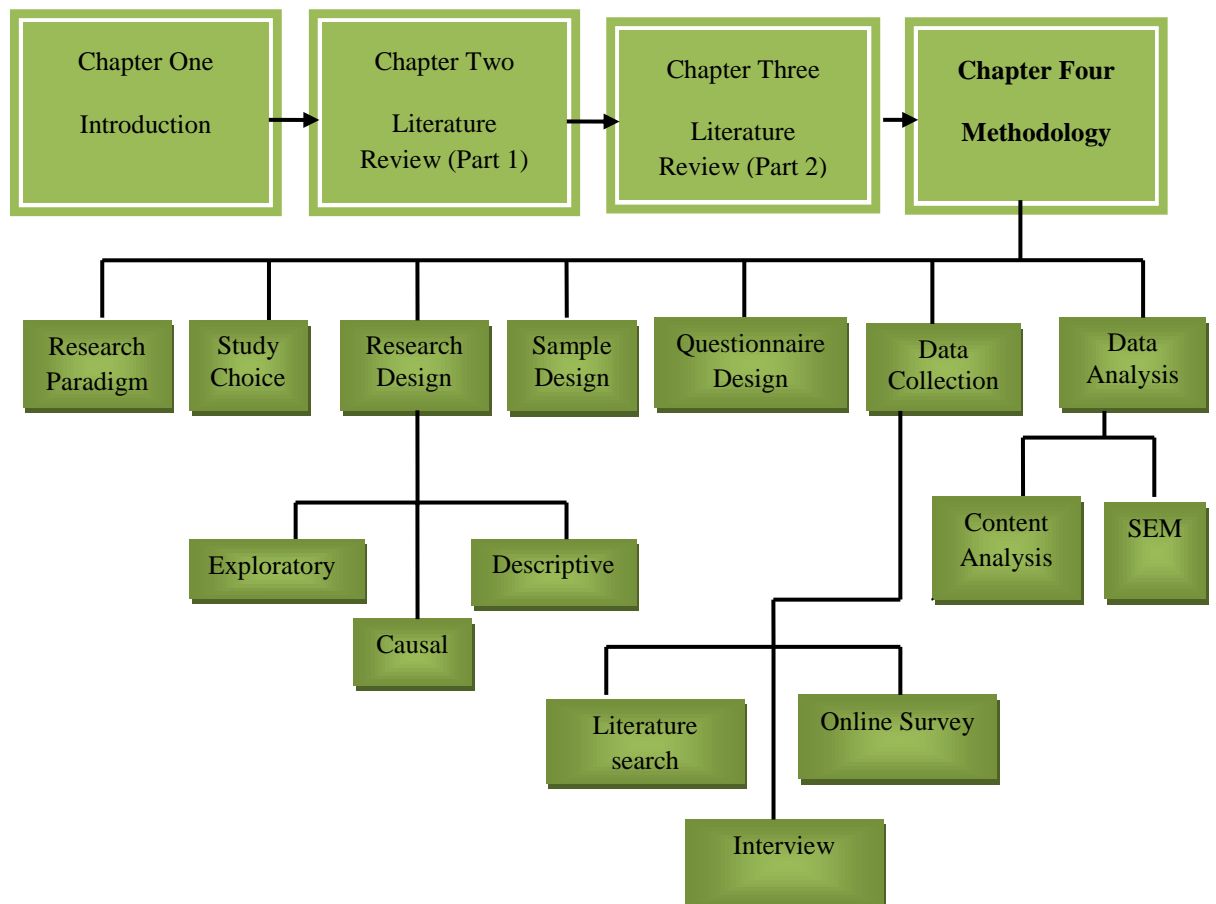
4.1 INTRODUCTION

The previous chapters reviewed and synthesised literature with a view to demonstrating the relevance of prior studies to this study. The present chapter proceeds by describing the methodology and research framework design adopted to answer the research questions outlined in Chapter One of the thesis. Exploratory, descriptive and causal research using triangulation method is used in this current research. The qualitative and quantitative methods were considered to be the most suitable way for data collection in order to fulfil the research objectives. The mixed-method represents a methodological extension of research in this area and fills a research gap in the literature, given that there is an absence of the use of both methods to develop CSR measures (Maignan, 2001; McGuire *et al.*, 1988; Aupperle *et al.*, 1985; Cochran and Wood, 1984).

The chapter begins with the choice of research paradigm, choice of studied measures, then proceeds to cover the overall research design, the sampling design, the research instruments, the questionnaire, and ends with data collection and analyses. In this chapter the reader is also informed about how the research has been designed as exploratory and confirmatory study aims. This research is separated into two research phases. In research Phase One, the main task is to develop the CSR measures. Meanwhile, research Phase Two confirms the measurement developed and tests all the

proposed hypotheses. There were four hypotheses to be tested with predicted of moderating and mediating relationships between variables. To recap, as well as in response to Chapter 4, Figure 4.1 depicts the logical sequence of previous chapters that lead to this chapter.

Figure 4.1 The Logical Flow of Previous Chapters to Current Chapter.



4.2 RESEARCH PARADIGMS AND PHILOSOPHICAL ASSUMPTIONS

Two kinds of competing mainstream research paradigms are adopted in social science research: positivist and interpretive (Weber, 2004). A paradigm is referred to as a basic set of beliefs that guide action (Guba & Lincoln, 2005); a paradigm encompasses four aspects: the ontology, the epistemology, axiology and methodology. The term ontology refers to the assumptions about the social world; the term axiology-as used in research paradigms-primarily refers to values; the term epistemology refers to what is regarded as ‘acceptable knowledge’ in a particular discipline; and, the term methodology refers to the ‘best means’ of acquiring the knowledge (Guba, 1990; Bryman, 2001; Guba and Lincoln, 2005).

Many researchers, for example Creswell (1994) and; Guba and Lincoln (2005) believe that research paradigms are dichotomous. Hence, it is difficult to conduct research by adopting multiple research paradigms. However, many social researchers use multiple strategies in order to overcome the problems. This approach is frequently referred to as triangulation (Henn, Weinstein and Foard, 2006). It suggests that research conclusions that are derived from converging evidence (using a variety of different research methods) are likely to be more credible than research findings which are relying upon single theory, single method, single set of data and single investigator (ibid).

From the discussion, author’s of this thesis stance that the basic objective of this study is aimed at developing CSR measures and validating the developed measures through verification of hypotheses. Consequently an empirical study on developing and validating the developed CSR measures involves inductive and deductive processes. Such a study cannot be conducted within an interpretive paradigm only. Table 4.1 shows the basic beliefs pertaining to the positivism, post-positivism and interpretive

paradigms. In addition, the author of this thesis believes that it is more informative and enriching to assess the empirical validity of a complex of conceptually analogous of CSR constructs – that is CSR having formative constructs and triangulation approach is applicable, for the following reasons:

1. The measures (i.e. measurement items) developed to operationalise the constructs differ from the reflective one, in spite of the fact that the formative constructs between the reflective constructs are conceptually different; studying different constructs helps a researcher to have a greater insight into the level of measurement validity of CSR measures. It is important to note that measurement items in CSR constructs are not yet well established – in a few studies the measurement items are revised, which is testimony to the fact that measures/scales on CSR are still not well established – and therefore they may not possess the ideal psychometric properties positivist envisage in order to establish measurement validity with greater assurance.
2. A multiple data set pertaining to a developing measure does not limit the generalisability of the findings, especially when the research is conducted into two phases (i.e. qualitative and quantitative). The quantitative data was divided into – Study 1 (i.e. exploratory) and Study 2 (i.e. confirmatory).
3. The data from qualitative and quantitative studies provide an opportunity to provide in-depth study the formation of the CSR formative constructs and the link between the proposed hypotheses.

For these reasons a positivist paradigm prevails in this study. However, the author adopts the multiple-strategy approach prevalent in positivist and post-positivism. Triangulation adopted includes use interviews and surveys.

Table 4.1 Positivistic and Interpretive Paradigms.

Component	Paradigm		
	Positivism	Post-positivism	Interpretivism
1. Ontology	Reality is objective and singular, apart from the researcher.	Critical realism –‘real’ reality but only imperfectly and probabilistically apprehendable.	Reality is subjective and multiple as seen by participants in a study.
2. Epistemology	Dualistic: The researcher is independent (detached) from that being researched.	Modified dualist/ objectivist/critical tradition/community, findings probably true.	The researcher invariably interacts with that being researched.
3. Axiology	Value-free and unbiased (e.g. omit statements about values from the written report, using impersonal language.	Post-positivism allows for the use of natural settings and the collection of more situational information.	Value-laden and biased (e.g. active/voluntary reporting of the researcher’s values and biases, as well as the ‘value nature’ of information gathered from the field).
4. Methodology	<p>Experimental or statistical control of variables; testing of hypotheses; extensive application of quantitative methods.</p> <p>Reporting facts – arguing closely from evidence gathered in the study.</p> <p>Analysis is based on statistical testing of theories.</p> <p>The quality criteria of the methodology are the conventional benchmarks of rigour: internal validity, external validity, reliability and objectivity.</p>	<p>Modified experimental/manipulative/ critical multiplism/falsification of hypothesis, may include qualitative approaches.</p> <p>The Likert scale and other closed question techniques (with or without accompanying hypotheses for verification) that are common in methods often employed in the service of the positivist and post-positivist paradigms.</p>	<p>Analytic-inductive (i.e. building of theory); extensive application of qualitative methods (e.g. participant observation studies, in-depth interviews).</p> <p>Reporting on meanings (as opposed to facts) by understanding what is happening.</p> <p>Analysis is based on verbal, action, and description.</p> <p>The quality criteria of the methodology are less specific: typically the trustworthiness and authenticity of the information furnished by informants (e.g. verification of facts before reporting). Generalisability is not envisaged.</p>

Source: Orlikowski and Baroudi, 2002, Creswell, 2003; Guba and Lincoln, 1994, 2005; Henn *et al.*, 2006.

4.3 CHOICE OF THE STUDIED MEASURES

As discussed at length in Chapter Two, a considerable amount of attention has been paid to the construct of Corporate Social Responsibility (CSR). However, research on the measurement of CSR has remained limited as per discussed in the earlier chapters. There are a few attempts to measure CSR but improved measures of CSR are desperately needed. Measures have been hampered by the lack of clarity in theoretical frameworks and empirical methods for the CSR construct. Starting from the understanding that the empirical study of CSR measurement is in an undeveloped state,

this research describes efforts to justify and prove the relationship between measurement items and construct.

In this research an instrument is developed based on a critical review of both the conceptualisation and practice of this construct. Supporting validity evidence for the instrument is obtained from several sources to provide guidelines to the researcher to properly specify the CSR construct. Based on a study among Malaysian stakeholders, this research offers a CSR definition and also conceptualises CSR as a formative construct. This research proposes this conceptualisation as a systematic method on which to build CSR measures, which in turn are important step for efficient CSR management. Thus, the focal construct for which the research seeks to generate an index is the Corporate Social Responsibility (CSR). As such inductive and deductive approaches were involved in developing the formative construct.

A multi-method strategy such as combining using primary data (interview and survey findings) and secondary data (literature search) has the advantage of supporting or clarifying results (Saunders *et al.*, 2007). In addition, mixed-method represents a methodological extension of research in this area and fills a research gap in the literature, given that there is an absence of the use of both methods to develop CSR measures. In their reviews of empirical research on CSR measures, Dahlsrud (2008) and Carroll (1999) suggested that further progress in developing CSR definition. It was also suggested that measures could be made by improving research design and exploring new methodologies (Aupperle *et al.*, 1985; Cochran and Wood, 1984; Maignan, 2001; McGuire *et al.*, 1988). Therefore, the use of better measures and techniques in this thesis represents an attempt to apply new methodology in developing CSR measures.

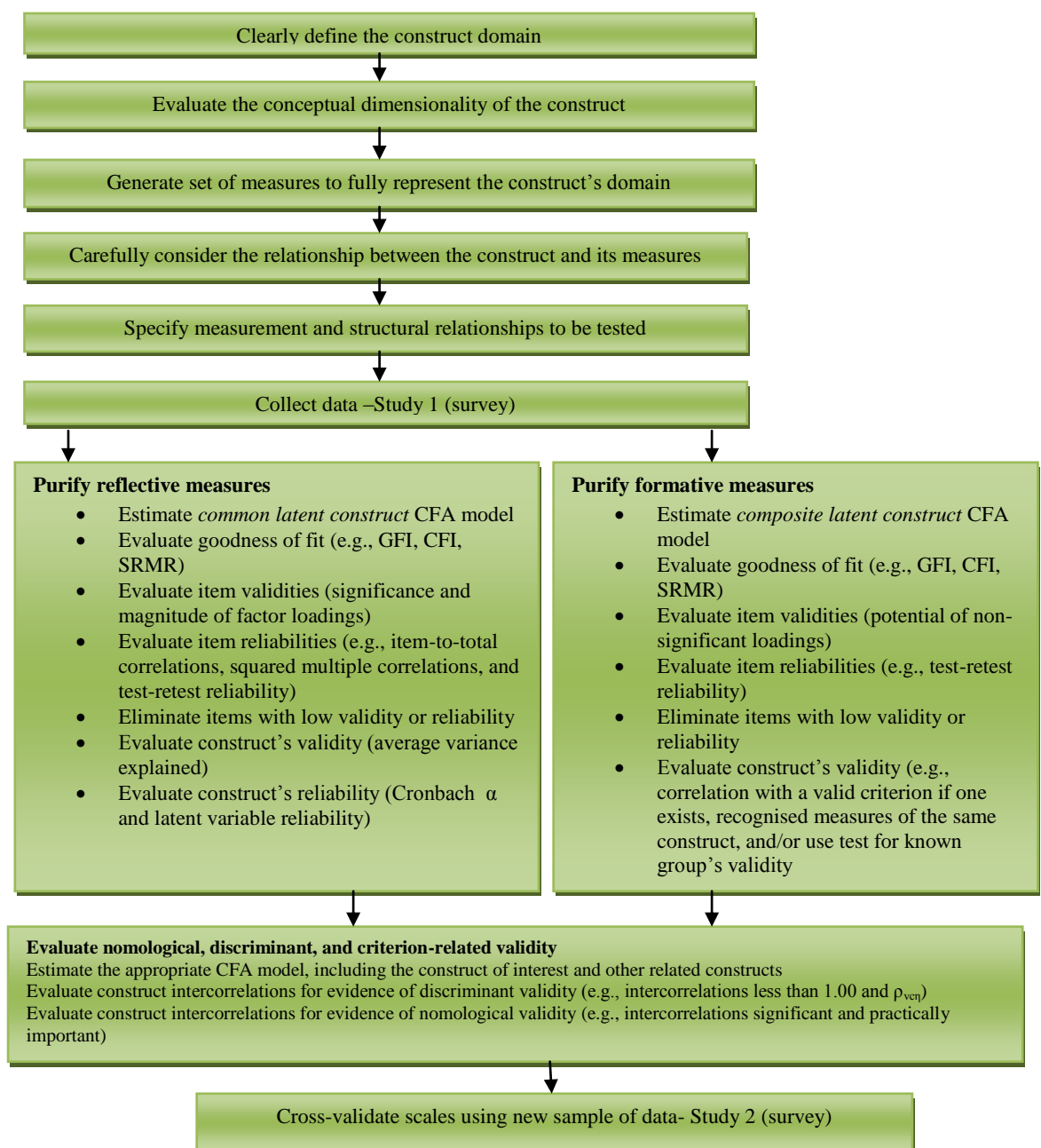
This study goes through several stages in relation to understand of the different measurement. At the first stage, an extensive literature review on CSR study is conducted and mainly focused on the definition and measurement development. At the second stage, an extensive literature review on study of measurement related issue is also conducted. The review uncovers that previous research has mainly focused on reflective measures; few researchers have investigated formative measures. The third stage attempts to determine the measurement use in this research with the help of the fieldwork studies. Formative measures are likely to be the main focus for CSR construct in this research. Meanwhile stakeholders' loyalty and satisfaction appear to be the reflective measures. All these measures are chosen for further investigation in this study.

4.3.1 CSR Measures? - A review of Previous Work

A review of previous work on study of CSR measures (see Appendix 4.1) shows that few researchers have developed scales to measure CSR in their studies (e.g. Moskowitz, 1972, 1975; Maignan and Ferrell, 2000; Mahoney and Thorne, 2005; Luo and Bhattacharya, 2006; Turker, 2009; Kim and Kim, 2010). Few studies attempted to develop CSR scales but ignored the proper construct. Prior studies have focus more on effect indicator models-reflective (Bollen, 1989; Bollen and Lennox, 1991) rather than causal indicator models-formative (Bollen, 1989; Bollen and Lennox, 1991). The nature of the formative constructs which demands special caution in developing the constructs and its indicators (Götz, Liehr-Gobbers, Krafft, 2004) could be one of the reasons why research in this area is limited. Given that specify the correct measurement is very important, it is rational to be worried the danger of 'misspecifying' the construct. The study of measurement construct has not attracted the researcher to study. Hence, for this research, the CSR construct are examined because using a correct measurement can

help subjects to achieve better understanding CSR in practical, and can also fill the identified literature gap, i.e., lack of research in the study of CSR measurement related to the investigation of formative constructs. For developing and evaluating measurement constructs, the practical guidelines (see Figure 4.2) by MacKenzie, Podsakoff and Jarvis (2005) are followed in this study. Moreover, the four step approach proposed by Diamantopolous and Winklhofer (2001) is also utilised and revised for development of the formative construct in this current research.

Figure 4.2 Practical Guidelines for Developing and Evaluating Measurement Constructs.



Source: MacKenzie, Podsakoff and Jarvis (2005).

4.4 THE OVERALL RESEARCH DESIGN

A research design is simply the framework for a study, used as a guide in collecting and analyzing data (Churchill, 1999). In other words, a research design was designed to acts as master plan which specifies the methods and procedures to answer the research questions and achieve research objectives. A well-defined research design ensures that the study will be relevant to the problems and will use economical procedures (Churchill, 1999).

4.4.1 Types of Research Design

According to Churchill (1999) and Aaker *et al.*, (1996) research design are classified as exploratory, descriptive and causal. Malhotra (1996) provide a summary of uses and types of studies, which are more appropriates for each research design, as illustrated in Table 4.2.

Table 4.2 Comparison of Basic Research Designs.

	Exploratory	Descriptive	Causal
Objective	Discovery of ideas and insights	Describe market characteristic or functions	Determine cause and effect relationships
Characteristics	<ul style="list-style-type: none">• Flexible, versatile• Often the front end of total research design	<ul style="list-style-type: none">• Marked by the formulation of specific hypotheses• Preplanned and structures design	<ul style="list-style-type: none">• Manipulation of one or more independent variables• Control of other mediating variables
Methods	<ul style="list-style-type: none">• Expert surveys• Pilot surveys• Secondary data• Qualitative research	<ul style="list-style-type: none">• Secondary• Surveys• Panels• Observational and other data	<ul style="list-style-type: none">• Experiments• Surveys

Source: Malhotra, 1996, pp. 89.

Despite the usefulness of the classification of design types for gaining insight into the research process, it is argued that the distinctions are not absolute (Churchill, 1999) because certain types of research designs are better suited to some purposes than others or there

might be more than one type of research design which can be used to serve one purpose. Churchill (1999, p.99) suggested that ‘the design of the investigation should stem from the problem’. For a detailed discussion on other research designs refer to Sekaran (1992), Tull and Hawkins (1993), Creswell (1998), Burns and Bush (2000) and Churchill and Iacobucci (2002).

4.4.2 Choosing a Research Approach for the Current Study

To recap, the main purposes of this research are to develop and validate CSR construct, as well as construct relationships between stakeholders’ loyalty and satisfaction. Referring to Table 4.3, the exploratory research design is applicable to serve the first purpose because one important task must be completed before embarking on the main study. The task is involved to generate the items and dimensions used to measure the CSR construct. There is little prior knowledge on what to be included as for CSR items and dimension. This is because, first of all, CSR definition is still in undeveloped stage. Secondly, there is a little work examining CSR in the context of formative constructs. Taking into account suggestion from previous works (e.g. Aupperle *et al.*, 1985; Carroll, 1999; Cochran and Wood, 1984; Dahlsrud, 2008; Maignan, 2001 and McGuire *et al.*, 1988) the exploratory design is applicable to this study at this stage.

After taking into consideration both the advantages and disadvantages of several techniques, a literature search and interviews were considered to be the most appropriate techniques to collect the required primary and secondary data as they were achievable and best suited to finding answers to the research questions. Briefly, content analysis is suitable for collecting data about certain definitions, as suggested by De Chernatony and Riley (1998). The

content analysis has been extensively employed in many similar studies on CSR-related issues. Refer to Wood and Cochran (1984), Aupperle *et al.*, (1985), Carroll (1999), Mohr *et al.*, (2001), Snider *et al.*, (2003) and Dahlsrud (2008). In addition, the personal interview elucidates the meaning, richness and magnitude of the subjective experience of social life (Altheide and Johnson, 1994). As such, face-to-face interviews with the respondents gave greater impact to the responses to this research problem.

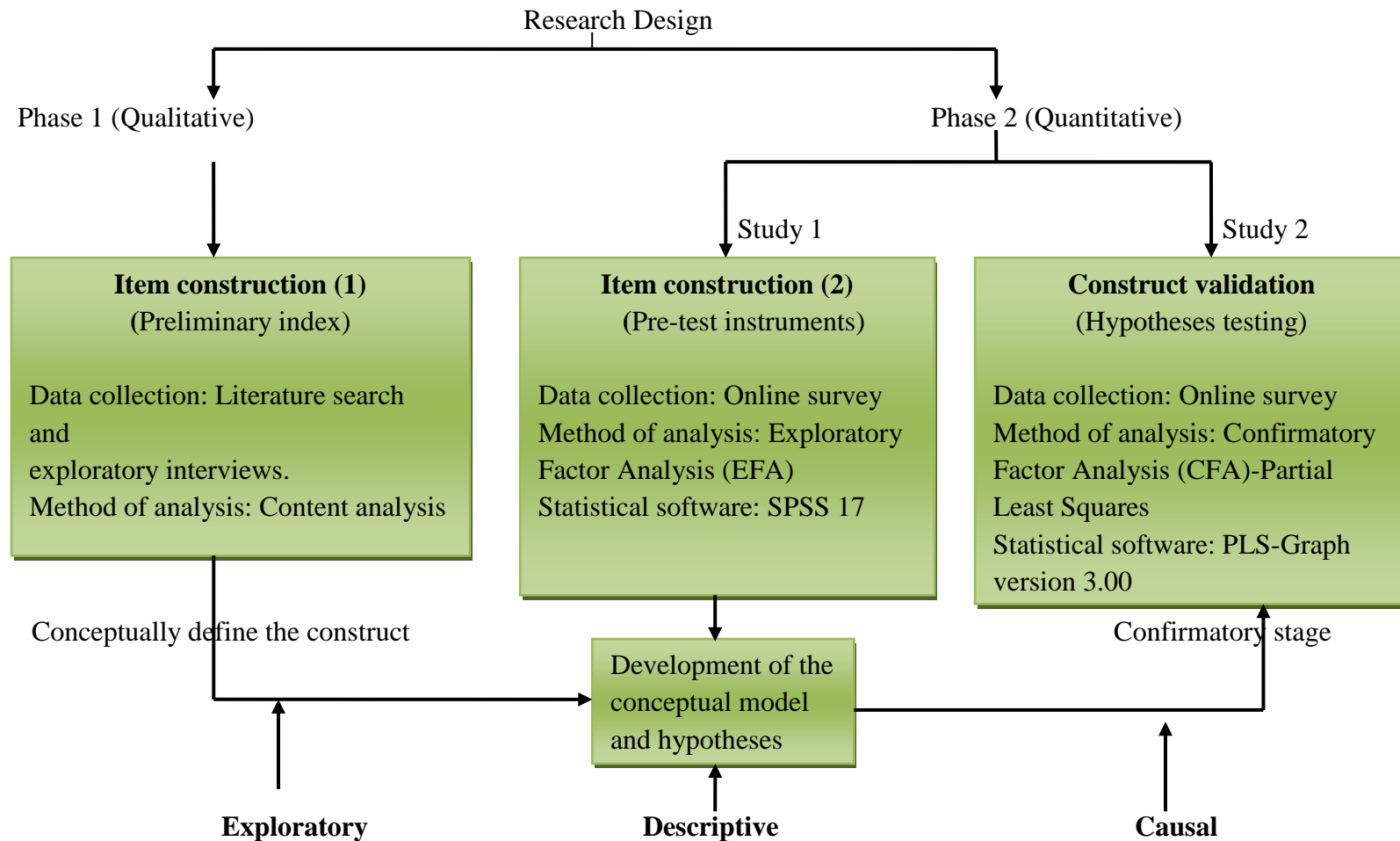
Both qualitative and quantitative data were collected. The qualitative data was mainly obtained from two major sources: literature search and interview transcripts. For the empirical part of this study, data from the interviews was used, mainly to suit the nature and purposes of this research, which were to elicit respondents' definitions of CSR and to discover whether CSR was being accurately measured in practice. Whereas the causal research design might be more suitable to the second purpose, given that the study of construct relationship is relevant to the element of cause and effect. Therefore, a survey is considered an appropriate approach.

Aaker *et al.*, (1997, p.78) claimed it is very rare only a data collection method perfectly suited to meet a research objective. He also claiming that 'a successful choice (...) is achieved by combining several methods to take advantage of their best features and minimise their limitations'. Hence, as Figure 4.3 illustrates the nature of the qualitative study and Study 1 of this research is exploratory, whereas in Study 2 is a causal research. The fieldwork of the research is conducted in two phases; qualitative study and quantitative study (see Table 4.3). The details related to each stage (including the rational and process) are reported in the following sections.

Table 4.3 Research Phase One and Two

	Research Phase	
	Phase One	Phase Two
Activities	<ul style="list-style-type: none"> • Preliminary findings for CSR definition and dimension. • Generate CSR scales. 	<ul style="list-style-type: none"> • Test all the hypotheses • Validate measures
Data Collection Method	<ul style="list-style-type: none"> • Literature search • Personal interviews 	Online survey
Research Instrument	<ul style="list-style-type: none"> • Published journals and articles • Interview transcripts 	Questionnaire
Data Analysis	Content analysis	<ul style="list-style-type: none"> • Factorial analysis (SPSS 17) • Structural Equation Modelling (PLS Graph 3.0)
Measuring variables	Not applicable	<ul style="list-style-type: none"> • CSR dimensions • Stakeholder satisfaction, • Stakeholder loyalty.

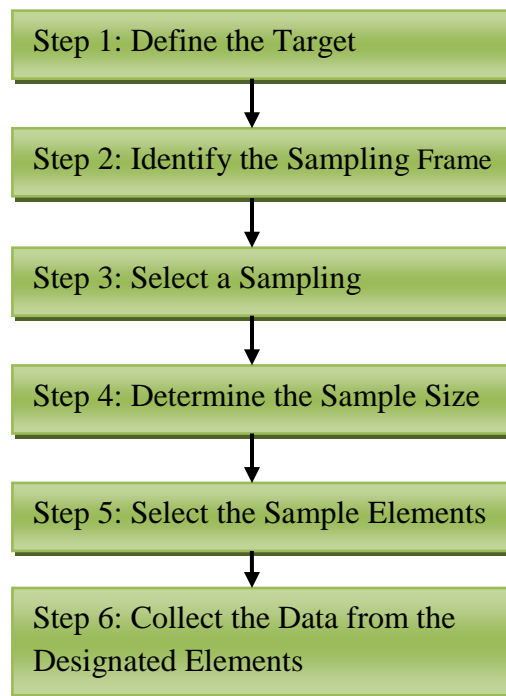
Figure 4.3 Research Design Formed for this Study



4.5 SAMPLE DESIGN

The sample design according to which the study is conducted will be discussed in detail in this section. This discussion follows the sampling procedures suggested by Churchill and Iacobucci (2002) as highlighted in Figure 4.4. It illustrates the six steps, starts with defining the population and ends with collecting the data from the designated element.

Figure 4.4 Six Step Procedure for Drawing a Sample.



Source: Churchill and Iacobucci (2002).

4.5.1 Define the Population

Population is described by McMillan and Schumacher (2001) as a group of elements or cases, whether individuals, objects, or events, that conform to specific criteria and to which we intend to generalise the result of the research. Meanwhile Wiersma (2000) described a sample as a subset of the population to which researcher intends to generalise the result. The next step was to define the population from which the sample would be drawn.

For the present research, the target population comprises selected Malaysian stakeholders. Malaysian stakeholders were chosen for two reasons. First of all, the researcher is from Malaysia. This makes data collection is easier to access by the researcher. Hence, it may reduce the time consuming faced by researcher and facilitated data collection without so much hassle. Secondly, according to the literatures, Malaysia is one of developing country in Asia which seriously implementing CSR. The CSR become a national agenda. Therefore, it is rational to assume that CSR have received good attention and awareness from Malaysian stakeholders (i.e., the internal and external stakeholders). But CSR study in Malaysia is remained limited. Appendix 4.2 shows prior studies in Malaysia. Therefore, this present research may contribute new knowledge and bridging the gap or CSR study in Malaysia. The target population comprised stakeholders from the public listed companies (PLC), government link companies (GLC), government, consumer-goods and services; and non-governmental organisations (NGOs).

Public listed companies referred to company who raised capital in the public and whose shares are listed on a stock exchange. Yatim *et al.*, (2006) stated that, in compliance with the Companies Act 1965, all listed firms in Malaysia disclose their substantial shareholders

including their 30 largest shareholders in their annual reports. Meanwhile, government-linked companies (GLC) are the established organisation who played a significant role in country economic development. Moreover these companies are given many supports to achieve the nation's vision. In terms of market capitalization, GLC account for approximately 40% of the Composite Index (CI) of Bursa Malaysia (Star, December 31, 2005) as cited in Yen, Chun, Zainal Abidin and Noordin (2007).

Meanwhile, NGO is defined as '....are formal (professionalised) independent societal organisations whose primary aim is to promote common goals at the national or international level' (Martens, 2002, p. 282). In the context of this study, NGO have the potential to influence CSR policies, as Guay *et al.*, (2004, p. 125), claimed such an organisation '...has opportunities to influence corporate conduct via direct, indirect, and interactive influences on the investment community, and that the overall influence of NGOs as major actors in socially responsible investment in growing...'.

4.5.2 Specify the Sampling Frame

The list of public listed companies (PLC) was gathered from the Bursa Malaysia website, dated January 2009. The industries were selected as a sample based on Jamil *et al.*, (2002) findings on corporate social disclosure in Malaysia. They found that companies from construction, hotel and finance sectors have contributed a higher percentage of corporate social disclosure compared to other industries such as consumer, industrial products, mining, plantation, property and trading, and services.

The public listed companies are from three industries in Malaysia, namely, construction, hotel and banking, while the non-governmental organisations are from six categories namely Charitable Organisation; Economic, Social Development and Population; Education, Religion and Culture; Environment; Human Rights and Consumerism; and Welfare. The selection of the various respondents was made based on the following definition of stakeholder groups:

1. Managers: Top level managers comprising CEOs, senior executives, higher officer or presidents of the PLCs, GLCs, government agencies and NGOs.
2. Employees: All employees at various organisational positions and levels of the PLCs, GLCs, government agencies and NGOs, excluding top level managers.
3. Consumers: Customers from the goods and service industries.

Only these stakeholders groups were selected for this study, for two reasons. The first reason was to achieve an ideal sampling frame, as time and resources were constraints in this study. The second reason was to gain access to information on respondents, and managers, customers and employees are accessible from the point of view of obtaining data.

In order to minimise potential random error in the sample selection process, consideration of an appropriate sampling technique and the sample size for the study was suggested. The ideal sampling frame as identified in many research methodology literatures is based on the assumption that it should be accessible to the researcher. Therefore, in the case of this study, the ideal sampling frame would be the lists of managers, employees and customers of public listed companies (PLC), government link companies (GLC), government, consumers- good and services; and non-governmental organisations (NGO). The availability of such lists would enable the researcher to sample the population through the

use of a table of random numbers which could ensure random sampling and prevent any bias.

This study draws its sampling from the Bursa Malaysia Website, Khazanah Nasional Berhad Website and KUL City Portal, which acted as the sources of reference when determining the sampling strategy.

Bursa Malaysia is an exchange holding company approved under Section 15 of the Capital Markets and Services Act 2007. It operates a fully-integrated exchange, offering a complete range of exchange-related services including trading, clearing, settlement and depository services. Previously it was known as the Kuala Lumpur Stock Exchange (KLSE) and on April 14, 2004, it changed its name to Bursa Malaysia Berhad, following a demutualisation exercise, the purpose of which was to enhance its competitive position and to respond to global trends in the exchange sector by becoming more customer-driven and market-oriented. Its website lists all Malaysian public listed companies, and information on those companies, such as the company's profile and annual report can be easily viewed. Details of public listed companies (PLCs) for this research were downloaded from the official website- <http://www.bursamalaysia.com>

Meanwhile, Khazanah Nasional Berhad is the investment holding arm of the Government of Malaysia entrusted to hold and manage the commercial assets of the government and to undertake strategic investments. Khazanah was incorporated under the Companies Act 1965 on 3 September 1993 as a public limited company. The share capital of Khazanah is owned by the Minister of Finance, a body corporate incorporated pursuant to the Minister

of Finance (Incorporation) Act, 1957. Details of government link companies (GLCs) for this research were gathered from the official website- <http://www.khazanah.com.my>

Whereby, KUL City Portal is an information and news portal about Kuala Lumpur in a single website, which makes it accessible and convenient for ‘web-surfers’ to look for information on one site. This portal enhances the web presence of the existing government, non-governmental & public and private sector websites/portals via web linkages. Lists of non -governmental organisations (NGOs) are given in their official website- <http://www.kul.com.my>.

Furthermore this study also established a sampling frame by counting the number of participants provided by the key informant/administrators from organisations. Some organizations published email lists that can help researchers establish a sampling frame (Wright, 2005). Once an email list is obtained, it is possible to email an online survey invitation and link to every member on the list.

4.5.3 Select a Sampling Procedure

The two steps of sampling procedures were applied in this present study. First, is to specify sampling method and secondly specify sampling plan. According to Tull and Hawkins (1993), sampling method refers to how the sample units are selected. Meanwhile sampling plan refers to the operational procedures for selection of the sampling unit. In this section, these two steps (a) and (b) are discussed in details.

a. Specify Sampling Method

Sampling method can be divided into probability and non probability samples. Burns and Bush (2000) clarified that probability samples are ones in which members of the population have a known chance of being selected into the sample. Whereas non probability samples are instances in which the chances of selecting members from the population into the sample are unknown. This study is utilised the probability techniques include multi-stage sampling.

This research uses the multi-stage sampling because they are too many units to be included in the sample, as well the possibility that samples of one group similar to each other than heterogeneous. The advantage of this sampling method is that it is not necessary to employ all units in a selected group; hence the sample size can be reduced accordingly. A sampling error may also reduce as this method can increase the heterogeneity of the sample (Burns and Bush, 2000; Aaker *et al.*, 1997).

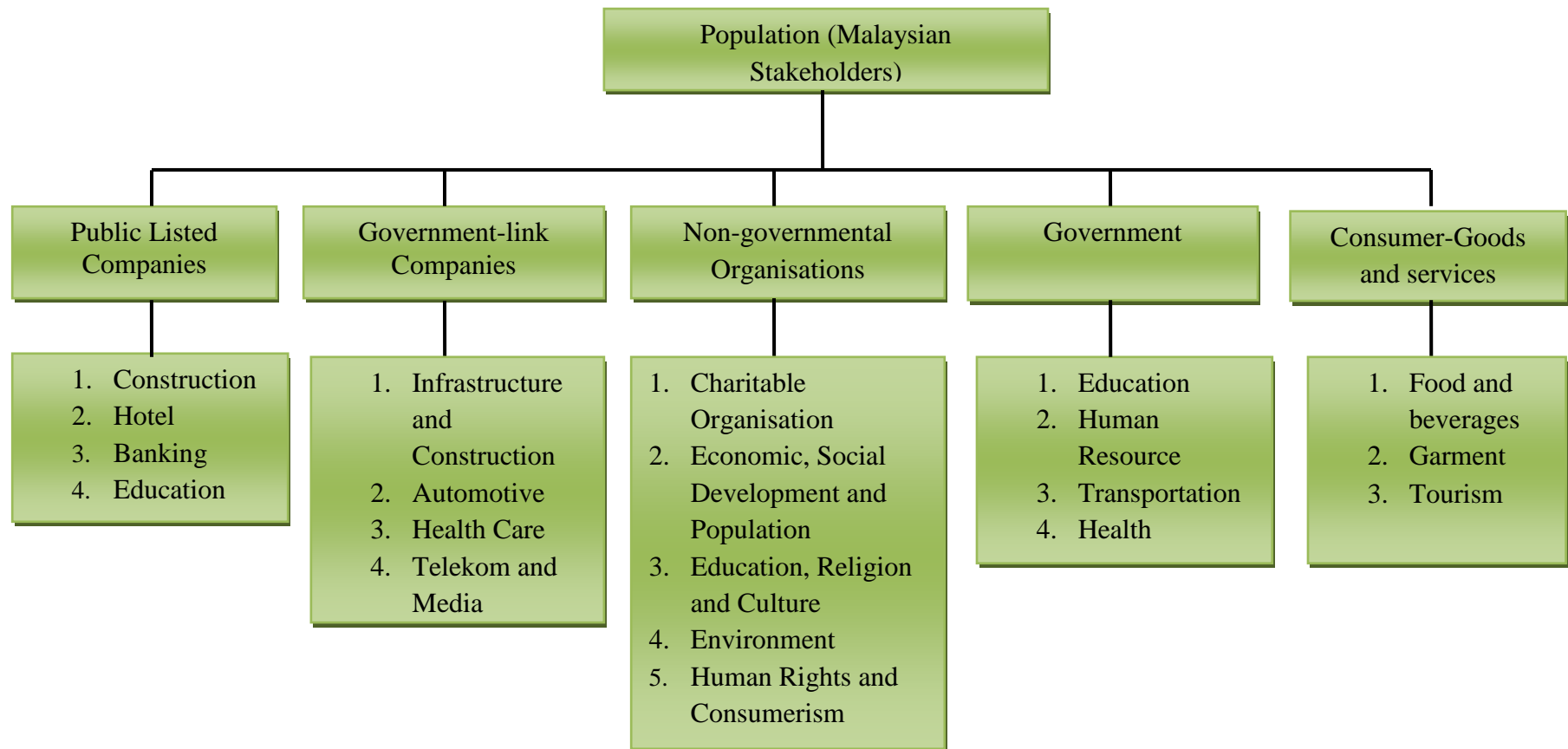
Due to several ineluctable constraints faced by this researcher, notably the cost factor, project timeliness and fieldwork mobilisation, a multi-stage sampling procedure involving purposive sampling and convenience sampling was adopted. The main reason for this selection was to ensure the data collected was representative and of high quality. At the first stage of this procedure, the study was divided into five samples, namely public listed companies (PLC), government link companies (GLC), government, consumers-good and services and non-government organisations (NGO). All the samples were then classified based on industries and categories (see Figure 4.5). This facilitated the data collection process and represented various categories.

Electronic mail or email asked for assistance from key informants is sent off to the selected organisations. The email consists of the brief information about this research, and asking permission and also their willingness to participate in research. Follow-up phone calls have been made a day after emails were sent off to ensure that emails are delivered. Most of them said that they have received the emails and promised to forward researcher's request to the person in charge. Besides that key informants are requested to help researcher provide list of potential respondents for the interviews and surveys. After two weeks, the researcher managed to get list of names and emails of the potential respondents from the key informants or/person in charge from the organisation. Most of the persons in charge were from the human resource, marketing or public relation department.

b. Specify Sampling Plan

In the current research, effort is made to minimise the actual sampling error because in sampling design stage, full controls can be made by the researcher in term of who to choose and how to choose. But when the field works begins, the researcher has limited control, in relation to who is going to participate in this research. Hence, in the actual sampling practice in the field, researcher can only influence the process. In relation to this, the current research has ensured the sample selection is not based on researcher judgements.

Figure 4.5: Multi-stage Sampling Procedure.



To improve the response rate for survey participation, the lucky draw contest was designed. Ten lucky participants for Study 1 and Study 2 were selected by Head of Departments to win GBP25.00. Meanwhile to appreciate the effort received from the interviewee, they were offered a token with the name and logo of the university. According to literature, the use of incentives is effective in increasing response rate in postal, telephone and face to face surveys (see McConaghy and Beerten, 2003; Singer *et al.*, 1999). In this study, incentive offered has helped increasing response rate for the online survey. Consequently, it will also help to reduce falsehoods during the interview. This is because the participant would feel guilty at receiving an incentive and then not answering truthfully (Burns and Bush, 2000). In addition, number of studies shows that incentives can improve data quality in terms of greater response completeness and greater accuracy, reduce item non-response and elicit more comments to open-ended questions (Brennan, 1992; James and Bolstein, 1990; Shettle and Mooney, 1999; Willimack *et al.*, 1995).

This research believe the incentive given either monetary or non-monetary both having found to increase response rate. Therefore, the incentive given should be within the research budget and participant's condition too. For example, the monetary incentive is impossible to be offered for every participant in the survey. This may cause burdensome for the research project. Meanwhile, in Malaysia's culture monetary incentive is considered inappropriate if been offered direct (face to face). This condition might put people who would like to contribute off, if they think that is how their contribution is valued. Therefore, there are considered good decision for this study to offer GBP25.00 only to 10 lucky participants for Study 1 and Study 2 and use the non-monetary forms of incentive for the interview participants.

4.5.4 Determining the Sample Size

A survey cannot be implemented properly without knowing the sample size (Aaker *et al.*, 1997). According to Chisnall (1986) the size of the sample depends on the basic characteristics of the population, the type of information required from the survey and the cost involved. Specifically, it determines how close the sample's statistic is to the true population value it represents (Burns and Bush, 2000; Tull and Hawkins, 1993). They are two commonly recommended methods used to decide on a sample's size. First, is the confidence interval approach and second, the percentage approach (Burns and Bush, 2000; Churchill, 1999; Aaker *et al.*, 1997).

In present research, the percentage approach is utilised to calculate the sample size because the researcher is incapable of estimating the standard deviation of the population. There are four major scenarios to consider in order calculating the sample size;

1. what margin of error can the study accept,
2. what confidence level do the study need,
3. what is the population size and
4. what is the response distribution.

The margin of error is the amount of error that study can tolerate. For example if 90 percent of respondents answer *yes*, while 10 percent answer *no*, the study may be able to tolerate a larger amount of error than if the respondents are split 50-50 or 45-55. Practically, 5 percent is a common choice of margin error because there is not much more accuracy possible (Burns and Bush, 2000). Lower margin of error requires a larger sample size.

Hence, this research would like the result to be accurate ± 5 percent. Table 4.4 illustrates the lower the margin of error the increase of sample size.

Table 4.4 Sample Size and Margin of Error Level

Sample size	100	200	300
Margin of error	(9.78%)	(6.89%)	(5.62%)

Source: Sample size calculator by Raosoft, Inc.

The confidence level is the amount of uncertainty study can tolerate. Higher confidence level also requires a larger sample size (see Table 4.5). Typical choices are 90 percent, 95 percent or 99 percent. In relation to this, the marketing researcher envisions that the population value is estimated to be found in 95 percent of the repeated samplings (Burns and Bush, 2000).

Table 4.5 Sample Size and Confidence Level

Confidence level	(90%)	(95%)	(99%)
Sample size	267	377	643

Source: Sample size calculator by Raosoft, Inc.

As there is no source available to indicate what is the exact number of the population size, this study uses 20000, as the sample size does not change much for populations larger than 20,000 (<http://www.raosoft.com/samplesize.html>). This research assumes the response distribution or greatest variation is 50 percent. This amount of variation refers to how close the sample's statistic is to the true population's value it represents (Burns and Bush, 2000). Therefore based on above discussion, the recommended sample size for the current research is 377. If the study provides a sample of this amount of sample size (i.e. 377) and achieves responses from all, this study is more likely to get a correct answer than the study

would from a large sample where only a small percentage of the sample responds to the survey.

4.5.5 Specify the Sampling Unit

Tull and Hawkins (1993) defined sampling unit as the basic unit containing the elements of the population to be sampled. As discussed earlier, the sampling unit for this study is the individual stakeholder of Malaysia (e.g. CEO, senior manager, manager, employee, housewife and student).

4.5.6 Section Overview

The research population was determined in this section. The use of a non-probability sample with multi-stage of sampling procedure is introduced. Besides that, the approach to increase the response rate has also been discussed. Finally, the commonly accepted percentage method was used to specify the sampling unit of the present study. As aforementioned, the planned sample size for this study is 377.

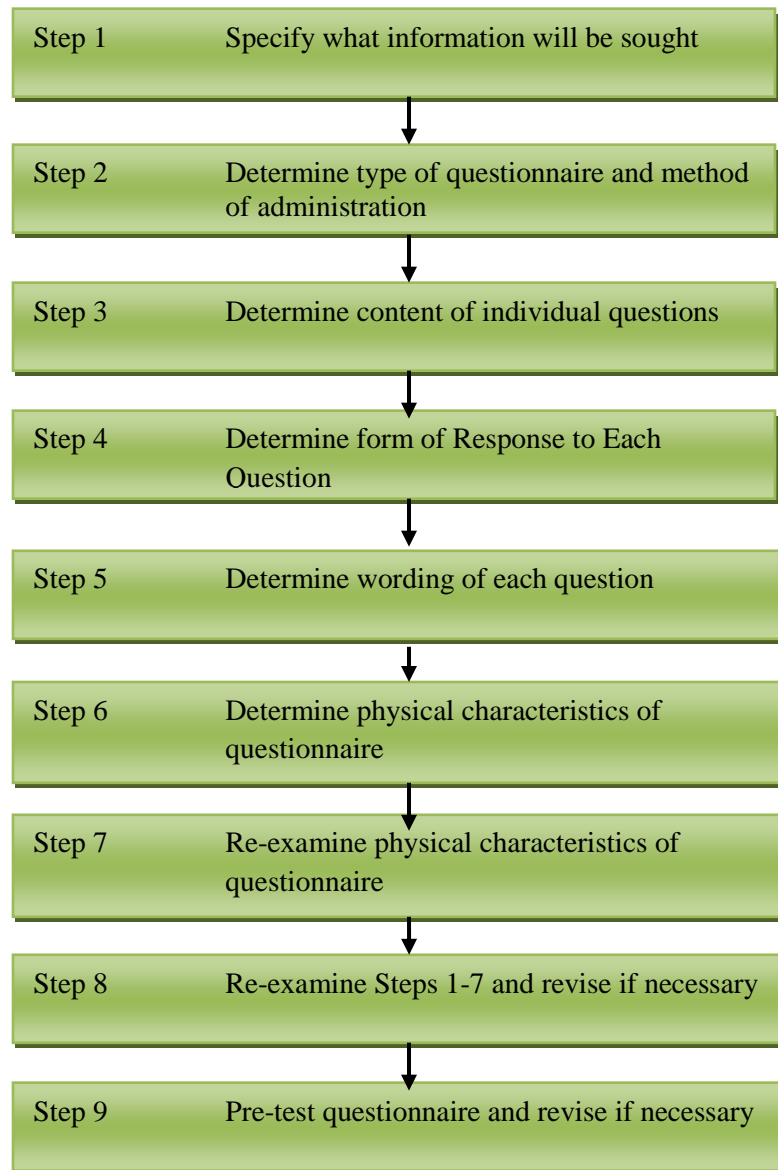
4.6 QUESTIONNAIRE DESIGN

A questionnaire is considered the appropriate research instrument for the study and an important step in formulating a research design. According to Malhotra (1996) a questionnaire is also called a schedule, an interview form or a measuring instrument. Thus, a questionnaire is a formalised set of questions for obtaining information from the respondents. A well-designed questionnaire can ensure comparability of the data, increase speed and accuracy of recording, and facilitate data processing. In contrast, a poorly-designed questionnaire can lead to response error (Malhotra, 1996; Kinner and Taylor, 1996) and will cause reduction of the reliability of research findings (Aaker *et al.*, 1997). This section explained to the entire questionnaire design process and research instrument for pilot survey.

4.6.1 Questionnaire Design Process

In order to avoid in serious error (Kinner and Taylor, 1996), this research is guided by the procedure recommended by Churchill (see Figure 4.6). But the present research is not restricted to the suggested procedures. Besides that, two round of pre-test (i.e. pilot study and Study 1) followed provide further assistance in obtaining an effective and efficient questionnaire.

Figure 4.6 Procedures for Developing a Questionnaire.



Source: Churchill (1999, p. 329).

4.6.1.1 Step 1:

A great amount of effort was put into reviewing the relevant literature in order to have a better understanding of the research purpose. Following the suggestion of Aaker *et al.*, (1997), the research objectives were used as a guidance to identify the information

requirements. This step is to ensure that data collected through the research instrument serves the overall research purpose.

4.6.1.2 Step 2:

A questionnaire can be divided into unstructured or structured question (Malhotra, 1996). Oppenheim (1966; 2000) described unstructured questions (open-ended questions) as questions which are designed not to follow by any kind of choice; whereas structured question (closed-ended questions) offers the respondents a choice of alternative responses. In general both have their advantages and disadvantage (Oppenheim, 1966; 2000). The closed-ended questionnaire is utilised more in this study, because it is more suitable for a large survey (Churchill, 1999). But one section employed the open-ended question because it is useful for exploratory research. This study also found that the closed questions are easier and quicker to answer and are easy to process (Oppenheim, 1966; 2000).

Churchill (1999) considered the type of questions (open versus closed) and the type of data requested give important effects on the choice of data collection. He added, questionnaires can be administered in person, by telephone and by mail survey (Churchill, 1999). Recently, online survey has become a new method for scholar to reach the population (Wright, 2006). In addition many organisations have moved to online and many of them are aggressively using the internet for the medium of communication. Therefore, the use of online survey is appropriate and useful for the researcher in this present study because it provide access to individuals in distant location as the administration of the survey is done from two different locations³.

³ The researcher is based in Hull, United Kingdom when the research is conducted and the participants are the individual stakeholders from Malaysia.

Moreover, in personal interviews, respondents have been interviewed using a semi-structured interview. This method was chosen because it offered an opportunity to correct misunderstandings and control for incompleteness; and often achieve a higher response rate (Oppenheim, 1996; 2000). Due to time and cost limitation for this research, 40 potential respondents were contacted but only 24 of them are willing to be interviewed in this research project. Though, only 24 participants were involved but their background are from different industries and sector, different positions (range from CEO to clerk) and different experience with CSR.

4.6.1.3 Step 3:

The content of questionnaire⁴ covers measures of all constructs embraced in this research conceptual model. In addition all questions are carefully designed to ensure this present research would successfully answer its research questions and research objectives. The content related to CSR questions is using the developed measure by this present research. (See Chapter 5 and Chapter 6 for development of the CSR measures in details). Whereas, the content of stakeholder loyalty and satisfaction questions are adapted from established measures developed by the previous studies. In total, eight items were adapted to measure the dependent and mediating variable and Table 4.6 shows the summary of measuring variables in this study.

⁴ Note: the questionnaire is not translated into Malay language. Please refer to Chapter Six for further explanation.

Table 4.6 Variables used in the Present Research.

Type of variable	Name of variable	Items to measure	Authors
Independent	Corporate social responsibility (CSR)	50 items	Developed in the current research.
Dependent	Stakeholder loyalty	4 items	Revised Ismail <i>et al.</i> , 2006; Odin <i>et al.</i> , 2001.
Mediating	Stakeholder satisfaction	4 items	Revised Oliver, 1980; Taylor and Baker, 1994; Caruana <i>et al.</i> , 2000.

4.6.1.4 Step 4:

Aaker *et al.*, (1997) suggested the range of opinion on most issues can best captured with five or seven categories. But more complex scoring methods have shown to possess no advantage (Oppenheim, 1966; 2000). Hence, this study utilised a five-point Likert scale to measure the majority of constructs involved in this research. The five-point scale is chosen because it is more manageable and less off-putting to respondents. Numbers 1, 2, 3, 4 and 5 are assigned to the response categories as the respondents' feedback can be treated as interval data. Specifically, favourable statements are scored 1 for 'strongly agree', up to 5 for 'strongly disagree'.

4.6.1.5 Step 5:

Designing a question involves translating the question content and structure into words that respondents can clearly and easily understand (Malhotra, 1996). This task is considered as the most difficult process in developing a questionnaire (Malhotra, 1996; Churchill, 1999). According to Churchill (1999) poor phrasing of a question can cause problem for respondents to answer the question correctly, because of mis-understanding. Furthermore, poor wording in questionnaire may also cause 'response error' (Malhotra, 1996) which can lead to biased results. In order to avoid those problems, this study prepared a list of

guidelines that can be applied to the current research. This guideline was based on previous works (e.g. Aaker *et al.*, 1997; Churchill, 1999; Malhotra, 1996; Oppenheim, 2000). The guideline includes: 1. avoid double-barrelled questions, 2. use simple words, 3. avoid acronyms, abbreviations, jargon and technical terms, 4. avoid leading questions, 5. beware loaded words and 6. avoid overlapping categories. The pilot study plays a very important role to this part of the research. One of its valuable contributions is helping to achieve a better question wording. Besides that, pilot study in this research is to help view the respondents' understanding and how they interpret of phrases.

4.6.1.6 Step 6, 7 and 8:

The physical appearance of the questionnaire can affect the accuracy of the respond or feedback from respondent (Mayer and Piper 1982; Sanchez, 1992). With the help of web survey software packages and online services, this study also could make the 'appearance' of the online survey accessible. The present study is using the SurveyMonkey software packages and online services to design the questionnaire and also link the questionnaire for access. Normally, the questionnaire includes with a covering letter. Cover letter through email was also prepared (see Appendix 4.3) with particular instruction to ensure that the respondents know how to access the questionnaire. (Since the software used has some restriction on its limited features). Therefore, in designing the questions 'physical appearance' is solely depends on the available features and template (see Appendix 4.4). Hence, the questionnaire was re-edited carefully, followed by an overall re-examination of Step 1 to 7. Necessary revisions were made before and after the Pilot Study.

In relation to this step, the current study uses a Likert scale technique. Rensis Likert is the one who introduced this scale in 1932. This type of scale consists of the item part and the

evaluative part. The item part refers to a statement about a certain product, event, subject and so on. The evaluative part is a list of rating or response categories ranging from 'strongly agree' to 'strongly disagree'. From this range of categories, respondents are asked to indicate their degree of agreement or disagreement with each and every statement provided in the particular question.

4.6.1.7 Step 9:

Pre-testing a questionnaire is occurs when the research has completed its initial questionnaire but the question is yet ready to be used for the main survey. Given that Churchill (1999) also suggested that data collection should begin with an adequate pre-test of the instrument. Similarly, Reynolds, *et al.*, (1993); Reynolds and Diamantopoulos (1998) and Churchill (1999) added that pre-testing a questionnaire is an important part of the questionnaire development process. For this study, Pilot Study and Study 1 are used to do the pre-testing. These pre-tests are discussed in the following chapters (see Chapter Five and Chapter Six).

4.7 METHOD OF DATA COLLECTION

As per discussed in research design section, this current research used three method of data collection (i.e., literature search, interview and survey). Following section discussed on the methods used and rationale for chosen those methods.

4.7.1 Literature Search

This study used the systematic review of the literature to construct the definition and dimension of CSR; and developed CSR items. The selection of journals and articles involved three steps and was Phase One of the study. First, this study identified literature published since 1953, describing CSR definition and dimensions or analyzing and measuring CSR. From that, the researcher created a table and bibliography. This study used CSR, searching with the following key terms *CSR definitions*, *CSR dimensions*, *CSR problems*, *CSR measurement* and for all relevant academic journals published between 1953 and 2009. Second, the researcher searched and identified additional references from the books and practitioners' relevant articles. Third, the raters were invited to cross-checked the content during the data analysis (see section 4.8 for details).

The literatures were systematically reviewed using a table to outline the following information: year of study; author; methodology, study contribution; problem and limitation; and how to overcome the problem. In general, this study devoted more efforts and time into these activities in order to ensure it gathered all the information needed properly. In doing so, the data gathered are very helpful to the researcher before and after the interviews, which allows the researcher to understand the subject prior and after the fieldwork.

4.7.2 Rationale for the Use of Literature Search

Taking into consideration the fact that CSR is complex; unresolved arguments regarding the constructs and measures, it is decided that a systematic literature search will help the researcher to understand more about the subject. Moreover, this approach is helping the present study with its inductive and deductive process. As a result, this review helps to extend the knowledge from the experts (i.e. scholars). This review also shows that how CSR is defined and CSR items can be developed.

4.7.3 Interview

The multiple-stakeholders were chosen as a research sample because each firm faces a different set of stakeholders. Clearly, this will aggregate into unique patterns of perceptions and expectations. Freeman classified stakeholder as ‘any group or individual who can affect or who is affected by the achievement of the firm’s objective’ (1984, p.25). Further, most of the stakeholders are involved with CSR activities directly or indirectly.

The face-to-face meeting was convened from October 09, 2009 and completed on November 30, 2009 in Malaysia. As discussed in previous section, stakeholders were picked from five different sectors and industries (i.e., public listed company, government-linked company, government, consumer-good/service and non-governmental organisation). Hundreds of organisations were selected and only forty companies were willing to cooperate. Emails and letters were sent out to these forty organisations for interview appointments. But finally only nineteen organisations responded and agreed to provide access for research. For consumer –product and service category, the respondents were identified through the snowball technique from the employees’ members or firms’ referral.

Four people willing to participate in this study. The consumer interviewed included practical trainee (student) and spouse of the employees. In order to gather insights into the views of stakeholders, the research is qualitative and fundamentally interpretive in its approach. Since CSR is emerging phenomenon with social constructed, therefore the researcher paid particular attention to the ways the respondents understood CSR within their context and experience.

Before interview starts, the researcher studied several rules of interviewing and qualitative data handling (Bourgeois and Eisenhardt, 1988; Spradley, 1979; Yin, 1984; 2003). The information email and appointment call is made prior the meeting. Emails have been sent out two months earlier and follow-up email to respondents a week prior the meeting. Besides that a phone call was made to the respective respondent a day before the interview held in order to verify the confirmation that was made earlier. An interview guide was developed and each interview was around an hour. The interview were recorded then transcribed.

During each interview, respondents were encouraged to speak as much, or as little, as they wished about the topics. The researcher only probed to seek clarification and to explore their views further where more explanation was required. In a few cases, some of the interview transcripts were verify for accuracy by the respondents. This happen to those audio-taped which are not clear when listening through-out transcribing processed. Each transcript was pre analysed immediately following the interview and used as a basis to explore emerging themes in subsequent interviews. Follow-up interviews were conducted

through phone calls and emails with several respondents to verify themes that emerged in subsequent interviews.

4.7.4 Rationale for the use of Interview

In the business world, the practitioner also comes across various CSR definitions. In fact, many of those in the business world, particularly managers, have a limited understanding of the CSR construct. As a result of this, their knowledge and perception and expectations of CSR shape the direction of CSR strategies. In view of the importance of practitioners' knowledge, it is appropriate to identify how managers define CSR. As far as the researcher is aware, no previous research has undertaken a structured analysis of CSR definitions from the perspective of a developing country like Malaysia. Besides a literature search, this study developed a comprehensive and representative set of CSR meanings and CSR dimensions by undertaking 24 personal interviews, as suggested by De Chernatony and Riley (1998). Given the nature of the research, the most appropriate approach is to conduct qualitative focused (or semi-structured) interviews (Aupperle *et al.*, 1985). This allowed answers to scientific inquiry in terms of the subjective characteristics of CSR.

Semi-structured interviews were carried out after examination of literature. It was decided to carry out interviews after the themes had been analysed from literature as that would enable the researcher to discuss the results using literature and more up-to-date evidence from the interviews. Some prior knowledge of the CSR items and issues being investigated from the literature could also assist the researcher in conducting interviews more confidently and in a more organised manner. Additionally, the basic themes could be discovered alongside the interview sessions.

The semi-structured interview is allowed open-ended probes and encouraged the respondents to use their own terminology and steer the interview toward issues that they felt best represented interviewee own experience. As such the interviews allowed the respondents to engage in a stream of consciousness and to provide thick descriptive data. In a semi-structured interview 'an interview guide is usually provided in order that information about the same topics can be obtained from all respondents but the extent of probing and exploration depends on the interviewer' (Smith, 1972, p. 120).

There are three main reasons for conducting personal interviews. The first is to gain further insights into issues that may influence a respondent's disclosure/discourse on CSR definition. Interviews can help identify other themes affecting disclosure/discourse that are not easily or not already captured in a literature reviews. They can also shed light on some of the reasons for current CSR definitions (e.g., why CSR is defined as 'economic'). Secondly, interviews can provide a basis for supporting or clarifying results obtained from thematic analysis in the literature. In this way, apart from complementing thematic analysis result from the literature, interviews are expected to enhance the interpretation of findings from content analysis and to assist in the next stage of analysis. To derive a definition is a matter of subjective understanding and belief, which potentially involves factors that are sensitive in nature. Face-to-face interviews are considered appropriate in situations when 'the subject matter is highly confidential or commercially sensitive or where the respondents may be reluctant to be truthful about the issue other than confidentially in a one-to-one situation' (Easterby-Smith *et al.*, 2001: p.74). Thirdly, interviews help to compare the definitions in previous literature. De Chernatony and Riley (1998) also used interview approach to compare brand definition from experts' definitions and branding

literature. They counted the number of experts mentioning identified themes from literature. Therefore the current research assumed the interview as rational approach to use in this study.

4.7.5 Online Survey

An online survey research is seen evolving after a tremendous increase of internet use and computer-mediated communication (Fox, Rainie, Larsen, Horrigan, Lenhart, Spooner and Carter (2001) as cited in Wright, 2003; Horrigan (2001) as cited in Wright, 2003; Nie and Erbring, 2000; Nie, Hillygus and Erbing, 2002). This new medium has presented researchers with new challenges in terms of applying traditional survey research methods to their studies (Andrews, Nonnecke and Preece, 2003; Bachmann and Elfrink, 1996; Stanton, 1998; Witmer, Colman and Katzman, 1999; Yun and Trumbo, 2000). The survey authoring software packages and online survey services make online survey a ‘pleasant’ appearance, much easier and faster. There are currently many useful online survey package and web survey services available for researcher to use. Table 4.7 illustrates the prominent packages and services.

This present study is aware of the advantages and disadvantages associated with conducting survey research online. Hence, online survey using the SurveyMonkey is adopted in data collection for Pilot Study, Study 1 and Study 2. There are three major contributions of online survey to this study: 1. to *access* to individuals stakeholder in distant locations (i.e. United Kingdom - Malaysia), 2. the ability to *reach* difficult to contact participants (e.g. CEO of an organisation, president of an non-governmental organisation, higher officer in government agencies), and 3. the *convenience* of having automated data collection, which

provide a variety of templates to create and implement online surveys more easily, as well as can export data to statistical software packages.

Table 4.7 Twenty Web Survey Companies

No.	Web survey company	Web addresses
1	Active Websurvey	http://www.activewebsoftwares
2	Apian Software	http://www.apian.net
3	CreateSurvey	http://www.createsurvey.com
4	EZSurvey	http://www.raosoft.com
5	FormSite	http://www.formsite.com
6	HostedSurvey	http://www.hostedsurvey.com
7	InfoPoll	http://www.infopoll.net
8	InstantSurvey	http://www.netreflector.com
9	KeySurvey	http://www.keysurvey.com
10	Perseus	http://www.perseus.com
11	PollPro	http://www.pollpro.com
12	Quask	http://www.quask.com
13	Ridgecrest	http://www.ridgecrestsurveys.com
14	SumQuest	http://www.sumquest.com
15	SuperSurvey	http://www.supersurvey.com
16	SurveyCrafter	http://www.surveycrafter.com
17	SurveyMonkey	http://www.surveymonkey.com
18	SurveySite	http://www.surveysite.com
19	WebSurveyor	http://www.websurveyor.com
20	Zoomerang	http://www.zoomerang.com

Source: Wright, (2005).

Apart from the aforementioned contributions, the online survey may save *time* and *cost* for the researcher. As Bachmann and Elfrink (1996), Garton *et al.*, (2003), Taylor (2000) and Yun and Trumbo (2000) noted, online surveys allow a researcher to reach thousands of

people with common characteristics in a short amount of time, despite being separated by geographic distances. Online survey researcher can also save administrative cost for fieldwork. The costs of a traditional survey using mailed questionnaires can be enormous. Thus, the online survey circumvents this problem by eliminating the need for paper, postage and printing cost (Wright, 2005).

However, online survey may face some *access issues*. For example there are potential the invitation sent by email for participation went through the ‘spam’ inbox (Andrew *et al.*, (2003) or the respondents behaviour is rude or offensive (Hudson and Bruckman, 2004) to give feedback. But this study has foster ‘goodwill’ between the researcher and contacted organisations by offering to provide them information about the results of the study. Besides that the researcher has try to develop a good rapport with the key informants. One way to ensure the email was received to participant is to do the follow-up phone call to the key informant; she or he can confirm about the email delivery.

In addition, when conducting online research, researcher cannot avoid from facing the sampling problems (Andrews *et al.*, 2003; Howard, Rainie and Jones, 2001). Given that, Dillman (2000) and Stanton (1998) have pointed that it is hardly to know about the characteristics of people in online communities because their basic demographic variable could be questionable. A number of organisation website offering access to contacting them or provide information regarding their staff email lists in that web page. However, there is no guarantee that information or details provided is accurate and up to date information.

Moreover, response rates in online survey may be questionable because response tracking is difficult to ascertain in large population (Andrews *et al.*, 2003). Undoubtedly there might be some respondents who are more likely than others to complete an online survey, by accessing the survey more than one time. Consequently, there is a tendency of some respondents to respond to the invitation to participate, while others ignore it, leading to systematic bias (Wright, 2005). Therefore, these sampling issues inhibit researchers' ability to make generalisations and non-response bias about study findings.

However, this current study has made efforts to overcome those limitations. A solution to control from having a 'multiple responses', this study has designed features to filter questions (to tailor surveys to individual characteristics of survey respondents) or 'response tracking'. By doing this, participants' internet protocol (IP) address and email are submitted to the programme when they complete the survey. Once they have completed the survey, the survey program will remembers the participant's IP address and email; and does not allow anyone using that same IP or email to access to the survey. In short this action may avoid from the respondents to access to the questionnaire more than once times. In addition, this study also applied a required answer feature when designing the questionnaire template, which helps to only submit survey data that items are responded to.

4.7.6 Rationale for the use of Online Survey

Current web survey product and services (i.e. SurveyMonkey) have greatly facilitated the process of creating and conducting online surveys in this present research. As discussed in previous section, online surveys has save the researcher time by allowing researcher to collect data while she works on other tasks. Once an invitation to participate in a survey is

posted and emailed to respondents, the researcher may collect data while they working on other research activities (Andrews *et al.*, 2003; Llieva, Baron and Healey, 2002). Besides that it helped this study to access and reach population easily. Given that, using this method does necessarily help this research in data collection, nevertheless of its own unique advantages and disadvantages.

4.8 METHOD OF DATA ANALYSIS

This section explained in details methods of (i.e., activities/procedures) analysing the data collection. Besides that the rationale for the use of those analyses were also discussed.

4.8.1 Content Analysis

The researcher has exacting in delineated what is included in the definition of CSR and what is supposed to be excluded. Themes were constructed and developed themes to apply to the assessment of CSR definitions in the literature and interview transcripts. The main task in developing the themes was in determining words that might be regarded to as CSR definition. It was imperative that the themes reflected CSR definitions regarded as sufficiently important and relevant to be disclosed in literature. Consistent with the approach taken in previous literature, reference was first made to theme employed in prior studies (Carroll, 1979; Romlah *et al.*, 2003; Zain and Jangu, 2006; Dahlsrud, 2008). The following steps were taken to construct the theme:

1. To ensure the relevance and applicability of the CSR definition to this study, it was decided that the preliminary list should resemble the CSR definition from its original text. Reference was also made to the studies employed by Carroll (1999) and Dahlsrud (2008), as they represent categorisations of CSR in literatures

reviewed at the beginning of this research. It is noted that in all these studies the categorisations constructed were based on authors' assumptions.

2. Reference was then made to the supervisor and other academic personnel to check the theme construct.
3. The list of themes compiled from literature was then subjected to combination with themes discovered from the interviews.
4. Expert opinions were then sought (counter-checking with interviewees and academic personnel)
5. The list was then tested on its purification using a statistical test.

The Thematic Analysis Construct

Themes and expressions are two terms, the linkage between which is still discussed by social scientists until today. They tend to refer to different terminologies (see Table 4.8). Anthropologists, such as Morris Edward Opler, view the identification of themes as relating to cultural analysis. Opler (1945, p.199) observed that;

“All these translations of a theme into conduct or belief I call its expressions, a term by which is designated the activities, prohibition of activities, or references which result from the acceptance or affirmation of a theme in a society. The expressions of a theme, of course, aid us in discovering it”.

Opler (1945) established three main principles for thematic analysis. First, he asserted that themes are discoverable through the manifestations of expressions in data, and that expressions are meaningless without some reference to themes. Second, he observed that

some expressions of a theme are obvious and culturally agreed upon, while finally he noted that cultural systems comprise sets of inter-related themes.

Table 4.8 Terminology of Theme by Scholars

Year	Author	Terminology used
1945	Opler	Expression
1967	Glaser and Strauss	Categories, incidents
1980	Krippendorf	Thematic units
1985	Lincoln and Guba	Units
1990	Strauss and Corbin, Tesch	Concepts Segments
1993	Dey	Data-bits, labels
1994	Miles and Huberman	Codes, chunks

Source: Ryan and Bernard (2003).

He further noted the four basic guidelines to identify any theme. As cited in Ryan and Bernard (2003), Opler (ibid, pp.87) stated that theme is related to;

“(1) how often it appears, (2) how pervasive it is across different types of cultural ideas and practices, (3) how people react when the theme is violated, and (4) the degree to which the number, force, and variety of a theme’s expression is controlled by specific contexts.”

The above explanation shows that identification of theme is complex and may involve systematic methods. However, Ryan and Bernard (2003, p.87) identified themes as very simple terminology. To them

“theme and ‘expression’ more naturally connote the fundamental concepts we are trying to describe. In everyday language, we talk about themes that appear in text, paintings, and movies and refer to particular instances as expressions of anger and evil”.

They realised that themes are abstract and come in different shapes and sizes (i.e. images, sounds and objects). Ryan and Bernard's assumption shows that these authors viewed themes as simply basic ideas used under many guises. However, they understood that different expressions may describe themes in different conceptual contexts. As such, to manifest the theme with meaning which could be agreed upon, Ryan and Bernard recommended that theme identification should go into systematic techniques and process.

Therefore, Ryan and Bernard (2003) described eight techniques to identify themes in text (i.e. Repetitions, Indigenous Typologies or Categories, Metaphors and Analogies, Transitions, Similarities and Differences, Linguistic Connectors, Missing Data and Theory-Related Material. They also identified four approaches to process theme in texts (i.e. Cutting and Sorting, Word Lists and Key Words in Context (KWIC), Word Co-Occurrence, and Meta-coding).

The following sections elaborate the technique and process of themes used in this study.

The categorization and analysis of emergent concepts and ideas (Miles and Huberman, 1994) and constant comparison of these concepts (Glaser and Strauss, 1967) techniques were used to identify common themes. An interview summary form was prepared after each interview to highlight emergent themes, variables, and other issues of interest. This study performed these different analyses as a form of triangulation (Jick, 1979) to provide confidence in findings. In the sorting process of interview data is not easy as to sort out the key words from the literature data. The researcher needs to read and re-read the transcribed text several times. Some of the respondents managed to answer the question asked, quite straight forward. But many of them tend to inform on other things, then back to the

question asked. Therefore, the researcher has to understand exactly, what the respondent is trying to state within the research context.

4.8.2 Content Analysis Procedures

Content analysis involves establishing categories and then counting the number of instances in which they are used in text. It is a partially quantitative method, which determines the frequencies of the occurrence of particular categories. Thus, by undertaking content analysis of scholars work and stakeholders view would have a tendency for the researcher to categorise and identify themes for CSR in this study. In order to meet the *objectivity* criteria, as mentioned earlier the researcher has used ‘word’ and ‘theme’ for the coding process. Prior the coding process, text concerning CSR definition and dimension was extracted. In an effort to uniformly capture the CSR domain, this study searched used keywords such as ‘Corporate Social Responsibility’, ‘CSR definition’, ‘CSR dimension’, ‘CSR measures’, ‘CSR construct’ and ‘CSR scale’. The entire process of developing the coding scheme and identifying themes are discussed in the following paragraphs.

First the key words elicited from these qualitative data using *cutting and sorting process*. As suggested by Ryan and Bernard (2003), as a first approach to identify themes in the text, this study is using sorting and word lists and key words in context (KWIC). During the initial readings and first round of sorting of the text, emergent keywords and themes were highlighted with different colours. The texts were then subjected to a second examination to ensure that words, phrases or themes that could be classified in the same category had been highlighted with the same colour. A third examination was undertaken to ensure all parts of the texts were accordingly categorised. The keywords and themes identified were

then arranged in a table to enable scoring of the frequency with which each appeared in the texts. In the following paragraph is explaining in details how the qualitative techniques are applied in this study.

Second, in order to identify underlying CSR domains, the qualitative data were analysed using *categorical process*. Next, after sorting and completing the key word lists, the researcher further analysed the qualitative data (text content). The researcher further analysed text according to categorization. During the readings of the text content, researcher identified numerous first-order terms and concepts. Ryan and Bernard (2003) identified this technique as ‘repetition’. The researcher devoted subsequent readings to assembling these concepts into categories that defined similar ideas, issues, or relationships that had relevance from the texts.

Next, the researcher used a form of constant comparison from different texts and times to discern the shared concepts. The researcher developed comprehensive cross-reference lists to keep track of category commonality relationships among major concepts or theory related material (Ryan and Bernard, 2003) and the ‘emerging’ themes. The researcher next used theoretical sampling to further explore the data, as suggested by Strauss (1987). The researcher focused on convergent concepts, quotes, decisions and actions, and their relation to the evolving categories and themes that emerged from the first stage of analysis. On the basis of this analysis, the researcher merged some overlapping categories. Then the researcher assigned second-order, theoretical labels to the emergent themes. The researcher used these second-order themes, as suggested by Van Maanen (1979), to capture the scholar categories at a higher level of abstraction. The researcher derived these labels either

by developing a more general label that subsumed the first-order categories or by reference to the existing literature that described the emergent themes well. The researcher then conducted a final iteration of constant comparison to decide whether enough evidence existed to support identified themes as a reportable ‘finding’. Finally, the researcher assembled the second-order themes into aggregate analytical dimensions that provided an ordinate organizing framework for organizing the emerging findings.

Third, the *gestalt process* was used to assess convergence across the multiple analytical techniques to establish confidence in study findings (Van Maanen, 1988). In addition to these qualitatively rigorous analyses, the researcher conducted an impressionistic analysis (Van Maanen, 1988) to try to gain a general sense of patterns in the data. Overall then, the researcher assessed convergence across the multiple analytical techniques to establish confidence in study findings. The researcher has structured the findings below according to the dominant emergent themes. The researcher presents them mainly in second-order terms, because these representations most clearly show the underlying concepts in operation. The researcher has, however, included quotes from scholars and stakeholders to demonstrate the character and origin of the emergent themes.

Next, the process of analysis using above method were discussed in the following section.

Cutting and Sorting Process for Developing Coding Scheme

Following section is explained on how cutting and sorting process was done on literatures and interview texts.

a. Cutting and Sorting Process from Literatures

The unit of analysis is a constellation of word ‘economic’ which is abstracted from sentences or paragraph of CSR definitions. A code (i.e. economic) is condensed from the text. Twenty-one authors mentioned the word ‘economic’ in their CSR definition. Overall, economic is mentioned twenty-eight times by those scholars in their definitions of CSR. The text is extract from the original text. The researcher highlighted the word ‘economic’ and numbered. The text is presented into tables to ease the sorting process. The scholar’s definitions were arranged according chronologically. Table 4.9 shows example of the sorted word lists and key words in context (KWIC) for literature.

Table 4.9 Examples of Sorted and Key Words for Literature

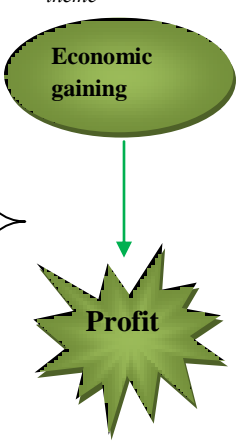
Authors and Year	What is the definition of CSR?
Frederick (1960)	<p>SRs mean that businessmen should oversee the operation of an economic (1) system that fulfils the expectations of the public. And this means in turn that the economy’s means of production should enhance total socio-economic (2) welfare.</p> <p>SR in the final analysis implies a public posture toward society’s economic (3) and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms (p.60).</p>
Davis and Blomstrom (1966)	<p>Social responsibility, therefore, refers to a person’s obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interests of others who may be affected by business actions. In so doing, they look beyond their firm’s narrow economic (4) and technical interest (p.12).</p>
CED (1971)	<p>The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic (5) function-products, jobs and economic growth.</p> <p>The intermediate circle encompasses responsibility to exercise this economic (6) function with a sensitive awareness of changing social values and priorities: for example, with respect to environmental conservation; hiring and relations with employees; and more rigorous expectations of customers for information, fair treatment, and protection from injury (p.15).</p>

Next, after sorting and completing the key word lists, the researcher analysed literature according to categorization and theme analysis. Table 4.10 shows the progression of the categorical analysis for literature content. To explain this categorical analysis process, here the researcher is using the same example as shows in Table 4.9, the often-used ‘economic

obligation' phrase. The researcher assembled these concepts into categories that defined similar ideas, issues, or relationships that had relevance for the scholar (see column 1 of Table 4.10). Here, it means that the researcher also condensed the meaning unit and its description close to the text. Next, the researcher developed comprehensive cross-reference lists (e.g., performance and profitable), relationships among major concepts (e.g., function and system), and the emerging themes (e.g. concern with the company development or profit). Then researcher assigned second-order, theoretical labels to the emergent themes (column 2 of Table 4.10). The researcher derived these labels either by developing a more general label that subsumed the first-order categories (e.g., action and responsibility).

In other words, the researcher is condensing the meaning unit and further interpreting the underlying meaning. Finally the researcher assembled the second-order themes into aggregate analytical dimensions that provided an ordinate organizing framework for organizing the emerging findings (column 3 of Table 4.10).

Table 4.10 Examples of Progression of the Categorical Analysis for Literature

First Order (scholars) concept	Second Order Theme/Sub-theme	Proposed Themes
<ul style="list-style-type: none"> • Economic system to fulfils the expectation of the public • To enhance socio- economic welfare • Exercise the economic function with a sensitive awareness • Economic development to improve quality of life • Firm's consider and response to issues beyond the merely economic 	Implies concern toward society's economic Be responsible to economic Make an action to issues raise by society	<div> <p>'theme'</p>  </div>
<ul style="list-style-type: none"> • Desired ends of society in economics • Organisational economic actions to particular interest group • Economic development working with employees, families and local community 	Stakeholders' demand	
<ul style="list-style-type: none"> • Firms' narrow economic and technical interest • Efficient execution of the economic function-products • Economic effect it has in society • Integration of economic • Economic dimension in business 	Concern with the company development or profit	

From Table 4.10, it shows that two themes have emerged here, that are CSR as ‘economic obligations’ and ‘economic indicators’. As an example here, it became clear that CSR is related to an ‘economic’. The scholars saw that economic contribution is important and may effects the quality of society’s life in the long run. Besides fulfilling the needs of society, the firm also benefit from CSR in term of gaining profit. Firms’ efficiency in managing CSR can contribute to the company growth and development.

Following section (b) is illustrates the cutting and sorting process for the interview transcripts.

b. Cutting and Sorting Process from Interview

Next, three examples of how the researcher condensed code from the interview transcripts are illustrated in Table 4.11 (a), Table 4.11 (b) and Table 4.11 (c). These three examples were chosen because they provide different levels of data when condensing the code in first order. For Example 1, the researcher considered this text as ‘high rich’ text as it provided a lot of information to condense. Similarly for Example 2 as it provided ‘medium rich’ text. But Example 3 has shown less information compared to the other two, thus the researcher considered this as ‘low rich’ text. These examples also refer to different type of stakeholders.

In Example 1, stakeholder ‘V’ highlighted various views on CSR during the interview and she provided ‘rich’ information for developing themes. For instance, she mentioned about CSR ‘giving back to the society’. She also defined CSR as improving the quality life of people. Besides that, ‘V’ feels that CSR is not similar to social responsibility as this issue has been argued by many scholars in previous research. The researcher think stakeholder

‘V’ managed to provide ‘high rich’ text because she is an academic and professor by profession. Her understanding about CSR is very good indeed because of the exposure and her background.

Table 4.11 (a) Sorted and Key Words from Example 1 (Stakeholder ‘V’).

First order view	
Emergent coding	Word sorted
(Information)	<p>It depends on what emphasises the company want to give, in term of responsibility. Responsibility without the word ‘social’ to me it is not just focus on social but it can be other things. For me if ‘responsible’ only, the information they give (1) also consider responsible. But if you talk about CSR, you give back, in term of justice, the quality life (1) of people. But if corporate responsibility, the give the right information (2) to us for example.</p> <p>Social means helping out social life to bring a better of quality life (2) to people out there. But CSR as I said before, it can be beyond social. For example, the way they give information (3), the way they do responsible process in their company. They don’t throw away rubbish, compliance to the law (1) and so on. CSR is a long term process it cannot be an ad hoc.</p> <p>Giving back to the society to improve the quality of life (3). Nothing to do with the profit because we are part of the environment (2). We belong to the earth and earth it is belong to us. Stewardship of the earth is on us.</p>
(Quality of life)	
(Environment)	

In contrast, for Example 2, stakeholder ‘S’ first explained his experience about CSR, and later spelled out a CSR definition at the end of session. From his background as a government officer his knowledge might be limited for him to explain about CSR. This is the reason why he is trying to relate his personal experience into discussion. Generally, his opinion about CSR is his perception on the topic based on his daily experience. His perception might be influenced by the news he has heard or read from media, or maybe his peers are talking about this social responsibility.

Meanwhile, Stakeholder ‘E’ was straight forward answering the interview question. Again, this is because he is a manager in the company which implemented CSR activities in their organization. Stakeholder ‘E’ had a clear picture on what is CSR from his company

business point of view. But he just shared the knowledge about CSR by only referring to his company's CSR activities. The researcher considered that he provided 'low rich' text in this study.

Table 4.11 (b) Sorted and Key Words from Example 2 (Stakeholder 'S').

First order view	
Emergent coding	Word sorted
He is sharing his experience.	This is from what I am exposed to, where CSR comes from two perspectives. One perspective is that come from they should do and another is what they want to show. For example, they give a big cheque, they want to show. Otherwise they will just do what they want to do to help the need of society. So it depends, but I think both are not really wrong, but if in Islamic perspective it's different, for instance 'give from the right hand, the left hand even doesn't know about it'. But from the other perspective you do it, you want to encourage people to do it, perhaps it is OK.
(Economic gain)	But this is one of thing that if we see, there is company that do CSR in a way to reduce the tax payment (1). For me it is still OK since someone is also getting the benefits.
(Fulfil and satisfy society need)	But CSR must bring back the benefit (2) to the community.

Table 4.11 (c) Sorted and Key Words from Example 3 (Stakeholder 'E').

First order view	
Emergent coding	Word sorted
(Stakeholder and shareholder)	We want to be a responsible corporation towards our stakeholders. Stakeholders they can be various including the highway user and also those who are involve in our business environment, for example our vendors and those that have direct relationship with us like our stall operators .
	We want to become a responsible company in our business environment itself and we be equal to everybody . But in term of CSR, we are more concern to the road safety because we are the highway operator, therefore we want our customer feel comfortable and safe using the highway. Our CSR is more on educating people and focusing on the road safety.

Furthermore, the researcher focused on convergent concepts, quotes, decisions, actions, experience, etc., and their relation to the evolving categories and themes that emerged from the interview conversation. One the basis of this analysis, researcher merged some overlapping categories. Then researcher also assigned second-order, theoretical labels to the

emergent themes and relates this to the identified themes in section (a) (coding scheme from literature). In categorical process in section (b) (coding scheme from interview) is much easier because some of the themes have been identified in (a). Thus, the researcher then conducted a final iteration of constant comparison to decide whether enough evidence existed to support an identified theme as a reportable 'finding' in section (a). Finally, the second-order themes can easily assembled into aggregate analytical dimensions.

Cohen Kappa

Establishing reliability and validity for qualitative data is somewhat more difficult than for quantitative data, because qualitative data hardly to be associated with number, percentage and parameters. In other words, assessment of qualitative data is highly depends on how researcher interpret and analyse data. In relation to this Miles and Huberman (1994) have suggested for developing consistent coding and properly coded the qualitative data. To address this, current study made efforts to properly coded the data are then analysed via several techniques and use agreement ratings for inter-rater and intra-rater agreement in order to ensure qualitative assessment is produce accurately and reproducible results.

There are number of ways to quantitatively report the agreement ratings for inter-rater and intra-rater agreement. Cohen's coefficient Kappa, Pearson's or Spearman correlations (including average correlation, interclass correlation and the Spearman-Brown formula) as well as percentage agreement (Jones, Johnson, Butler and Main, 1983) are commonly used measure of inter-rater reliability. However, Straub *et al.*, (2004) identified that Cohen's coefficient Kappa is the most commonly used measure of inter-rater reliability. Besides that the Cohen Kappa measure is applicable when there are more than two raters.

Cohen's Kappa (Crocker and Algina, 1986) was used to adjust for an inflated coefficient that would result from using a simple percent agreement. Crocker and Algina (1986, p. 201) highlighted that 'a kappa value of .2 can be interpreted to mean that 20 per cent of the total possible increase over chance consistency was observed for the decisions'. The current study engaged with four raters (i.e. 2 person are the inter-rater and 2 person are the intra-rater) to create a composite rating score. From this, the present study managed to create agreement ratings amongst the inter-rater and intra-rater to quantify its qualitative data. In relation to this, Kvalseth (1991) recommends that a kappa coefficient of 0.61 represents reasonably good overall agreement. Meanwhile, Miles and Hubermans' (1994), Landis and Koch's (1977) and Bowers and Courtright's (1984) recommendations for minimum inter-rater reliability are .70. In this method, a score is created for each assessment by rating them. Hence, the cut-off point or guide by Kvalseth is compared. The assessment of the rating agreement process was discussed in the following chapter (see Chapter 5).

4.8.3 Rationale for the Use of Content Analysis

Analysis of qualitative material such as literature from academic journals and interview transcripts are a necessarily subjective process capitalising on the researchers' appreciation of the enormity, contingency and fragility of signification. As a novice researcher, this researcher understands that the purpose of content analysis is to bring or elucidate the meaning, richness and magnitude of the subjective experience of social life (Altheide and Johnson, 1994). Meaning can only be understood within social context (Saussure, 1974), so the very notion of objectivity is necessarily omitted from the equation in qualitative research. Hence, content analysis helps to render analysis outside positivistic endeavours for objectivity (Denzin, 1994). As such, the standards for assessing the merits of a piece of

qualitative research must rely on other criteria (Hollis, 1994). Therefore, a mixed-method could meet the aforementioned criteria.

De Chernatony and Riley (1998) in their marketing studies used the 'Similarities and Differences' technique to define 'brand'. They content analysed twelve themes of the brand construct from the literature. Glaser and Strauss (1967) called this a 'constant comparison method' when it involves searching for similarities and differences by making systematic comparisons across units of data. De Chernatony and Riley (ibid) then compared experts' view on the same context (definition of brand) by looking at the polar (i.e. the number of experts mentioning it). The abstract of similarities and differences generates are themes (Ryan and Bernard, 2003). However, De Chernatony and Riley (ibid) highlighted some drawbacks to this step. They realised that coverage of the literature can never be performed completely, even when a comprehensive literature review is made. There will be a tendency of additional literature to emerge with a newer theme. In addition, the proposed construct is relative, in that it depends on how it has been interpreted from the literature by the researcher.

However, this researcher believes that this technique is appropriate because it analyses one to two lines or paragraphs which refer to definitions of CSR. Hence, the Similarities and Differences technique was used to define CSR in this research. Content analysis was therefore used to examine written material containing definitions of CSR in published journals and articles and interview transcripts. This type of analysis was used due to the fact that CSR definition has been discussed among scholars and practitioners since 1953.

Furthermore, content analysis is normally used by studies which only focus on only one or two types of document (Unerman, 1999). In this case, research refers to published journals and articles (e.g. Academy of Management Journal, Journal of Business Ethics, Sloan Management Review, California Management Review and Business of Society) and interview transcripts. Moreover Berelson (1952), cited in O'Dwyer (1999), defined content analysis as a technique for research objective, systematic and quantitative description of the manifest content of communication. Similarly, Krippendorff (1980) argued that researchers could use content analysis to replicate and validate inference data according to their context.

With these arguments it could supported the rationale of using content analysis in this current research.

4.8.4 Structural Equation Modelling (SEM) Variance-based Modelling Technique

Considering the exploratory nature of the research model and the small sample size required to run the analysis, PLS-Graph 3.0 was employed as the analytical tool used to analysing quantitative data. Partial Least Squares (PLS), is a second generation statistical structural equation modelling (SEM) variance-based modelling technique.

According to Chin (1998a), SEM is differs from first-generation regression tools by involving the following four criterias:

1. relationships among multiple predictor and criteria variables,
2. unobservable latent variables (LV),
3. errors in observed or latent variables and

4. statistically a priori testing of theoretically substantiated assumptions against empirical data (i.e. confirmatory analysis).

Two types of SEM methods exist: covariance-based, and component-based or Partial Least Squares (PLS). The covariance-based SEM (CovSEM) method, traditionally considered the best known SEM method (Chin, 1998b), is popular among many research disciplines, with a widespread availability of software programs as LISREL, AMOS, CALIS, EQS, and SEPATH (Pavel *et al.*, 2009). CovSEM attempts to calculate model parameters that will minimise the difference between the calculated and observed covariance matrices, yielding goodness of fit indices as a result of the magnitude of these differences.

Meanwhile, the component-based SEM method, also referred to as Partial Least Squares (PLS) method, is a distribution-free approach that might be presented as a two-step method (Tenenhaus, 2008). The first step refers to path estimates of the outer (measurement) model used to compute LV scores. The second one refers to path estimates of inner (structural) model, where Ordinary Least Square (OLS) regressions are carried out on the LV scores for estimating the structural equations. Unlike covariance-based SEM, PLS attempts to estimate all model parameters in such a way that the result should be a minimised residual variance of all depended variables (DV), LVs, and observed variables (of the reflective LVs) (Chin, 1998b; Diamantopoulos, 2006; Gefen *et al.*, 2000), namely maximise the explained variance. In other words, the main objective of the PLS approach is to best predict of LVs by the DVs, instead of obtaining a good fit to the data, which is the main goal of the CovSEM approach. Thus, PLS is intended mainly for prediction purposes while CovSEM is focused on parameter estimation. Consequently, PLS and CovSEM techniques differ in

terms of objectives, assumptions, parameters estimates, latent variables scores, implications, epistemic relationship between a latent variable and its measures, model complexity, and sample size (Chin and Newsted, 1999).

4.8.4.1 Partial Least Squares

PLS-Graph 3.0 is a second-generation data analysis technique for estimating path coefficients in structural models. At its conceptual core, PLS is “an iterative combination of principal components analysis-relating measures to constructs and path analysis-permitting the construction of a system of constructs” (Barclay, Higgins, and Thompson, 1995, p. 290). PLS-Graph 3.0’s strengths made it appropriate for this dissertation. First, PLS-Graph 3.0 is geared more towards predictive applications rather than theory testing and development (Jöreskog and Wold, 1982). Second, PLS-Graph 3.0 has the ability to handle both formative and reflective constructs. Third, only a relatively small sample size is required to test the model. Fourth, multivariate normality is not required to estimate the PLS parameters. Finally, PLS-Graph 3.0 simultaneously tests both the psychometric properties of the scales items used to measure the model variables and it analyses the strengths and directions of the relationships among variables (Lohmöller, 1989).

PLS Approach

PLS Graph (Chin, 2003) is a window-based program which uses modified routines of LVPLS, but only processes raw data (LVPLSX). In order to specify the model, a graphical interface can be used which provides some tools for drawing a path diagram. Estimation results are presented in ASCII format as well as in graphical path model and re-sampling methods (i.e., blindfolding, jackknifing and bootstrapping). The main properties of the PLS Graph program is summarised in Table 4.12.

Table 4.12 Partial Least Square (PLS) Properties.

Features		PLS-Graph 3.0
Requirements	Operating system	Windows
	Data	Raw data
	Scale Level	Metric/binary exogenous variables
	Definition of missing values (MV)	Common definition of MV for each variables
	Data format	.raw (ASCII)
Methodology	Data metric	<ul style="list-style-type: none"> • Mean= 0, Var= 1 • Mean= 0, Var= 1, rescal. • Mean= 1, rescal. • Original
	Missing data treatment	Fixed (pairwise elimination and/or imputation of means)
	Weighting scheme	Factor-, centroid-, or path weighting
	Re-sampling	Blindfolding, jackknifing, and bootstrapping
	Cross-validation	CV-redundancy and CV-communality
	Special features	Individual and construct level sign correction for bootstrapping
Ease-of-use	Specification	Graphically
	Output	ASCII
	Graphical output	Path diagram
	Documentation	Chin (2001)
	Internet	http://www.cba.uh.edu/plsgraph
	Availability	Freeware

Source: Temme, Kreis and Hildebrandt (2006).

4.8.4.2 Re-sampling Methods

PLS-Graph 3.0 involved a two-step approach to data analysis. First, the *measurement model* was used to evaluate and develop the reliability and validity of the research instrument. In particular, as suggested by Barclay, Higgins, and Thompson (1995) and Chin (1998a) the measurement model was evaluated by examining:

- (1) individual item reliability,
- (2) internal consistency, and
- (3) discriminant validity.

Second, after the adjustment of items and acceptance of the measurement model, the *structural model* was evaluated to assess the hypothesised relationships among constructs in the conceptual model. More specifically, the structural model was evaluated by analysing the correlations between the different constructs based on the significance of their path

loadings. This two-step process helped ensure that the scale items are statistically consistent and the constructs measure what they intended to measure before any attempts were taken at drawing conclusions regarding the structural model.

a. Measurement Model Assessment

The measurement model was analysed using PLS-Graph 3.0 to further evaluate reliability and validity of the measures. PLS-Graph 3.0 has the ability to generate weights and loadings for each item specified to measure a construct. Item loadings in the measurement model were used to test the reliability and validity of each item. This process is discussed in greater detail in the following three paragraphs.

Individual item reliability was assessed by evaluating the individual item loadings or simple correlations of the measures as they related to each construct. Following Carmines and Zeller (1979), items loadings of 0.707 or greater were accepted as this implied more than 50% of the variance in the observed variable was shared with the construct (Barclay, Higgins, and Thompson, 1995). Also, some authors have utilised a reduced level, requiring levels of only 0.5 (Julien and Ramangalahy, 2003). Deviations from the acceptable reliabilities were addressed to help improve clarity when conclusions were drawn about the structural model. Items with low reliability loadings, because of random error or were a result of methods factor, were dropped. However, if the construct to which the item was linked is a multidimensional constructs, then the construct was split into two or more constructs depending on a priori assumptions.

Internal consistency was recommended to assess the reliability of the reflective measurement (i.e., indicators that are manifestations of the construct) (Chin, 1998a). Internal consistency is similar to Cronbach's alpha in that Chronbach's alpha presumes, a priori, that each item measuring a single construct contributes equally (Barclay *et al.*, 1995). Fornell and Larcker (1981) claim that their method of assessing reliability is superior to Chronbach's alpha because their method uses the item loadings estimated within the causal model and is not influenced by the number of items in the scale. Internal consistency values of .70 or greater were considered adequate for this dissertation as suggested by Nunally (1978).

Discriminant validity indicates the degree to which a given construct is dissimilar to other constructs (Barclay *et al.* 1995). They suggest discriminant validity can be satisfied if a given construct shares more variance with its measures than it shares with other constructs in a model. Discriminant validity could be evaluated using the average variance extracted (AVE) measure (Fornell and Larcker, 1981) and by analysing the cross-loadings obtained from PLS-Graph 3.0. AVE, defined as the average variance shared between a construct and its measures (Barclay *et al.*, 1995), is used by researchers to measure the amount of variance captured by the scale items versus the amount of variance caused by the measurement error. AVE should be greater for an individual construct than the variance shared between the construct and other constructs in the model. Discriminant validity is adequate when constructs have an AVE loading greater than 0.5, which means that at least 50% of measurement variance is captured by the construct. After passing all the reliability and validity assessments, the instrument was classified as a satisfactory measurement model and at that point the structural model was evaluated.

b. Structural Model Assessment

Once the evaluation of the measurement model had been completed, the structural model was used to test the independent relationships among the constructs proposed in the conceptual model. In the structural model, the hypotheses were tested by evaluating the path coefficients (i.e., standardised betas) (Compeau, Higgins and Huff, 1999). The structural model was developed in PLS-Graph 3.0 using a bootstrap re-sampling method used to determine the significance of the paths within the structural model. In bootstrapping, “N sample sets are created in order to obtain N estimates for each parameter in the PLS model. Each sample is obtained by sampling with replacement from the original data set.” (Chin, 1998b, p. 320).

PLS-Graph 3.0 provided two key pieces of information indicating how well the structural model predicted the hypothesised relationships. First, PLS-Graph 3.0 estimated the path coefficients, which indicated the strengths of the relationships between the dependent and independent variables (Wixom and Watson, 2001). Second, PLS-Graph 3.0 provided a measure of the predictive power of the research model, or the squared multiple correlation (R^2) value for each endogenous variable (Chin, 1998b). This value is comparable to the R^2 value in a multiple regression model which represents the amount of variance explained by the independent variables contained within the model (Barclay *et al.* 1995). The R^2 value was used to measure each construct’s percentage variation explained by the model and its significance was evaluated using an F-test (Falk and Miller, 1992). Together, the path coefficients and the R^2 value indicated how well the model was performing.

4.8.5 Rationale for the Use of PLS

Tenenhaus (2008) highlighted some of the PLS weaknesses. First, PLS path-modeling software suffers from the lack of widespread accessibility because the diffusion of the PLS software is limited in comparison with CovSEM software. Second, PLS is more heuristically used for exploratory research (Chin, 1998b). Third, unlike CovSEM, PLS does not allow testing equality constraints on path coefficients or defining specific imposing values to different model paths. PLS, however, has some advantages over CovSEM, a large number of variables can be handled with PLS, it employs simpler algorithms, estimates of latent constructs in PLS have a more practical meaning since its formation is clear, it allows building a complex framework of a multi-block analysis, and finally, it eases the task of estimating all-formative constructs (Diamantopoulus and Winklhofer, 2001; Tenenhaus, 2008).

In principle, models with formative constructs can be tested within covariance-based structural analysis, yet such models are often associated with identification problems that are overcome by using MIMIC models or including reflective items in addition to the formative ones. This however, is not an issue in PLS (Pavel *et al.*, 2009).

With the advantages and disadvantages of the use of PLS highlighted above, hence current research see the rationale of using this method in this study.

4.9 SUMMARY OF CHAPTER FOUR

This chapter is organized to answer the following questions: What is to be investigated in this research? How this research is conducted? What is this research target population? How to ensure that selected samples will present the targeted population? What is the research instrument? How the data is collected? How to analyse the data?

It was decided that the present research is to develop and validate CSR construct measurement. The studied measurement construct is examined in a formative measure. The choice of this type of construct went through several stages. The first stage involves an examination of literature in the study of construct measurement. This review shows that study of CSR construct is valuable in terms of helping to achieve a better understanding of the correct measures for CSR. Nevertheless, research in the study of specific measurements appears to be scarce, as previous research mostly examined reflective measurement. This justifies the decision of study of CSR measurement in a formative measure in the current research. The choice of the studied in formative measure is driven by the awareness of danger if ‘misspecifying’ the construct.

By its nature, the present research is a combination of exploratory, descriptive and causal research approaches. The literature search and interviews are to be used to fulfill the exploratory part, to define construct and also to generate the vocabulary and items/scales to develop CSR measures. To investigate the CSR measures requires the use of a descriptive approach, whereas modeling CSR and stakeholder loyalty demands the causal research design.

Taking into the consideration the fact that not every individual in Malaysia has knowledge about CSR, it is decided that individual who received formal education and are computer literate will be approached. This approach ensured that the eligible respondents group is equivalent to the target population. Besides that it also assists in increasing the response rate.

The current research is conducted in Malaysia. Malaysia is chosen because the awareness of CSR amongst Malaysian stakeholders is increasing. In addition, the target population is accessible by the researcher for data collection. This research is used the multi-stage sampling method and a non-probability sampling is adopted. Website from Bursa Malaysia, Khazanah Nasional and KUL City portal were accessed and informant/administrators' email list are also used to establish a sampling frame. Moreover the sample size required for this research is 377, which is calculated using the percentage approach with a desired result of ± 5 percent accuracy. Obviously, the more accurate the collected data, the more desirable the results will be. But, the 5 percent is acceptable as a room for improvement shall consider too. Besides that, cost and time constraints are two major factors that limit the improvement in accuracy of study.

The development of the research instruments went through several processes – the qualitative study, pilot study and Study 1. For CSR, all measures are developed in this study, but the details about the measurement were discussed in following chapters (i.e. Chapter 5 and 6). Besides that the measures of the two variables (i.e. stakeholder loyalty and stakeholder satisfaction) are adopted with slightly changes (if necessary) from previous studies. Closed-ended questions are used in this study with the 5-point Likert scale is

adopted through the questionnaire (see Appendix 4.5 (a) and (b) for the questionnaires). This type of question was found easy and faster to answer.

The triangulation approach was used to ensure that the construction of research is robust, rich and shows its logical flows. The great challenge this research face was how to developed theme using content analysis. This process takes a very long process and required more time. Besides that, PLS-Graph also another challenge to this research as the software is still in beta testing, and very limited reference is discussed about it. The researcher needs to put her extra efforts in ensuring that the method and analyses used in this study is reliable and valid.

To conclude, this chapter dealt with research methodology related issues. Given the importance and difficulties of choosing the most appropriate methods in research, any decision made concerning the research methodology is well identified and carefully considered in this study.

Chapter Five

Findings- Qualitative Study

'The focus of qualitative research is on participants' perceptions and experience, and the way they make sense of their lives', (Locke, et al., 1987).

5.1 INTRODUCTION

How to conceptually define CSR constructs? In the absence of conceptual definitions it is hard to determine whether the construct is formative or reflective in nature (Baxter, 2009). In relation to this, Mackenzie (2003, pp. 324) has highlighted that there are controversial issues between these measurements. He added that “the failure to clearly define the focal construct makes it difficult to correctly specify how the construct should relate to its measures”. Therefore, this study has paid an equal attention to guidelines on how to conceptually define the CSR constructs.

Barki (2008) has suggested four approaches to better construct conceptualisation as listed below:

1. providing a clear definition,
2. specifying a construct's dimensions and their relationships,
3. exploring how a construct applies to alternative contexts and
4. expanding the conceptualisation of a construct.

The researcher has noted that the four approaches can be intertwined and not necessarily orthogonal. The researcher may also use these approaches as part of a process of construct specification. Similarly, Bisbe, Batista-Foguet and Chenhall (2007) were considering these two issues when specifying conceptual of constructs:

1. defining the exact meaning of a construct by specifying what is the signs of the presence or absence of the construct under study and
2. determining the nature and direction of the relationships between a construct and indicators.

Starting from the understanding that there are critical issues to identify CSR measurement, research Phase One sought to understand scholars and multiple stakeholders view about CSR definition and dimension before any constructs of CSR could be developed. Content analysis was used to examine the 107 CSR definitions over four types of documents (i.e. book, journal, and article and interview transcript). These qualitative data are important for this study to first define and identify CSR dimension.

Next to further construct the CSR item to inform CSR measures. This chapter is focuses on these related issues. Therefore, the main purpose of this chapter is to inform the development of CSR measurement, thus the Phase One objectives are,

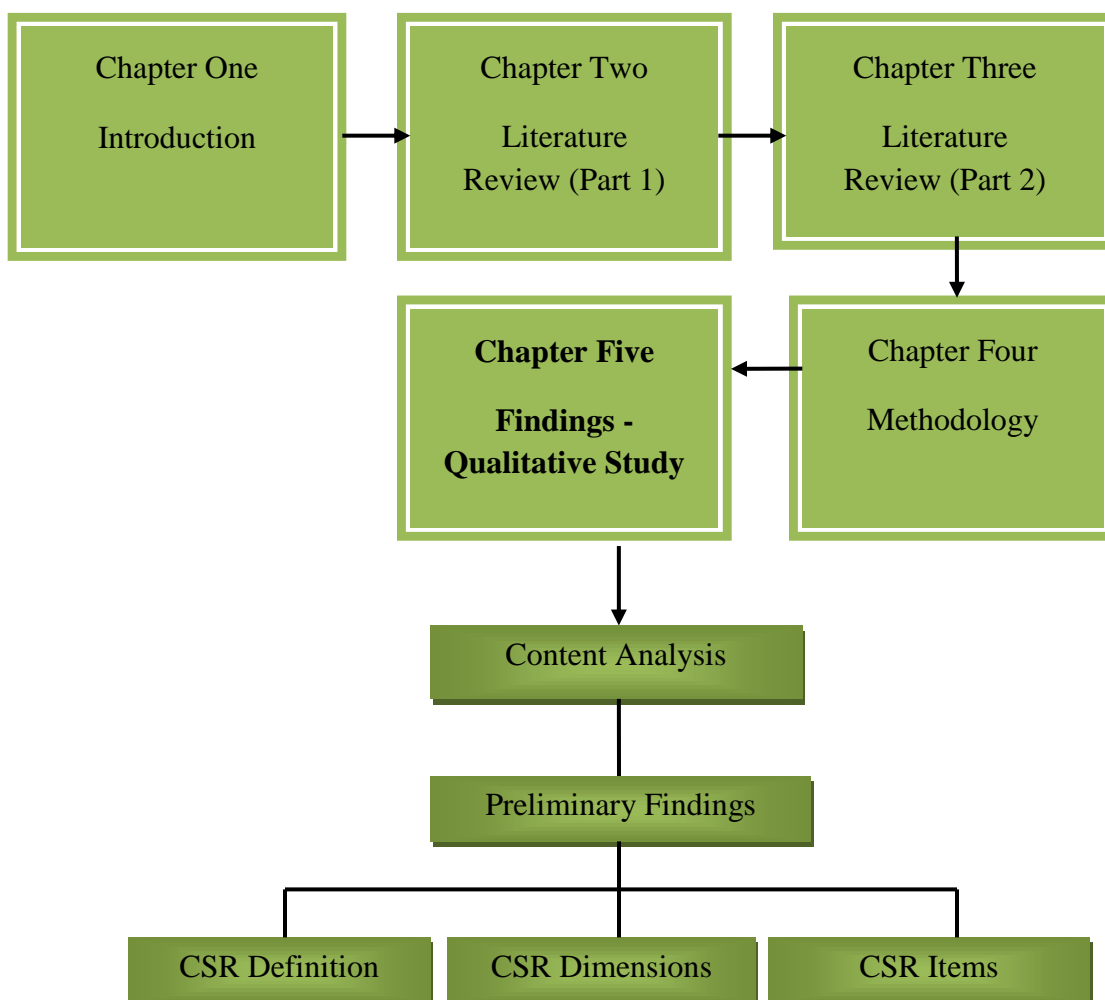
1. to define CSR
2. to identify CSR dimensions.

In addition, it also,

3. to serves the construction of CSR instrument for the survey research in following phase.

To recap, as well as in response to Chapter 5, Figure 5.1 depicts the logical sequence of previous chapters that lead to this chapter. This chapter presents four main sections in order to provide a structured way of presenting the CSR construct, with a progression taking place in the construct's definition and clarification. The first section, 5.2 is concerning the operational definition using the content analysis method. The results of these qualitative data are discussed in section 5.3. The CSR instruments that were constructed to array research Phase Two are also discussed in this sub-section. Finally, the summary for this chapter is discussed in section 5.4.

Figure 5.1 The Logical Flow of Previous Chapters to Current Chapter.



5.2 OPERATIONAL DEFINITION

5.2.1 Yield Rates of CSR Definition

Kassarjian (1977) highlighted that content analysis needs a sample of a manageable size, randomly drawn, that is representative of the defined universe such that generalization is possible. To fulfill this criteria, selection of scholar's work were made from the period of 1953 until 2009. This was followed up by twenty-four semi-structured interview with stakeholders from various industries in Malaysia. This was in order to explore the rationale behind their CSR notions and investigate the definition and dimension from stakeholder perspectives.

After the sample was constructed it was then necessary to collect the data for this study. For books, 39 were read and reviewed and 17 (44%) had mentioned about CSR definition. For published journals, 267 were searched and 29 (11%) scholars had mentioned CSR definition in their work. Meanwhile, 47 were searched for published articles and 37 (79%) had CSR definition readily available in those articles. The journals and articles were decided to obtain by using Google Scholar, because it gives a brief literature review of related studies published since the launch of Scholar in 2004 (Mayr and Walter, 2007). Google Scholar also provides huge databases of the largest and most well-known scholarly publishers and university presses (Jacsó, 2005).

In relation to this, Nuehaus *et al.*, (2006, p.131) revealed that 'data base content inclusion in Google Scholar varies profoundly from database to database and from discipline to discipline'. Besides that, for interviews, the 24 interviews were transcribed and 24 (100%)

had mentioned CSR definition. It is notable that all interviewees answered the question asked on CSR definition. Table 5.1 displays the yield rates across the documents.

Table 5.1 Yield Rates of CSR Definition per Source Type

Source type	Total document reviewed	Number of document reviewed with CSR definition	Yield rate
Books	39	17	44%
Published academic journals	267	29	11%
Published practitioners articles	47	37	79%
Interview transcripts	24	24	100%
Total	377	107	29%

Appendix 5.1 shows the journals, articles and books applied as source of CSR research in this study. Only these sources are chosen because the researcher found it is very challenging to search on CSR because of its complex characteristics and unclear measures (De los Salmones *et al.*, 2005). Similarly, Vaaland *et al.*, (2008) see that a ‘blurred’ CSR construct clearly implies a challenge in defining the cut-off line. Meanwhile (Appendix 5.2) shows the information of interviews done with 42 individual stakeholders in Malaysia a little clearer. In following section 5.2.2, the procedure used to conduct this content analysis has briefly discussed with some examples provided. As such it will give a clear picture of the entire process undertaken.

5.2.2 Procedure

A coding scheme was developed using the technique of emergent coding. The process of emergent coding is described in detail by Fierros, Gulek and Wheelock (1997) and this coding method has been discussed in Chapter Five. In this chapter, the steps as applied in the current study are detailed below:

1. A random sample of CSR definitions was selected from each document.
2. An initial list of 65 definitions was used to develop the coding scheme. The researcher independently extracted the dominant themes that emerged from the sample of documents.
3. The researcher also acquired four independent participants⁵ in this study to check and reach a consensus as to the major themes. From these themes an explicit coding scheme was developed. Specifically, it was decided that the coding scheme would be dichotomous in nature and would remain ten major themes each with varying number of thematic elements.
4. The rater agreement (reliability) of the newly devised coding scheme was assessed using inter-rater agreement measures as reported in Table 5.3.
5. The researcher then proceeded to independently code the remaining 42 CSR definitions (total = 107).
6. Finally the rater agreement (reliability) of the items coded was assessed again using inter-rater agreement measures (the researcher and colleague to be the inter-rater) as also reported in Table 5.3.

⁵ Four independent participants are volunteered to be the raters. They are also the participants for the interview.

5.2.3 Computing the Rater Agreement across Major Themes

The purpose of establishing the reliability of the coding scheme used in this study was to provide a preliminary estimate of inter-judge reliability for diagnostic purposes. Alternatively, as a summary index to reflect the quality of the final coded data in this study, alongside to assess the extent to which the raters agreed when attempting to apply the themes to various CSR definitions. Indirectly, the reliability is important in the developed coding scheme in order to exclude the elements of bias on agreement of major themes. In this study, the rater agreement of the major themes in the developed coding scheme by specifically analyzing the:

1. inter-rater agreement amongst the independent participants (n=2) and
2. inter-rater agreement amongst the researcher and colleague (n=2).

There are number of ways to quantitatively report the agreement ratings for inter-rater and intra-rater agreement. In attempting to assess the reliability of a coding scheme, the simplest measure of rater agreement would be overall percent agreement as discussed earlier in the Research Methodology chapter. Cohen's Kappa (Crocker and Algina, 1986) was used to adjust for an inflated coefficient that would result from using a simple percent agreement. Crocker and Algina (1986, p. 201) highlighted that 'a kappa value of .2 can be interpreted to mean that 20 per cent of the total possible increase over chance consistency was observed for the decisions'. In relation to this, Kvalseth (1991) recommends that a kappa coefficient of 0.61 represents reasonably good overall agreement.

At this stage the researcher looked to an outside audience (independent raters) to further validate the coding scheme. As mentioned before, this was done to guard against any

shared meaning the researcher may have generated amongst others. Krippendorff (1980) suggests that this process would yield the coding scheme highly reliable or unreliable between researcher and the outside world. The inter-rater agreement amongst the independent participants was carried out using seven randomly selected definitions for each document. Both independent participants were given detailed written instructions and were asked to separately code the CSR using the major themes and elements developed through the emergent coding. When the two independent's coding was compared it was found that the overall inter rater agreement of the major themes was .69 (n=280)⁶. Specifically, the rater agreement for the major themes of CSR from books, journals, articles and interview transcripts was .74, .73, .53 and .76 respectively.

Then inter-rater amongst the researcher and a colleague were also conducted using seven randomly selected CSR definitions for each document. Both also separately coded CSR using the major themes developed through the emergent coding. When the researcher compared the findings it was found that their overall inter-rater agreement of the major themes was .80 (n=280). Specifically, the reported agreement (kappa) for the major themes of CSR from books, journals, articles and interview transcripts was .84, .83, .66 and .87. Table 5.2 illustrates the various agreement ratings reported for the coding scheme of CSR.

⁶ Note that the n=280 refers to the number of categories coded. Twenty-eight definitions were coded. Each of which contained a potential of 10 themes. $10 \times 28 = 280$.

Table 5.2 Cohen's kappa for agreement ratings of major themes in CSR across document

Reliability type	Books	Published academic journals	Published practitioner articles	Interview transcripts
Inter-rater (2 independent participants from interview)	.74(n=70)	.73(n=70)	.53(n=70)	.76(n=70)
Inter-rater (the researcher and colleague)	.84(n=70)	.83(n=70)	.66(n=70)	.87(n=70)

After consulting the reliability, the researcher feels confident that this coding scheme is reliable enough to make meaningful and accurate empirical quantification of CSR definition.

5.2.4 Coding Scheme

Through the techniques of emergent coding and results content analysis from the literature and interview texts, the researcher extracted ten major themes along with their corresponding thematic elements articulated in CSR. The ten major themes are people, environment, profit, process, political, policy, personal, values and product. There were a few categories has been developed under each themes. Table 5.3 illustrates the coding scheme developed for use in this study.

Table 5.3 The CSR Coding Scheme.

A) PEOPLE 0 – Misc ⁷ . 1 - Quality of life (e.g. healthy, motivated) 2 – Human resource development 3 – Fulfill and satisfy society needs 4 – Social obligation 5 – Stakeholder and shareholders	F) POLICY 0 – Misc. 1 – Compliance with legal and law 2 – Ethical conduct 3 – Regulation 4 – Business standards
B) ENVIRONMENT 0 – Misc. 1 – Protection of the environment 2 – Managing natural resources 3 – Managing wastes 4 - Recycle	G) PERSONAL 0 – Misc. 1 - Attitude 2 - Behaviour 3 - Perception
C) PROFIT 0 – Misc. 1 – Economic obligation 2 – Monetary value 3 – Company efficiency and effectiveness 4 – Investment 5 – Shareholders value	H) VALUES 0 – Misc. 1 – Image 2 – Identity 3 – Reputation 4 – Corporate benchmarking
D) PROCESS 0 – Misc. 1 - Innovation 2 - Culture development 3 - Long term outcome 4 - Education 5 – Information	I) PRODUCT 0 – Misc. 1 – Quality 2 - Safety
E) POLITICAL 0 – Misc. 1 - Triple bottom line 2 - Window dressing 3 - Corporate governance	J) PHILANTHROPY 0 – Misc. 1 – Donation 2 – Charity 3 – Sponsorships

⁷ Misc = miscellaneous. Miscellaneous means the themes found in this study could be articulated to the coding scheme too. But it was not clearly mentioned either from the literature or interview texts.

5.3 ANALYSIS OF FINDINGS

5.3.1 Major Themes with Thematic Element

Table 5.4 lists the results of content analysis across the documents. Using the framework developed through emergent coding and tested for reliability, the researchers systematically coded 107 CSR definitions. By separately analyzing each document, it was possible to compare the percentage of categories present amongst scholars and stakeholders. Tabulations were made on the frequency of occurrence for each of the ten major themes. This is listed as the total for each category in Table 5.4 and represents the number of occurrences of any major theme in a CSR definition.

In addition to the total tabulation, the researchers also recorded the occurrence of various thematic elements within each of the ten major coding themes. Table 5.4 also illustrates the percentage of major themes as well as thematic elements present in the CSR definitions of scholars and stakeholders.

Table 5.4 Major Themes with thematic elements by scholars and stakeholders

Themes	Scholars			Stakeholders
	Books	Published academic journals	Published practitioner articles	Interview transcripts
	N=17	N=29	N=37	N=24
	%	%	%	%
PEOPLE = A				
0 Misc	12	38	38	42
1 Quality of life	29	86	84	96
2 Human resource development	47	90	92	50
3 Fulfill and satisfy society needs	88	93	95	88
4 Social obligation	59	100	97	96
5 Stakeholders and shareholders	94	86	86	79

Percentage total	329	493	492	451
Percent of total	55	82	82	75
ENVIRONMENT = B				
0 Misc	12	0	27	21
1 Protect the environment	47	52	81	75
2 Managing natural resources	29	66	78	63
3 Managing wastes	35	34	92	42
4 Recycle	12	52	73	71
Percentage total	135	204	351	272
Percent of total	27	41	70	54
PROFIT = C				
0 Misc	24	69	27	42
1 Economic obligation	88	90	86	83
2 Monetary value	35	86	76	50
3 Company efficiency and effectiveness	65	93	84	88
4 Investment	41	69	95	58
5 Shareholders value	88	93	81	38
Percentage total	341	500	449	359
Percent of total	57	83	75	60
PROCESS = D				
0 Misc	0	28	32	46
1 Innovation	18	72	65	83
2 Culture development	29	66	54	58
3 Long term outcome	53	97	95	100
4 Education	47	83	97	63
5 Information	65	90	89	92
Percentage total	212	436	432	442
Percent of total	35	73	72	74
POLITICAL = E				
0 Misc	6	0	14	0
1 Triple-bottom line	24	28	43	33
2 Window dressing	41	34	65	63
3 Corporate governance	47	52	27	21
Percentage total	118	114	149	117
Percent of total	30	29	37	29
POLICY = F				
0 Misc	6	14	19	17
1 Compliance with legal and law	41	72	84	75
2 Ethical conduct	65	86	84	83
3 Regulation	82	72	78	83
4 Business standards	59	62	68	63
Percentage total	253	306	333	321
Percent of total	51	61	67	64
PERSONAL = G				
0 Misc	35	0	43	63
1 Attitude	59	62	65	75
2 Behaviour	59	90	65	92
3 Perception	94	93	62	88
Percentage total	247	245	235	318
Percent of total	62	61	59	80
VALUES = H				

0 Misc	35	41	49	63
1 Image	59	66	65	79
2 Identity	53	90	70	96
3 Reputation	53	86	89	96
4 Corporate benchmarking	65	83	84	88
Percentage total	265	366	357	422
Percent of total	53	73	71	84
PRODUCT = I				
0 Misc	0	0	27	0
1 Quality	12	52	41	25
2 Safety	18	59	43	42
Percentage total	86	111	111	67
Percent of total	1	4	4	2
PHILANTHROPY = J				
0 Misc	0	14	16	4
1 Donation	12	34	62	33
2 Charity	12	34	73	38
3 Sponsorships	24	52	70	75
Percentage total	48	134	221	150
Percent of total	1	34	55	38

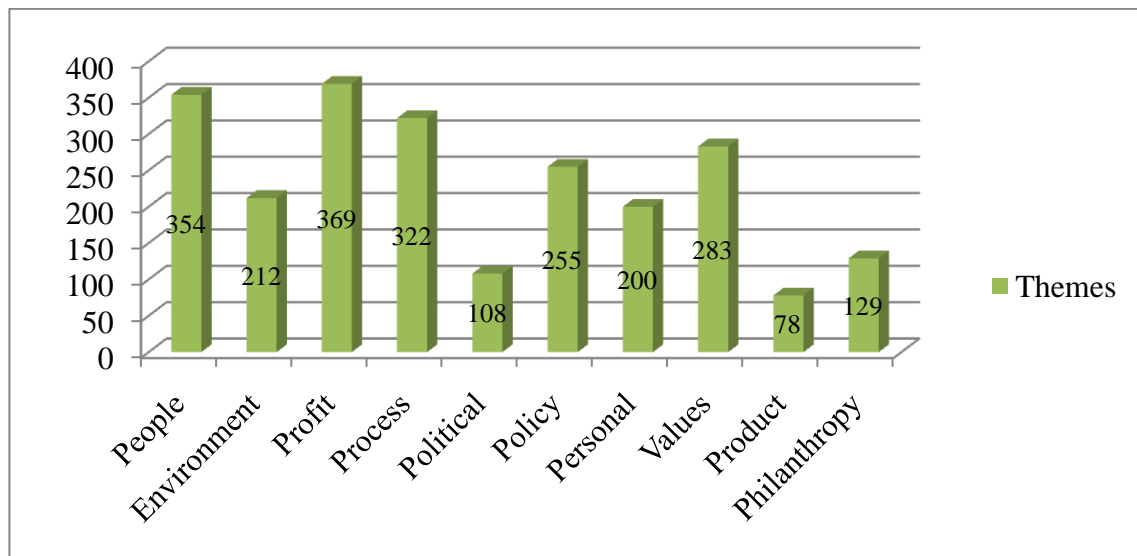
Meanwhile, Table 5.5 illustrates how the frequency of the major themes shifts across the document analysed. This table ranks the major themes from those occurring most frequently in CSR to those occurring least frequently.

Applying the coding scheme, it was found that there was a great deal of variability across documents regarding the number of themes incorporated in CSR. To use scholars' as an example the number of themes incorporated by three different documents (i.e. books, journals and articles) approximates a normal distribution. In other words, mostly these documents emphasised on these themes (see Figure 5.2).

Table 5.5 Most Frequently Occurring Themes across Document Analyses (n=107)

Rank order mentions from source	Books (n=17)	Published academic journals (n=29)	Published practioner articles (n=37)	Interview transcripts (n=24)
Most Frequent	Profit People Values Policy Personal	Profit People Process Values	People Profit Process Values Environment	People Process Values Profit Policy Personal
	Process Environment Political	Policy Personal Environment	Policy Personal Philanthropy	Environment Philanthropy
Least Frequent	Product Philanthropy	Philanthropy Politic Product	Political Product	Political Product

Figure 5.2 Frequency Chart by Percentage Number of Themes from Published Sources



To better illustrate the inherent richness of this study the researcher has selected another three examples of stakeholders' definitions to present. These three stakeholders are selected randomly from the interview participants from different industries and sectors. As such their definitions highlight and drawn ranges of definition content. Additionally, by including the codes that were applied to the CSR definition it is possible for the reader to

develop a better understanding of how the coding scheme was applied. The coding themes extracted are shown in parentheses after the keyword that triggered the code.

The examples are represented as Example 4, Example 5 and Example 6 as below. Example 4 illustrates a view from CEO about CSR. He emphasizes three of the most frequently occurring major themes. Upon reviewing CSR from this type of stakeholder, this study has highlighted why the particular coding categories listed were chosen. Coding theme D represents the Process and elements 1 and 4 represent a mention of ‘innovation’ and ‘education’ in particular. Category G represents the Personal theme and elements 0, 1 and 2 in particular the ‘miscellaneous’ reference to the Personal, ‘attitude’ and ‘behaviour’. Category H represents a reference to Values theme and 1, 2 and 3 represent a mention of ‘image’, ‘identity’ and ‘reputation’.

Table 5.6 The Example 4 (Stakeholder ‘B’, 60 years old, CEO).

CSR, first it is an issue about accountability (**G0**), second it is an issue about responsibility (**G0**) and finally it is issue about survival (**D4**). These issues keep on improving (**D1**). I was on Malaysia National University’s promotion board. I work with senior people for ten years and I performed (**G1**). We are not an academics but I pushed my people to publish papers (**G2**). Some of our papers that we produced are good and it becomes a case study. We talk about quality in term of what we published. Therefore, we care on what we do to others. What we want people to learn from the university (**H2**). I don’t want university to be judged for nothing (**H1**). We must try to be excellent (**H3**).

Coding: **D1, D4, G0, G1, G2, H1, H2, H3**

In the following Example 5, it illustrates how CSR can vary greatly across stakeholders. This study has shown that stakeholder ‘P’ places a strong emphasis on the People component of CSR. Their company offers Philanthropy to ensure that the firm is fulfilling society’s needs. The firm conveys the CSR message through their employees which represents the People category. Thus, as employees in the organisation, they have support

from human resource development, representing the People category too. Notice that there is also category 'B' mentioned here, representing a reference to Environment.

Table 5.7 The Example 5 (Stakeholder 'P', 45 year, Senior Manager).

To expose the employees about the CSR, we have 'employee-link-community' (**A2**). Employee can learn from everything and learn from everywhere. They need to observe and analyse on what happen around them. Learn on what is relevant for their job scope and outside their job scope (**D4**). We can measure on what they do. Some of them adopt some changes that we made. Like recently we adopted villages in Seremban, Negeri Sembilan and Batu Pahat, Johor. The villages were not force to join the community programme but we encourage them to participate in the activities. When we go there, we also work with the local departmental health, the local parliament and local council. We registered who are interested and keep records (**D3**). During our visit, we help the villages to build up proper toilets (**A1**). But they don't use it (**G1**). Why they don't use these modern facilities? Because they feel it is not necessary for them. We try to help them by educating them with basic hygiene (**B3**). We contribute a lot of money to done all these (**J1**).

Coding: **A1, A2, B3, D3, D4, G1, J1**

Examples 4 and 5 illustrate how varied the major themes were as mentioned by the stakeholders. Similarly Example 6 also mentions some of the categories as included in Examples 4 and 5, but this view is perhaps more realistic as it is a performance driven company. It mentions about category C, which refers to Profit, and elements 1 and 2 represent 'economic obligation' and 'company efficiency and effectiveness'. It is interesting to note that in Example 6, element F4 which is mentioned here refers to 'standards' in category F, the Policy, which is not mention at all in Example 4 and 5. Specifically, this study has shown the appropriateness of the coding categories listed here, and differences in the thematic elements over the documents and respondents.

Table 5.8 The Example 6 (Stakeholder ‘J’, 54 years, Senior Manager).

CSR is a long term process (**D3**) and sometimes it can be very subjective and sometimes it based on perception (**G3**) itself. But we have to understand, if the company is a performance’s driven (**C3**) company, perception is not enough. We need them to be count in numbered and figures (**C1**). We are performance driven company, therefore, anything that we choose to do, we must achieve the KPI (key performance indicator) (**F4**). For example, we have a program with school children. We monitor their performance in school. We follow- up their progress. Many of them have passed the exam with flying colors. So, from the students’ achievement (**A4**), we consider we that our program has achieve its target. If ‘only perception’ it is not enough. Although perception is important especially company like us. That is a reason why sometimes we need to have a story about our company publicly in the newspaper (**H3**). Because public perception also important and need to manage. Sometimes, public did not aware that we have done so many good things to the public. But CSR versus ‘perception’ is something can be debated.

Coding: **A4, C1, C3, D3, F4, G3, H1, H3**

In reading through these results, the themes seem to suggest what definition of CSR- a key research question. The results also illustrated the potential of CSR dimensions and items for CSR measures. In relation to this, the next section is shown how the gestalt analysis was used to further support the themes that have been highlighted in this study.

5.3.2 Gestalt Analysis to Establish Confidence in Findings

As mentioned earlier, the researcher has tried to gain a general sense of patterns in the data by including the quotes from scholars to demonstrate the character of the emergent themes. Here, the researcher directly quotes and refers to the scholars definitions in relation to the identified theme.

Scholar 'A' says;

“For CSR to be accepted by the conscientious business person, it should be framed in such a way that the entire range of business responsibilities is embraced”.

Therefore, businesses should work on their ‘*economic obligations*’ in order to remain in the society. Otherwise, it is very difficult for them to survive and be competitive with other player. The pressure from the stakeholders is making the firm towards implement the CSR in their business.

Furthermore scholar 'B' says;

“CSR is the concepts that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large”.

Hence, this study agreed that CSR is a form of social contract, which means the existence of business at the society pleasure. Besides that, CSR can be viewed as a business act as a moral agent within society. These ideas, social contract and moral agency become the fundamental for the evolution of thinking about CSR.

As 'G'⁸said;

“We want to be a responsible corporation towards our stakeholders. Stakeholders they can be various including the highway user and

⁸ G, C, K, S and R are the individual stakeholders in Malaysia that participated in interviews.

also those who are involve in our business environment, for example our vendors and those that have direct relationship with us like our stall operators. We want to become a responsible company in our business environment itself and we be equal to everybody. But in term of CSR, we are more concern to the road safety because we are the highway operator, therefore we want our customer feel comfortable and safe using the highway. Our CSR is more on educating people and focusing on the road safety.”

‘G’ has mentioning the company is equally treated their stakeholders. They want to be good and look good within their business. They also emphasis on educating the society, thus they have act as a moral agent in the society. ‘G’ is a **senior manager** from construction industries which is a government-link company. The company core business is facilitating high-way or road users. As a proof, it statistically shown a significant impact on the rate of accident in highway is starts to decrease when they educated drivers (i.e. car, bus and especially the lorry drivers) about the road safety. Thus, they have ‘people’ and ‘process’ dimension in their company.

‘C’ also looks at CSR as social contract between firm and society. He says;

“CSR is a responsibility for society. For example company contribute bus stop for community use. Company gives free accommodation without gaining back from the society, without to gain any profit.”

‘C’ is an **engineer** from a telecommunication company. He views CSR as firm responsibility to the society. Anything that firm provides or gives to society should not

involve any money. Therefore, 'C' feels that CSR should be part of company voluntarily. Thus, 'C' is against with 'profit' dimension in CSR.

'K', however, argues that;

“CSR should be from the state responsibility and should not transform the responsibility to the corporation. Economic development should come together with the social responsibility. CSR is a global issue.”

'K' is a **president** from one of the non-governmental organisation (NGO). He views that CSR is not only a social contract between firm and society. But CSR is an entity to everyone in this planet. Therefore, CSR should not only be burdened to the company. He also demonstrates that CSR is something to do with economic development. It means that nothing wrong for company to gain profit from doing a good CSR. In relation to this Levitt (1958), stated that firm's job is making money and the social responsibility should not be company's main objective. Besides that Levitt argues that the welfare jobs should be the government's job but not the corporation. Therefore, 'K' views CSR as '*policy*' and '*political*'.

Anyhow, 'S' is a **government officer** in a higher ranking post. He has served the organisation nearly 20 years. He says:

“Government agencies are service provider only. Awareness on social responsibility among government staffs was not high as compared to private sectors employees. Our job is mainly to serve the public and helping businesses to operate and run the business

easily. We are helping the corporation and the society actually. So that is our role...we are already part of the society.”

Here, ‘S’, views CSR as ‘policy’ and yet is responsible to ‘people’ and not only the government’s responsibility.

‘R’ has point an interesting views when he says:

“This is from what I am exposed to, where CSR comes from two perspectives. One perspective is that come from they should do and another is what they want to show. For example, they give a big cheque, they want to show. Otherwise they will just do what they want to do to help the need of society. So it depends, but I think both are not really wrong, but if in Islamic perspective it’s different, for instance ‘give from the right hand, the left hand even doesn’t know about it’. But from the other perspective you do it, you want to encourage people to do it, perhaps it is OK.....But this is one of thing that if we see, there is company that do CSR in a way to reduce the tax payment. For me it is still OK since someone is also getting the benefits”.

‘R’ is a **president** from a non-governmental organisation. His view seems to show that criticism of the concept of CSR will never end as it is ambiguous character in nature. Therefore, CSR is obligation to the society and self interest of obligations to the organisation. In a way CSR has a social contract between the society, become a moral agent

to them and become a responsible to the company itself to achieve their economic gain. 'R' understand that CSR is a '*process*' and also '*profit*' to most of the corporations.

5.3.3 Defining CSR in this Study

As discussed earlier, this study has content analysed hundreds of documents from books, academic journals, articles as well as from interview transcripts, providing a broad and rich perspective of the range of definitions used. The preliminary findings provide an overview of the broad multi-mentioned ten themes which it was thought were an accurate categorization of the broad range of definitions of the CSR. The categorization into ten themes was easy to understand.

This study used the ten themes identified as the starting point for setting the boundaries of the CSR construct. Thus, this study could identify any commonalities and differences regarding the antecedents of the CSR and its consequences. By drawing on the discussion of such similarities and differences, the researcher then considered issues of redundancy with similar constructs. As mentioned earlier, the ten themes had a certain degree of overlap among them. The notions of the CSR as Product 'quality' and 'safety' also share a common orientation with People category. But the definition of People adopts a wider perspective as antecedents to People embeds CSR with meanings which have more levels of abstraction. The People definition not only stressed on stakeholders but associated them with 'quality life' of that entity (i.e. the stakeholder). Another overlapping theme is Philanthropy and Personal category. The 'donation' and 'charity' are consequences of the 'behaviour' and 'attitude' through the human values projected onto the CSR. For example individual with generous attitude and good behaviour has tendency to give a donation. An

organization with CSR values may imply an active role in charity projects. As such, the used of Personal category provides clear explanation compare to the Philanthropy.

With regards to above the considerations, this study will retain only eight major categories of the CSR constructs. Based on current analysis and results it is apparent that CSR is like an onion because it is a whole made up of many layers. There is a lot more to CSR than others think (Zahra and La Tour, 1987; Maignan and Ferrell, 2001; Turker, 2009). While some aspect has considered in setting the boundaries of the CSR construct, this study was able to give definition. As this study wished to cover as wide a perspective as possible, main elements results from various academic and numbers stakeholders description of CSR are incorporates, thus at this exploratory stage, the study identified CSR to be defined as;

‘CSR is a long term *process* concerned about *people, planet and package* at large, in relation to *profits and* amalgamation of all the *policy, politic and personal*’.

In view of the qualitative results, now it is appropriate to understand how scholars and stakeholders interpret CSR. This stage of the research corresponds to Churchill’s (1979) ‘experience survey’, whereby this study used a judgement sample of people (i.e. scholar and stakeholders) to gather ideas and insights into the phenomenon. However, less is known about previous research has undertaken a comprehensive and structured analysis to understand concept of CSR from various perspective and angle.

To contribute to this knowledge, therefore, in the second phase of the research, this study sought to further explore stakeholder understanding of CSR, to contribute to knowledge

regarding CSR definition. With defined CSR, the next section (see section 5.4.4) was to identify CSR dimensions.

5.3.4 Dimension of CSR Found in this Study

CSR is defined here as '*CSR is a long term process of concerning about people, planet and package at large, in relation to profits and amalgamation of all the policy, politic and personal*'. The definition is coupled with available themes to make them useful for identifying the CSR dimensions for this study. This study has taken the first steps to defining CSR by illustrating the characteristics of CSR.

Furthermore, the present study has demonstrated that the analysis of CSR definitions, through content analysis with emergent coding strategies can be done with an acceptable degree of rater agreement. Again, ten themes were found, and finally eight dimensions would like to extract for the use of this study. Consider another two themes are overlapping with others and it trying to achieve the similar purpose. Therefore, the results of this study suggest that it may be more logical to only evaluate the remaining eight dimensions to which a particular dimension is fulfilling a CSR domain.

Notice that this study is applying the 'theme name' to represent CSR dimensions. When using a similar theme name, it was found that there was a great deal to easily associate those themes with dimension proposed. In other words, the major themes or category are considered as CSR dimensions in this study. Table 5.9 represents the eight CSR dimensions which were associated with themes found in this study.

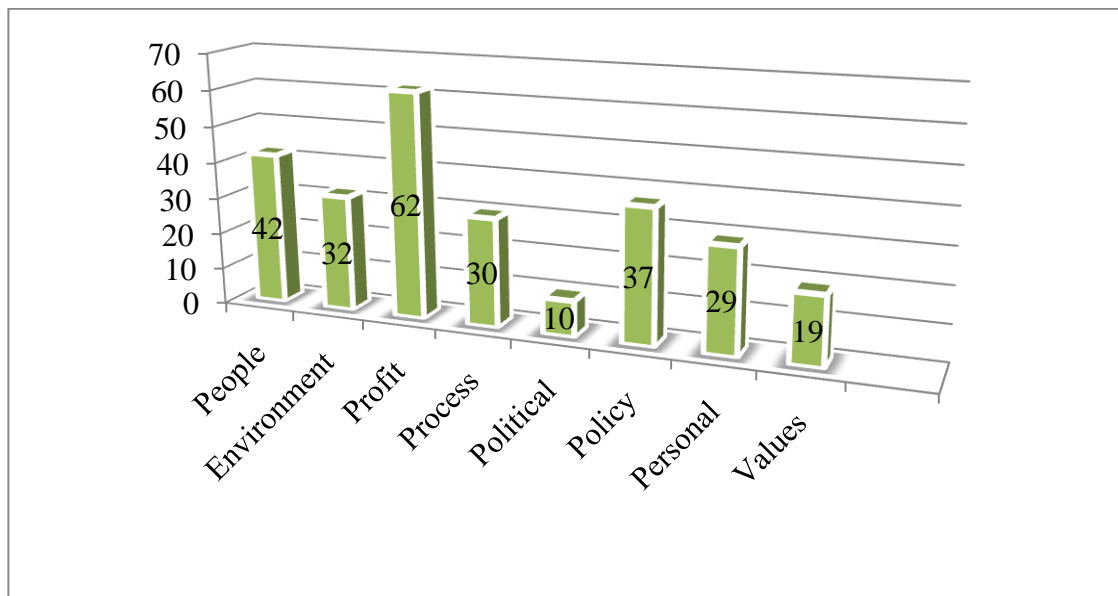
Table 5.9 Theme Elements Associated with CSR Dimension.

Theme elements	Dimensions Proposed
Economic obligation	Profit
Monetary value	
Company efficiency and effectiveness	
Investment	
Shareholders value	
Compliance with legal and law	Policy
Ethical conduct	
Regulation	
Business standards	
Triple-bottom line	Political
Window dressing	
Corporate governance	
Attitude	Personal
Behavior	
Perception	
Innovation	Process
Culture development	
Long term outcome	
Education	
Information	
Protect the environment	Environment
Managing natural resources	
Managing wastes	
Recycle	
Quality of life	People
Human resource development	
Fulfill and satisfy society needs	
Social obligation	
Stakeholders and shareholders	
Image	Values
Identity	
Reputation	
Corporate benchmarking	

Because the objective of this stage was to identify the CSR dimensions as perceived by scholars and stakeholders, a simple matrix (see Appendix 5.3 and Appendix 5.4) is represented to test or view the generality of the eight CSR dimensions proposed clarifying. These dimensions is important so that the researcher can determine what measurement scale can be used in Phase Two of the research. In section 5.4.5 the facets of CSR items in each dimensions (i.e., *Profit*, *Policy*, *Political*, *Personal*, *Process*, *Environment*, *People* and *Values*) will be presented.

Meanwhile Figure 5.3 showing the frequency chart of dimensions mentioning by stakeholders. Additionally, by including how the frequency of these major dimensions was mentioned by sample of respondents it is possible for this study to get an idea how important the particular dimensions were chosen as highlighted in previous paragraph.).

Figure 5.3 Frequency Chart Showing the Number of Dimensions Mentioned by Literature



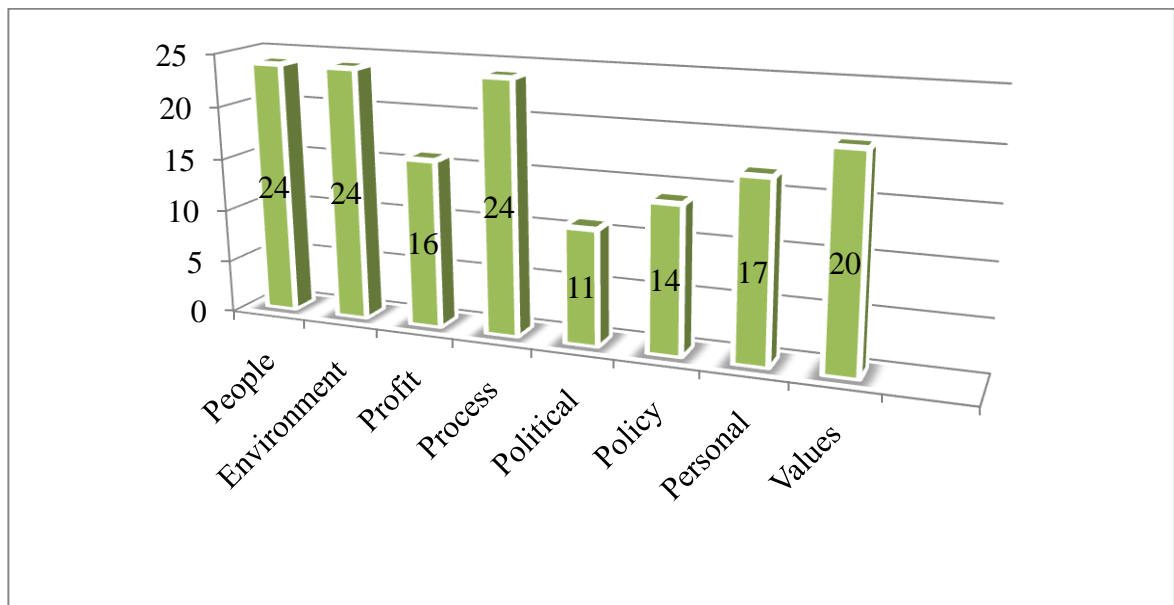
Legend:

 CSR Dimensions

Figure 5.4 illustrates how the frequency of the dimension shifts across the twenty four stakeholders. Notice that the most frequent dimensions are Environment, People and Process. Also note that how Political is less mentioning by stakeholders. Figure 5.4 illustrates frequency chart to have better view the number of dimensions found from stakeholders point of view.

From Figure 5.3 and Figure 5.4 both show that all of these dimensions are mentioning more than ten times. These were equally drawn as identification of the facet. Therefore, this study determined *Profit*, *Environment*, *People*, *Process*, *Political*, *Policy*, *Personal* and *Values* as the best names to represent CSR dimensions.

Figure 5.4 Frequency chart showing the number of dimensions mentioned by stakeholders



Legend:

 CSR Dimensions

The next stage was to identify the best items represented in each of the eight dimensions to be included in the scale. Section 5.4.5 has discussed about these.

5.3.5 CSR Items Found in this Study

The final goal of first phase research is to generate initial items for CSR scale to be used in the following phase. Therefore, after CSR is defined and CSR dimensions are identified,

now these construct could help the researcher to cross-checked against each other and combined to form a list of items. The results of an *inductive* content analysis, suggest that eighty items and eight dimensions of CSR. The results show each dimension established of more than two items. Meanwhile, Table 5.10 shows the eighty items that developed in this study.

Table 5.10 CSR Items.

No.	Items
1	CSR contributes to company profit.
2	CSR is an activity to attract customers.
3	CSR encourages investors' to invest.
4	CSR encourages buyer to make repeat purchase.
5	CSR makes a company different from others.
6	CSR helps a company increase sales.
7	CSR helps a company invest in future generations.
8	CSR is an individual interest.
9	CSR is considered to be a vehicle for company to become more competitive in the market.
10	CSR gives back to society to improve the quality of life.
11	CSR ensures that a company is more responsive to the complaints of its customer.
12	CSR helps the needy people.
13	CSR encourages its employees to become involved in social activities voluntarily.
14	CSR is a partnership with employees, customers, investors, suppliers or communities.
15	CSR supports non- governmental organisations' work.
16	CSR improves the quality of employees' lives.
17	CSR helps provide an acceptable quality of life.
18	CSR helps ensure that employees are offered a reasonable salary.
19	CSR provides a healthy working environment.
20	CSR supports education in society.
21	CSR educates people to be well-mannered.
22	CSR encourages its employees to develop their skills and careers.
23	CSR encourages its employees to be concerned with a work-life balance.
24	CSR helps the management with competitive strategies.
25	CSR helps manager to make strategic decisions in organisations.
26	CSR helps to provide equal opportunities to everyone.
27	CSR requires a company to provide high-quality products to its customer.
28	CSR complies with national standards.
29	CSR facilitates communication between a company and its customer.
30	CSR provides accurate information to all.
31	CSR provides safe and healthy products in the market.
32	CSR induces products and services innovation.
33	CSR believes in consumer rights.
34	CSR believes in customer satisfaction.
35	CSR is a contribution of money according to the needs of the society.
36	CSR is contribution of time according to the needs of society.
37	CSR is contribution of talent according to the needs of society.
38	CSR promotes a company paying its taxes on a regular and continuing basis.
39	CSR encourages a company to follow government regulations.

40	CSR allows non-governmental organisation to express themselves freely.
41	CSR tries to help governments to solve social problems.
42	CSR helps people change their attitudes.
43	CSR creates honest, responsible, ethical and generous people.
44	CSR helping social-awareness amongst the public.
45	CSR avoids unfair competition.
46	CSR is against environmental pollution.
47	CSR is against child abuse.
48	CSR is against corruption.
49	CSR takes notice of every warning from non-governmental organization (NGO).
50	CSR creates a sense of belonging.
51	CSR shows concern for everybody that lives in this earth.
52	CSR provides social values to the company.
53	CSR encourages a company to be more creative.
54	CSR makes a company to be outstanding.
55	CSR concerns changing people's perceptions.
56	CSR creates a good company portfolio.
57	CSR smoothes business operations.
58	CSR helps a company to easily market their products and services.
59	CSR is influenced by people's attitude.
60	CSR increases the value of the company.
61	CSR increases the value of the intangible products.
62	CSR increases the value of the products.
63	CSR protects natural resources.
64	CSR helps a company to manage their resources properly.
65	CSR is beneficial to everyone in the long run.
66	CSR helps control human behaviour.
67	CSR helps shape human behaviour.
68	CSR is a liability to the company.
69	CSR helps a company to plan.
70	CSR helps a company to achieve its targets.
71	CSR is company's innovation.
72	CSR ensures consumers are not cheated.
73	CSR overcomes social problems.
74	CSR overcomes business problems.
75	CSR is an individual preference.
76	CSR complies with international standards.
77	CSR is influenced by religion.
78	CSR creates a good culture in society.
79	CSR is self-regulated policy.
80	CSR is the government's social responsibility.

As indicates in the Research Methodology chapter, the scale was designed through a systematic and reliable scale development process. This is the first attempt to develop an initial scale that is based on a representative sample of subjects, a comprehensive list of items, and a systematically chosen set of dimensions across the CSR category. For instance, the first step to the conceptualization of the scale is based on the operational definition

developed in this study. It should be noted that this definition, was derived from literature and includes most of the stakeholders to represent each group. Therefore, the scale development process has gone through a systematic procedure and process, before an item could be generated.

In summary, the initial item pooled from these analyses demonstrated that the framework of CSR dimensions, as represented by the 80-item CSR scale. Table 5.11 shows the dimensions and its number of items. However, the reliability, validity and generalisability of the items have yet to be determined. Therefore the scale constructed should be further explored in the main study. Thus, in the Research Phase Two, an exploratory survey was conducted to create new items.

Table 5.11 CSR Dimensions and Items

CSR Dimensions = 8	Number of Items	Total = 80
1. People	10, 12, 13, 14, 16, 17, 18, 22, 23, 26, 34, 35, 37, 44, 50, 55, 64, 66, 67, 72, and 75.	21 items
2. Environment	19, 31, 32, 46, 51 and 63.	6 items
3. Profit	1, 6, 38, 52, 56, 57, 60, 61 and 62	9 items
4. Process	7, 9, 11, 15, 20, 21, 24, 25, 29, 30, 36, 58, 65, 68, 71, 73, 74 and 78.	18 items
5. Political	39, 40, 41, 49 and 80.	5 items
6. Policy	27, 28, 33, 45, 47, 48, 69, 70, 76 and 79.	10 items
7. Personal	8, 42, 43, 59 and 77.	5 items
8. Values	2, 3, 4, 5, 53 and 54.	6 items

5.4 SUMMARY OF CHAPTER FIVE

The introduction to this chapter outlined several philosophical positions regarding CSR. In the past, three major themes have tended to dominate the discussion, Profit, Planet and People, the 3Ps. All related issues are fairly discussed and three major findings as illustrated below are presented to conclude this chapter:

1. Methodological

In the sorting, categorical and gestalt process of the qualitative data in order to sort the items into construct group based on the theoretical construct definitions as suggested by Hinkin (1995), the researcher has ensure that this method is successful in its validity assessment. The multi-methods used in developing the initial item generation, showing that these approached were considered (see Ahire *et al.*, 1996; Flynn *et al.*, 1994; Hensley 1999; Saraph *et al.*, 1989; Ward *et al.*, 1994). However, these qualitative approaches appear to be more complicated, skilful and time-consuming.

2. The measures of CSR

Notably, the CSR measure has attracted a great deal of attention from scholars and practitioners. However, research has largely ignored the exact scale and dimensional structure of CSR due to CSR definition problem. This study has defined CSR and eight dimensions are also indentified to provide a more informed and systematic measures. The instrument developed will be useful not only in academic research but also to practitioners (marketers for example). Management and marketing practitioners have come to realise that understanding CSR measurement is critical for developing competitive advantage and sustainable organisation. As organisations engage in business to understand and improve their business performance, they can use the scale of measurement for assessment, planning and monitoring their performance.

3. Directions for main study

This Phase One was an exploratory study. The study contributes to the literature by providing a framework of CSR dimensions and initial scale to measure CSR. Further research therefore needs to be undertaken to test the reliability, validity and generability (within the research context), as such to confirm the findings. The results of an exploratory study using qualitative approaches suggest that CSR has eight dimensions: *Profit, Policy, Political, Personal, Process, Environment, People and Values*. In particular, these developed instruments should be confirmed and tested on other areas. In relation to this, Churchill (1979) suggested the construct validity of a measure should be validated with new data. These developed instruments could usefully be carried out into the dimensionality of CSR construct to confirm the dimension structure suggested by this study. Kerlinger (1986) believes that construct validity requires preoccupation with theoretical constructs and scientific empirical inquiry involving the testing of hypothesised relations. To be more rigorous, it is necessary to test the construct validity of the measure (the CSR dimensions) with additional data or other variables that associated with CSR.

Therefore, theoretically, this study contributes to an overall understanding of the use of CSR. Practically, it provides insight into the variables that influence CSR, as well as those that are influenced by CSR.

Chapter Six

Findings- Study 1

6.1 INTRODUCTION

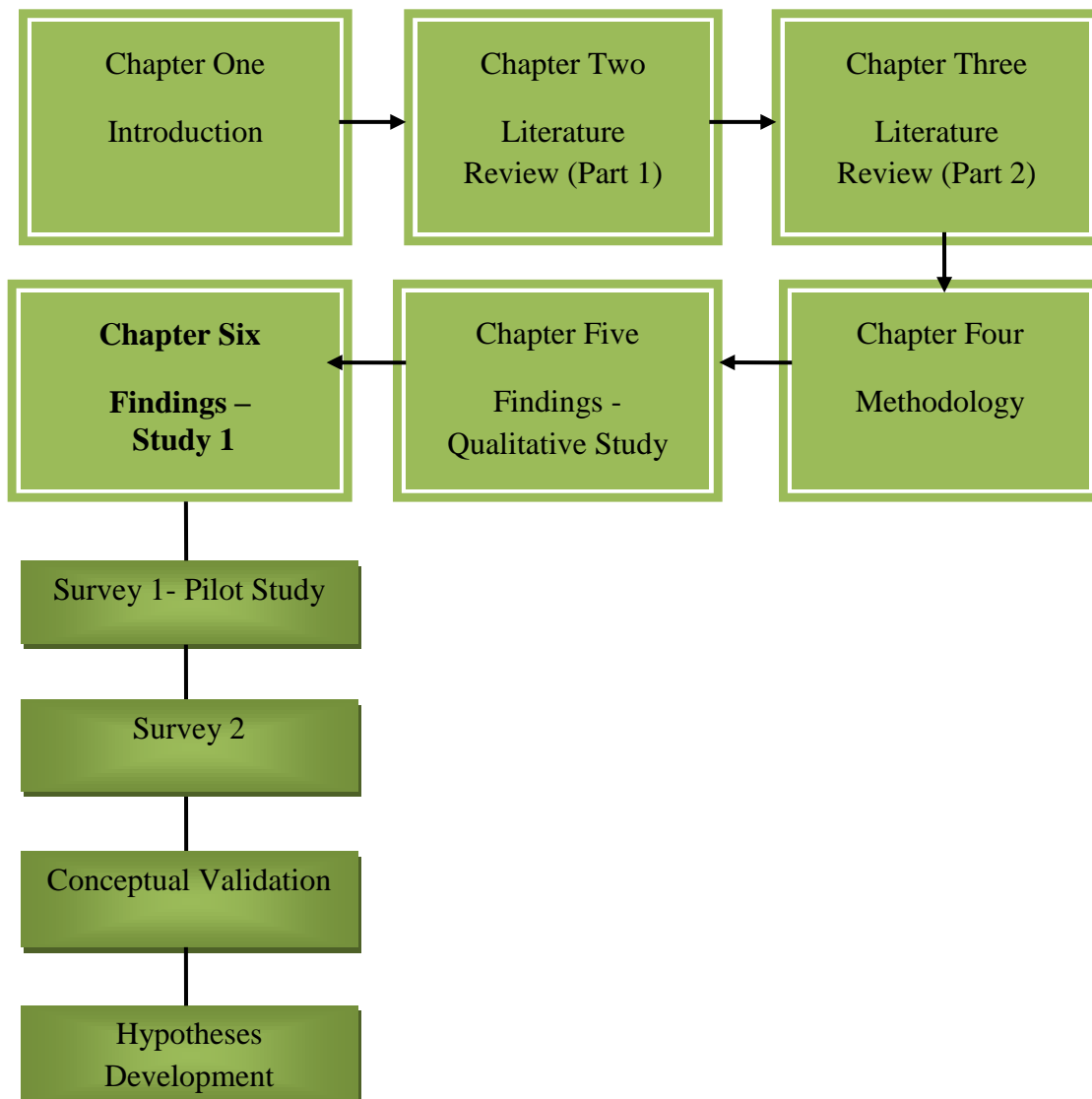
This chapter is continued from Chapter Five. During the exploring stage, the CSR definition and its dimensions were developed. Now, Study 1 was designed to further confirm these instruments. Therefore, the main purpose of this chapter is to initially validate the development of CSR measurement by using the quantitative approach. In this phase of data analysis, the measurement models for all constructs used (Exogenous and Endogenous) were validated and tested before the structural model is developed. As an initial introduction, in the final phase the nomological validity of the dimensions of CSR was accessed with structural equation modelling (SEM) technique.

Furthermore, in this study, its quantitative data analysis consisted of three distinct phases. Three independent samples were drawn from three different stages of data collections. Firstly in the Pilot Study the entire sample (N=46) was conducted as pre test samples and in Survey 2 the entire sample (N=142) was designated as exploratory samples in the Study 1. Meanwhile, sufficient number of subjects (N=109) in Survey 3 Note: [Study 2] was designated for confirmatory samples and the Study 2 consisted of refining the instrument by the model generation method.

To recap, as well as in response to Chapter 6, Figure 6.1 depicts the logical sequence of previous chapters that lead to this chapter. This chapter presents four main sections in

order to provide a structured way of presenting the conceptual validation, with a progression taking place in the hypotheses development. The first section, 6.2 is concerning on the pilot study's findings. In the second section, 6.3 the specifying models and hypotheses development in this study are discussed. Finally the summary of Chapter Five is discussed in section 6.4.

Figure 6.1 The Logical Flow of Previous Chapters to Current Chapter.



6.2 FINDINGS OF PILOT STUDY

There are many advantages to use online survey research over traditional paper questionnaires, but also some disadvantages as per described in the Methodology chapter of this thesis. In this chapter, it is necessary to discuss the findings of the pilot study. To begin, a brief description of the response will be provided.

Email invitations were sent in two days. The 100 emails invitations were sent on the first day, followed by 106 emails invitation on the next day. All emails invitations were successful sent and no email came back as undelivered. This may be due to the researcher effort to contact the respondents to confirm of the email address prior sending out the email invitations.

The response findings for the pilot study using web survey, were on the whole, very positive (i.e. quantifying and cleansing the list). The percentage was calculated to determine the overall response rate. By sending the random sample an advance Email invitation to participate in an online survey and requesting a response as to whether or not the participant would prefer to complete the survey online, the researcher can obtain an initial estimate of how many people will actually respond to the online survey.

Two key issues are found in this pilot study- its external and internal contribution to the study. To begin, a brief description of these issues (i.e. response rate, response speed and cost) will be provided. Next, 15 new items were suggested to be added to the development measures.

6.2.1 External Contribution of the Pilot Study

1. Response rate

A total of 46 questionnaires were answered. The present research focus is on respondents' reactions to the web base survey, especially on the question section two (i.e. items on CSR). All respondents were attempted to answer all the questions asked. Appendix 6.1 and Appendix 6.2 have illustrates the response rate of each questions.

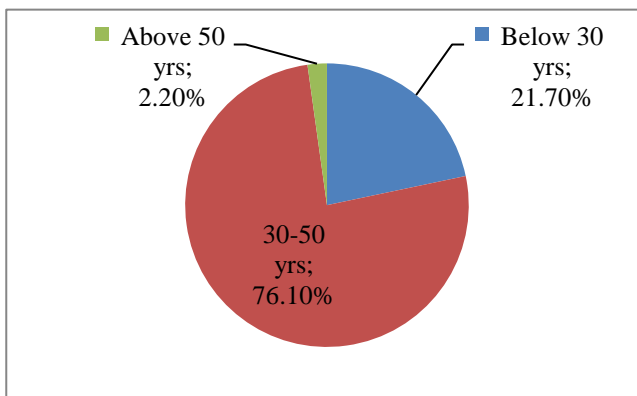
Appendix 6.1 illustrates the response rate of 98 percent for question section one. In the question section one respondents were asked to rate the strength of their agreement or disagreement with the developed CSR definition. One respondent skipped from answering this question. Obviously, most of them agreed with the developed definition. Meanwhile, Appendix 6.2 illustrates the response for the CSR items. Respondents were asked to indicate the strength of their agreement and disagreement with each of the 80 items developed. All the items were answered except for item number 4,7,10, 11,12,21,24,30,31,43,50,65,60,75,77 and 80. For these items only 45 respondents gave their feedback. Then, for item number 20 there were only 44 respondents gave their rating. Based on this, the researcher can predict that there might be a possibility for the respondents to skip or unattended to some of the items. But this pilot study has shows that the possibility for unattended items is very low.

Furthermore, from the findings the researcher can also predict whether the data are normally distributed or not (e.g. normal curve or skewed curve). Further, the researcher may determine what type of statistical tests to use. Using the right tests on the data

collected is significant importance to give appropriate emphasis in assessing the overall effect.

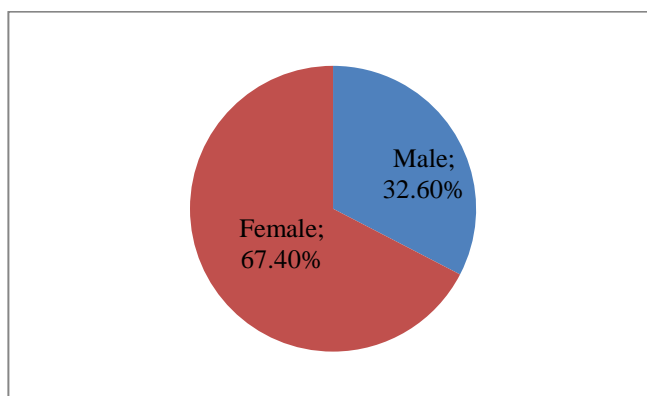
Next, for question section 3 respondents were asked about their demographic profiles. From the diagram 6.1 it shows the age of the respondents. More than 75 percent of the respondents are age between 30 to 50 years old.

Diagram 6.1 Age of the Respondents.



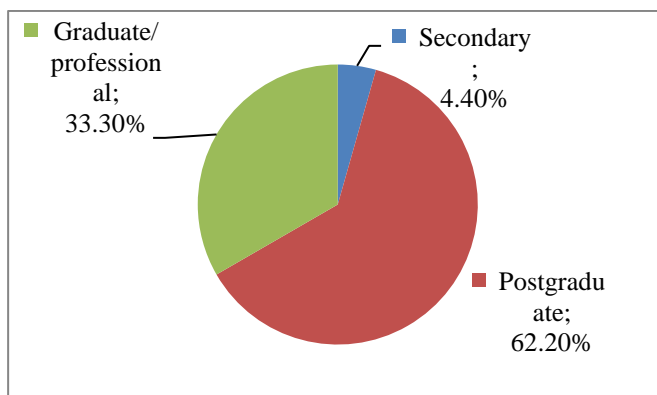
In this pilot study female respondents are more participative compared to the male respondents. Diagram 2 shows that 67.4% were female and only 32.6% were men.

Diagram 6.2 Sex of the Respondents.



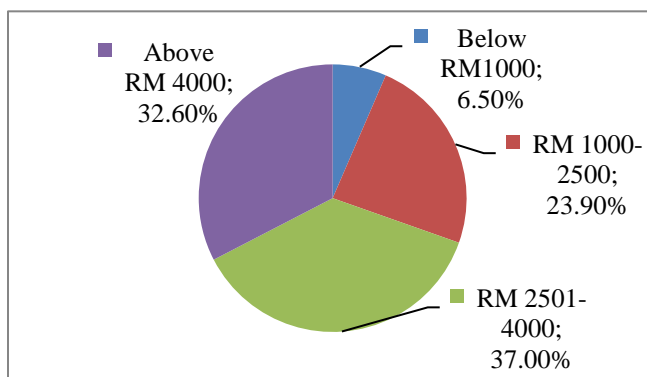
As for education background, most of them had their formal academic up to postgraduate level. Therefore, most of them may have a good understanding on the English language [Note: the questionnaire is not translated into Malay language]. Besides that, this sample of respondents is from the white collar employment and high-tech. As such they are constantly utilised and gain access to the internet, therefore saw no problem to participate in this online survey. Diagram 6.3 shows the education level of the respondents.

Diagram 6.3 Education of the Respondents.



Then, diagram 6.4 shows the income level of the respondents. From the diagram it illustrates that more than 50 percent of the respondent's income is above than RM 2501. This income is considered acceptable figures for Malaysian standard of living⁹.

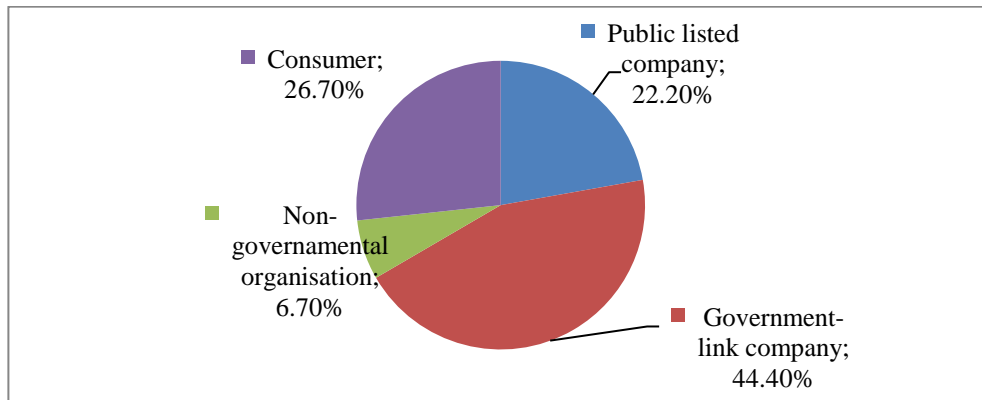
Diagram 6.4 Income of the Respondents



⁹ Source: Basic Indicators, available at http://www.unicef.org/infobycountry/malaysia_2412.html

From the diagram 6.5 it shows that only 6.7% were from non-governmental organisations (NGO). Thus, in next survey the researcher contacted more NGO to ask for participation.

Diagram 6.5 Sector Type



Finally in the pilot survey, one open ended question was designed. Respondents were asked to make their comments or suggestion regarding the survey. Normally, respondent dislike answering an open ended question. But in this survey four respondents manage to respond to this question. Thus, this type of question will remain to be asked in the next survey because open ended answer is very helpful to the researcher in term of additional input and ideas.

2. Response speed

The website address (URL) for this survey was posted on 17 April 2010 until 23 April 2010. Although this is a short period for data collection but 46 answered questionnaires have been received within these seven days. The researcher does not need to wait for surveys to arrive like traditional postage mail. The online questionnaire can be delivered and redelivered in virtually seconds. Since the questionnaire is already developed in a computer format, editing and analysis are time-saving. Follow-up reminders with a copy of the website address can be sent with a touch of a few buttons.

3. Costs

Finally, cost saving in implementing the online questionnaire is also an obvious advantage. Postage fees are avoided and labour needed is also low. As such this study may substitute this substantial cost by allocating an offer of incentives to the respondents.

6.2.2 Internal Contribution of the Pilot Study

Consequently, this pilot study has received good feedback from the participants. Many of them also gave their comments on how to improve the questionnaire. Taking into consideration their valuable comments, this study finally suggested adding another 15 items for the CSR measurement scale. This study chooses to highlight two of their comments¹⁰ to prove that how important and valuable their message is. Therefore, there are 95- items to be used in Survey 2 in the following phase. Table 6.1 illustrates the new items. From these new items, item 1, item 6, item 7 and item 9 are depicted the *Policy* dimension. Meanwhile, item 2, item 8, item 10 and item 11 are depicted the *Values* dimension. Whereby, item 3, item 4 and item 5 are for to the *Process* dimension. Finally item 12, item 13, item 14 and item 15 are fore *People* dimension.

¹⁰ In last section of the questionnaire, respondents were asked an open-ended question. They were asked to tell the researcher about the survey and other comments they wish to make regarding the measurement scales. From the 46 responses, 37 respondents answered this question very well. Hence, amongst the 37 responses only two comments were randomly pick up and highlighted here.

Table 6.1 Additional 15- items.

No.	Items
1.	CSR is against child labour.
2.	CSR positions products profitably.
3.	CSR helps a company to manage their procurement.
4.	CSR supports a firm infrastructure.
5.	CSR promotes a firm technology development.
6.	CSR encourages truthful advertising.
7.	CSR offers fair pricing practices.
8.	CSR increases product safety and healthy.
9.	CSR protects local certified food.
10.	CSR supports community leisure activities.
11.	CSR supports recycling.
12.	CSR concerns diversity and non-discrimination.
13.	CSR concerns fair compensation.
14.	CSR concerns fair layoffs.
15.	CSR concerns better labour relation.

6.2.3 Summary of the Pilot Study

The biggest advantage of web-based surveys compared with traditional mail and fax surveys are efficiency, speed and low cost (Cobanoglu *et al.*, 2001; Roztocki 2001). The use of web-based surveys eliminates mailing costs for questionnaires, completes the data collection faster (Cobanoglu *et al.*, 2001), reduces human error and reaches respondents in different geographic areas effectively (Roztocki, 2001).

Based on the findings of this pilot study, it recommended that researches use incentives when conducting online surveys to achieve higher response rates. A small prize to all respondents and also entering them into a draw for a bigger prize within this study budgetary considerations. A detailed timeline either in the covering email or introductory section of the questionnaire should be included. As suggested by Cobanoglu and Cobanoglu (2003) the conditions about how and when the incentives will be distributed should be informed too. Besides that this study suggests that the bigger prize draw be

handled by an independent body (e.g. the Dean of department). This approach may increase respondents' confidence that the prize will actually be distributed and the selection will be made fairly. Moreover, this pilot study has helped the researcher to revise the items and finally 15 new items have been added and designed for Survey 2.

6.3 FINDINGS OF SURVEY 2 - EVIDENCE OF CONCEPTUAL VALIDITY

The objective of Study 1 is to develop new scales for CSR that were not part of existing CSR dimensions. As explained in the previous chapter, in order to identify various forms of salient CSR, CSR definitions, conceptualisation and models this study first reviewed the relevant literature in different disciplines including public policy, organisational behaviour, accounting, communication, business ethics and marketing. This literature was followed by qualitative research in an effort to further elicit CSR that might have been missed in the previous research. This qualitative research was conducted through personal interviews with individual stakeholders from different industries in Malaysia. As a result, a pool of new items was created to reflect the CSR items.

A structured questionnaire was developed based on the pool of new items. The survey was administered to individual stakeholders who had used the internet. In this second part of Study 1, this research has collected a total of 142 completed questionnaires. In particular, in Survey 2 each respondent was asked about their understanding of the developed CSR definitions. This study has included a brief explanation of the construct in the beginning of the questionnaire to capture the domain. Section 6.3.1 is briefly discussed about the findings of the developed CSR definition. Meanwhile the subsequent sections are discussed

about the CSR dimensionality. To discover discernible patterns of CSR dimensions, this study performed exploratory factor analysis (EFA). Section 6.3.2 is discussed on formative measure models and 6.3.3 is discussed about the application of EFA.

6.3.1 Corporate Social Responsibility (CSR) Definition

After Survey 2 feedbacks and also based on the qualitative findings, this study defines CSR as

'CSR is a continuous and long-term *process* guided by organisational and *personal values*. It is concerned with *people* (as stakeholders), the *environment* and organisational *policies*, and is influenced by *political* concerns. Adoption of CSR is often associated with monetary gain or *profit* for the initiator'.

To explicitly explain the above definition this study defined the following thus:

1. *Profit*: Firms make an investment in CSR and consequently firms seek monetary gain while fulfilling their economic obligation,
2. *Policy*: The compliance to regulation which extends beyond legal and ethical conduct,
3. *Political*: Manipulation by certain organisations or individuals' for their own agenda and interests,
4. *Personal*: Individual character, subject to individual perception and expectation,
5. *Process*: Long-term activities or business between and among stakeholders,

6. *People*: The objects of a firm's responsibility and commitment (e.g. shareholders, employees, customers, suppliers, governments, non-governmental organisations and communities),

7. *Environment*: Effective management and protection of natural resources while balancing these with stakeholders' activities (i.e. ensuring that these do no harm to the Earth),

8. *Values*: The core beliefs that help a firm to differentiate its reputation and identity and guides communication efforts.

The survey question was asked the extent to which they as a stakeholder agree with the interpretation of the developed CSR definition (1= strongly agree, 5= strongly disagree).

Table 6.2 and Figure 6.2 depict the general statistics for the total scores by the respondents.

Table 6.2 Definition Acceptance: Percentage of total scores of the respondents

Categories	Strongly Agree (%)	Agree (%)	Neither agree nor disagree (%)	Disagree (%)	Strongly disagree (%)	Total (%)
C1	18.3	59.9	11.3	7	3.5	100
C2	14.8	59.9	14.8	7	3.5	100
C3	14.8	59.9	11.3	10.5	3.5	100
C4	15.5	58.5	14.8	11.5	4.2	100

Table 6.2 depict the percentage of the total scores of the respondents (N=142). There are four categories used to measure whether the developed definition is

C1- accurately captures the true meaning of CSR,

C2- sufficiently practical,

C3 - relevant to multi-stakeholders in all places and

C4 - offers a sound theoretical and practical definition of CSR.

Note that more than 70% of the respondents agree with those categories and less than 5% were strongly disagree with the interpretation of the developed definition. In order to clearly facilitate the scores Figure 6.2 shows the results in number with illustration of the bar graphs.

Figure 6.2 Frequency of the total scores by the respondents

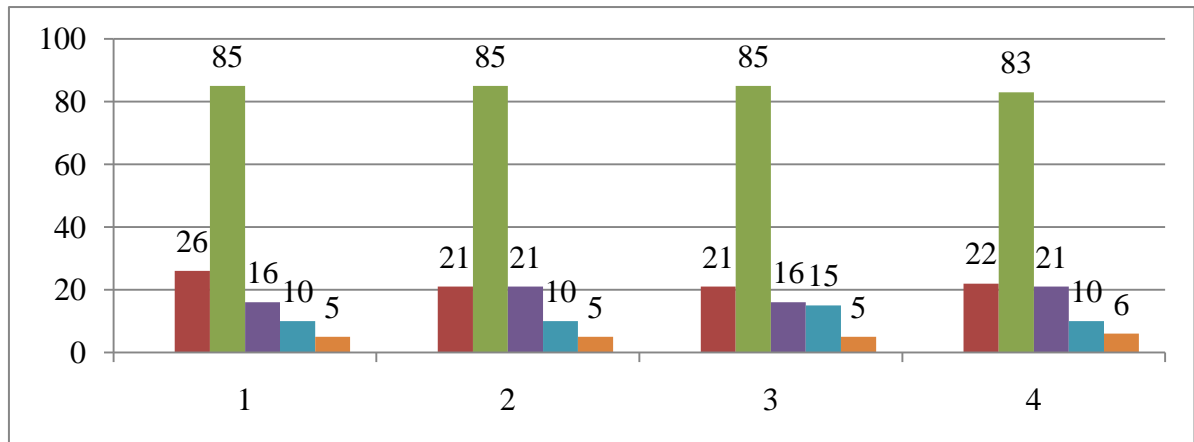
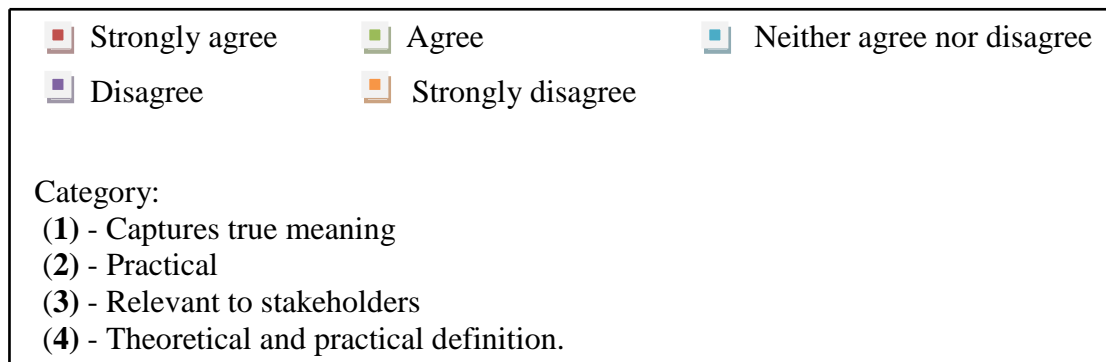


Chart legend



As for the first category, C1 strongly agree has contributed to 26 scores, agree has 85 scores, disagree has 16, neither agree nor disagree has 10 scores and strongly disagree has only 5 scores. The patterns of scores from other categories are almost the same; which contributed more than 90 scores of agreement on each category. It is evident from Figure 6.2 that overall, respondents were agreed in all categories of the developed CSR definition.

Therefore, the definition is understandable to the respondents. This criterion is very important to further identify CSR dimensionality. This is the main reason why this research has its efforts to develop the CSR definition in the initial stage.

6.3.2 Formative Measurement Models

CSR is a theory-based formative construct (Gjørlberg, 2009; Poolthong and Mandhachitara, 2009; Strike *et al.*, 2006), so the issues of construct validity and reliability that typically apply in a reflective construct are not as relevant. Creating a formative measure of CSR suggests that changes in the survey items affect the CSR scales, rather than the other way round. Techniques for evaluating the reliability of reflective measures like Cronbach Alpha do not apply to formative measures. The Cronbach Alpha is not applicable because there is no reason to assume any pattern of correlation between items that make up a formative measure. As such, one cannot assume a pattern of correlations between the indicators, and ideally, one might prefer no correlation. Furthermore, Bagozzi (1994) argues that 'reliability in the internal consistency sense and construct validity in terms of convergent validity and discriminant validity are not meaningful when indexes are formed as linear sum of measurements' p.333. Therefore, until today the validation of formative measure relied mostly on face validity (Bollen and Lennox, 1991; Diamantopoulos and Winklhofer, 2001; Spector, 1992).

Recently, there are useful guidelines for assessing the validity and reliability of a formative measure (see Coltman, Devinney, Midgley and Venaik, 2008). The three most important criteria are

- 1) the items need to cover the full domain of the construct that is being proposed,

- 2) the causality needs to run from the items to the construct, and
- 3) the eliminating of any insignificant item cannot alter the meaning of the construct.

Some authors have also suggested there is no test of reliability for formative measures (Coltman, Devinney, Midgley and Venaik, 2008) but the indicators should have the same directional relationship with the latent construct and the indicators should be checked for collinearity. If the indicators in a formative measure are highly collinear, it is difficult to distinguish each indicator's effect on the latent construct (Diamantopoulos and Winklhofer, 2001). However, to identify dimensionality of the scale, this study has not tested the multicollinearity using variance inflation factors (VIF). The index of reliability developed here will be a more appropriate measure for scale development. For these reasons, an estimation of the reliability of the coding process has been explicitly stated in the qualitative chapter. Attention to reporting the reliability data for the total set of observations is more preferable because the number of coding categories can affect the estimate of reliability and, indirectly, can lower the confidence limit (Perreault, Jr. and Leigh, 1989). This study is concerned with the quality of the raw responses as well as with the coding scales.

In formative measures, principal component analysis (PCA) can be used to check the dimensionality of the latent construct (Coltman, Devinney, Midgley and Venaik, 2008). The indicators are not required to be highly intercorrelated. Indicators in a formative measure may be dropped as a consequence of low correlation, high multicollinearity or if the indicator seems to be related to another construct. However, the researcher should be

sure not to change the meaning of the construct when deleting an indicator (Diamantopoulos and Winklhofer, 2001; Diamantopoulos, Riefler and Roth, 2008).

This study performed principal component analysis (PCA) with a varimax rotation. The PCA application is discussed in the following section (section 6.2.3). Some of the related indicators load onto several factors. Dropping these indicators did not change the meaning of the coverage of the CSR domain. But in this exploratory stage, the researcher is not keen to drop any of the factors. Following this logic, this study would like to retain the eight factors, even though some of the factors only have three items retained. In quantitative data analysis phase two, the confirmatory factor analysis (CFA) is used to confirm the item loadings into particular dimensions in a measurement model.

6.3.3 The Application of Exploratory Factor Analysis

Factor analysis has been used extensively as a data analytic technique (Rummel, 1970).

Factor analysis is used for examining

1. patterns of interrelationship,
2. data reduction,
3. classification and description of data,
4. data transformation,
5. hypothesis testing, and
6. mapping constructs space.

The understanding of how to deal with the complex issues for factor analytic methodology is assessed prior conducting the factor analysis. Given that statistical procedures and techniques are complex in measuring item constructs, a review of exploratory analysis is

important, it provides a view of how well this application (i.e. psychometric theory) can be translated into practice. This section first discusses the current perspective relevant to some of the major issues in factor application. Then, research applying factor analysis in the study is analysed. Thus, this study has provided

- a. a clear presentation of the decisions made on factor analysis; and
- b. a comprehensive presentation of the results on factor analysis.

Besides that, a few major issues were considered for

- 1. the choice of factor model to be used,
- 2. the decision about the number of factors to retain,
- 3. the methods or rotation; and
- 4. the interpretation of the factor solution.

6.3.3.1 Sampling

Sampling variability can cause the factor structure to be unreliable (Cliff and Pennell, 1967; Horn, 1967; Solomon, 1960). This cause may provide a problem with interpretation is that even when the factors appear to be clear and unambiguous (Ford *et al.*, 1986). Many approaches have been suggested to minimise the interpretation of meaningless factor solution. Armstrong and Soelberg (1968) have also proved that variables with random numbers can be analysed and the meaningful factors could be interpreted. Sampling error can be reduced by increasing sample size (Cliff and Pennel, 1967; Armstrong and Soelberg, 1968). Therefore, this study has ensured that its sample size used is sufficient enough to confirm the ability to interpret the results of factor analysis and provide the quality of the data or validity of the results.

For Study 1, 377 individual stakeholders with email address have been contacted and 172 have managed to answer the survey. Response rate is about 45.62%. The 172 responses from the survey answer were examined for studies that used factor analysis as an exploratory analytical technique. Every response in the web base was printed and reviewed inclusively. Response were decided to eliminate from the sample if the respondent is not complete all survey section. Overall only 142 responses were found usable and proceed for the analysis and the actual response rate is 37.77%. Table 6.3 present the sample of respondents.

Results from Table 6.3 indicate that the majority of the respondents were females (59.9%) compare to the male (40.1%) respondents. In the pilot study female respondents are also more participative compare to the male respondents. In this current study, there is no issue for females being more positive to CSR initiatives than males. However, this may explain that female tend to be more supportive, and clearly explained the 60:40 of above ratio. The distribution of the industry category is not surprising, given that government link-company contribute a larger response. Table 6.3 also indicate that most of them had their formal academic until postgraduate level. Therefore, most of them may have a good understanding on the English language [Note: the questionnaire is not translated into Malay language]. Besides that, this sample of respondents is from the white collar employment and high-tech as it has been discovered before during pilot study as they are the group of potential respondent that are constantly utilised and gain access to the internet, as they need to participate in this survey via online.

Table 6.3 Statistics on Sample of the Study 1.

Age		Education		Sex		Income		Industry	
Category	N (%)	Category	N (%)	Category	N (%)	Category	N (%)	Category	N (%)
<30	27 (19)	Secondary	3 (2.1)	Male	57 (40.1)	< RM1000	5 (3.5)	G	33 (23.2)
30-50	111 (78.2)	Graduate	62 (43.7)	Female	85 (59.9)	RM1000-2500	22 (15.5)	PLC	25 (17.6)
>50	4 (2.8)	Post-graduate	77 (54.2)			RM2501-4000	54 (38)	GLC	49 (34.5)
						>RM4000	61 (43)	C	17 (12)
								NGO	18 (12.7)
Total	142		142		142		142		142

Note:

G- Government; PLC- Public listed company; GLC- Government linked company;

C- Consumer; NGO- Non-governmental organisation

6.3.3.2 Data Analysis and Results for Principal Component Analysis

There are numerous arguments regarding the uses of factor analysis (Costello and Osborne 2005; Hinkin, 1995, 1998; Hinkin and Tracey, 1999; Floyd and Widaman 1995; Reise *et al.*, 2000). These arguments have lead to some confusion between common factor (FA) analysis and principal-component analysis (PCA). The differences between both factors were discussed in the previous chapter. Despite the obvious differences between principal component analysis (PCA) and common factor (FA), Reise *et al.*, (2000) view that the two procedures are often considered equivalent in practice.

In relation to this many academics have agreed that if the data are well structured, it makes no difference whether a common factor (FA) or principal component analysis (PCA) is used (see Fava and Velicer, 1992; Velicer *et al.*, 1982). In this section the analysis was discussed according to the factor model, factor retention, rotational method, and

interpretation. The study was also discussed for sample ratio, statistical computer package, factor scores, and presentation of the correlation matrix, communality estimates, eigenvalues, factor loadings, and percentage of variance accounted by factors.

Refers to previous section 6.2.2 and 6.2.3 discussion, and a few justifications, the CSR items were submitted to principal component analysis (PCA), with Varimax rotation in order to identify the underlying constructs using proper guidelines. Next, the results of before and after items deleted and retain items via principal component analysis (PCA) procedure are reported.

Having established to the different factorial structures with different items, the 95 items that made up the CSR sample were subjected to PCA using SPSS Version 17. The Suitability of factor analysis for the sample was confirmed by a Kaiserr-Meyer-Olkin (KMO) value of .814, which is quite above the recommended value of 0.6 (Kaiser 1970, 1974). Kaiserr-Meyer-Olkin (KMO) values closer to 1.0 are better (Kaiser, 1970, 1975; as cited by Meyers, Gamst and Guarino, 2006). Meanwhile, the Bartlett's Test of Sphericity (Bartlett 1954) was highly significant ($p < .000$). The correlation matrix also revealed many coefficient values of above 0.3.

The PCA revealed twenty-one eigenvalues exceeding 1, and the cumulative variance is 58.43% (see Appendix). Communalities were estimated using squared multiple correlations. Inspection of the scree plot indicated that the magnitude of Eigenvalues tapered off after the three factors. The scree plot result do not clearly supports the extraction of current factors.

Therefore, the decision was made in the present stage to submit only the meaningful factor to PCA before retaining these items. The following criteria were used to identify meaningful factors underlying the items:

- a) retain items with communalities which are high (>0.6) and the factor are well defined (have many large loadings). Retaining items with higher communalities is an absolute minimum for newly developed measures (Hinkin, 1998). Besides that sample sizes of 100 are often adequate to identify meaningful factors underlying the items (Reise *et al.*, 2000),
- b) retain only those components with an Eigenvalues of greater than 1,
- c) include all items with structure coefficient with an absolutely value of 0.30 or greater; and
- d) retain factors that were interpretable.

After the above criteria were taken into consideration the 50 items were subjected to PCA to further determine the dimensionality of these items. Table 6.4 shows the descriptive statistic for the output. Mean^a are the means of the variables used in the factor analysis. Meanwhile, SD^b are the standard deviations of the variables used in the factor analysis and N^c is the number of cases used in the factor analysis.

Table 6.4 Descriptive Statistics.

No.	Item	Mean ^a	SD ^b	N ^c
32	induces products and services innovation	2.1690	0.74350	142
57	smoothes business operations	2.3521	0.84381	142
78	overcomes business problems	2.6268	0.91178	142
31	provides safe and healthy products in the market	2.1972	0.74605	142
27	requires company to provide high-quality products to its customer	2.2394	0.80715	142
62	increase the value of the products	2.1831	0.79555	142
58	helps a company to easily market their products and services	2.0634	0.73624	142
34	believes in customer satisfaction	2.0986	0.76548	142
70	helps a company to its achieve target	2.2465	0.78267	142
71	is company's innovation	2.1056	0.71168	142
72	ensure consumer are not cheated	2.4296	0.91013	142
18	helps ensure that employees are offered a reasonable salary	2.6549	0.93054	142
61	increase the value of the intangible products	2.0915	0.76172	142
95	concern fair layoffs	2.2535	0.66776	142
94	concern fair compensation	2.1901	0.67302	142
82	positions products profitably	2.2183	0.70576	142
89	increases product safety and healthy	1.7535	0.79168	142
84	helps company to manage their procurement	2.2254	0.62336	142
85	supports a firm infrastructure	2.1972	0.61007	142
93	protects local certified food	2.2465	0.72627	142
88	concerns better labour relation	2.1479	0.60667	142
92	concerns diversity and non-discriminations	2.0915	0.61776	142
85	promotes a firm technology development	2.1761	0.63357	142
52	provides a social values to the company	1.8028	0.57414	142
56	creates a good company portfolio	1.7676	0.73093	142
54	makes a company to be outstanding	1.9155	0.62448	142
50	creates a sense of belonging	2.0282	0.69388	142
53	encourages a company to be more creative	1.9366	0.70675	142
60	increase the value of the company	1.9577	0.67239	142
78	creates good culture in society	1.8310	0.69417	142
44	helping social-awareness amongst public	1.8873	0.74471	142
43	creates honest, responsible, ethical and generous people	1.9859	0.70445	142
67	helps shape human behaviour	2.1761	0.79269	142
45	is against the child abuse	2.1197	0.78535	142
63	protect the natural resources	2.1268	0.76129	142
73	overcomes social problems	2.4296	0.89441	142
91	provides a healthy working environment	2.0211	0.73868	142
19	supports recycling	2.0704	0.63746	142
38	promotes a company pays its taxes on a regular and continuing basis	2.3028	0.82505	142
39	encourages company to follow government regulations	2.1972	0.72679	142
42	helps people change their attitude	2.0986	0.82780	142
1	contributes to company profits	2.2113	0.81503	142
2	is an activity that attracts customers	1.8944	0.69147	142
24	helps the management with a competitive strategies	2.1338	0.80096	142
13	encourages its employees to become involved in social activities voluntarily	1.8380	0.74982	142
10	gives back to society to improve the quality of life	1.7042	0.71249	142
16	improves the quality of employees' lives	2.2535	0.86243	142
22	encourages its employees to develop their skills and careers	2.1197	0.83778	142
30	provides accurate information to all	2.3873	0.79759	142
37	is a contribution of talent according to the needs of society	2.1549	0.77456	142

The suitability of factor analysis for the sample was again confirmed by a Kaiserr-Meyer-Olkin (KMO) value of 0.893. Table 6.5 shows the KMO and Bartlett's Test before and after items deleted. From the table it does show the KMO value is improved and closer to 1.0 after the 45 items has been deleted from the 95 developed items. The Bartlett's Test of Sphericity was also highly significant ($p < .000$).

Table 6.5 KMO and Bartlett's Test

		95 items	50 items
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.814	.893
Bartlett's Test of Sphericity	Approx. Chi-Square	12926.646	5930.835
	Df	4465	1225
	Sig.	.000	.000

The PCA also revealed eight Eigenvalues exceeding 1. Table 6.6 shows the Eigenvalues respectively. The inspection of the scree plot now supports the extraction of the eight factors. Figure 6.3 shows the plots of Eigenvalues on Y axis and component number on X axis. From the figure it shows these values in the first five columns of the table immediately above.

From the seven to eight factors, the line is nearly flat but still above it levels off. From the ninth factor, it is clearly shows that the line is almost flat, meaning that each successive factor is accounting for smaller and smaller amounts of the total variance. Recommendation is to retain all components in the descent before the first one on the line where it levels off.

Table 6.6 Rotated Factor Loadings from Principal Component Analysis /Factor Analysis for CSR Dimensions

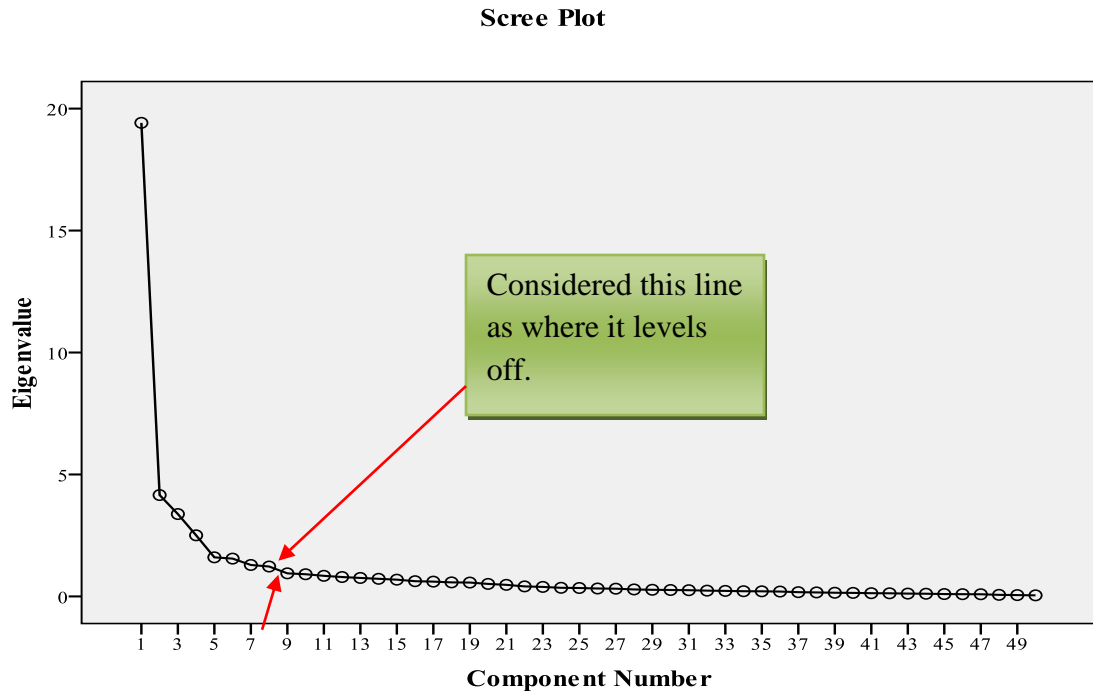
Item	Dimension	Factor								Commu ^a
		1	2	3	4	5	6	7	8	
	1. Process									
32	induces products and services innovation	0.789	0.095	0.177	0.192	0.049	-0.101	0.130	0.025	0.730
57	smoothes business operations	0.743	0.234	0.240	0.148	0.029	0.139	-0.129	0.081	0.730
78	overcomes business problems	0.728	0.167	0.003	0.319	0.132	0.219	-0.008	0.048	0.728
31	provides safe and healthy products in the market	0.724	0.169	0.202	0.199	0.032	-0.139	0.226	0.000	0.705
27	requires company to provide high-quality products to its customer	0.714	0.291	0.083	-0.126	0.056	<u>0.324</u>	0.189	0.141	0.782
62	increase the value of the products	0.692	0.259	0.245	0.200	-0.018	0.201	-0.179	-0.096	0.727
58	helps a company to easily market their products and services	0.672	0.208	<u>0.378</u>	-0.063	0.016	0.075	-0.202	-0.014	0.689
34	believes in customer satisfaction	0.613	0.059	<u>0.377</u>	0.288	-0.063	0.096	0.200	0.095	0.667
70	helps a company to its achieve target	0.604	0.301	0.196	0.120	0.119	0.248	-0.255	0.168	0.678
71	is company's innovation	0.597	0.295	0.296	0.196	0.124	0.060	-0.068	0.087	0.600
72	ensure consumer are not cheated	0.571	0.207	-0.063	<u>0.436</u>	0.387	0.050	-0.074	0.042	0.722
18	helps ensure that employees are offered a reasonable salary	0.541	0.216	-0.225	0.263	0.201	0.266	0.161	0.263	0.666
61	increase the value of the intangible products	0.536	<u>0.418</u>	.283	0.165	-0.034	0.172	-0.214	-0.048	0.648
	2. Policy									
95	concern fair layoffs	0.172	0.808	0.074	0.179	0.113	0.042	0.145	0.217	0.802
94	concern fair compensation	0.143	0.754	0.100	<u>0.345</u>	-0.041	0.035	0.231	0.224	0.824
82	positions products profitably	<u>0.336</u>	0.729	0.011	0.047	0.115	0.276	-0.068	-0.002	0.741
89	increases product safety and healthy	0.103	0.715	0.176	0.148	0.189	0.097	0.073	-.0263	0.694
84	helps company to manage their procurement	0.273	0.709	0.104	-0.059	0.102	0.096	0.059	<u>0.391</u>	0.767
85	supports a firm infrastructure	<u>0.307</u>	0.705	0.189	-0.079	0.160	0.168	-0.150	0.236	0.765
93	protects local certified food	<u>0.314</u>	0.677	0.102	0.073	0.204	0.122	0.172	-0.256	0.725
88	concerns better labour relation	0.138	0.657	0.033	0.240	0.052	-0.009	0.159	<u>0.418</u>	0.712
92	concerns diversity and non-discriminations	0.104	0.653	0.208	<u>0.448</u>	0.001	0.067	0.167	-0.116	0.726
85	promotes a firm technology development	<u>0.416</u>	0.636	0.226	-.064	0.138	0.146	.009	-0.046	0.676
	3. Values									
52	provides a social values to the company	0.130	0.032	0.766	0.160	0.250	0.023	0.158	-0.054	0.721
56	creates a good company portfolio	0.233	0.128	0.738	0.157	0.011	0.110	-0.039	0.190	0.690
54	makes a company to be outstanding	0.281	0.117	0.707	0.122	0.068	0.153	0.074	-0.088	0.649
50	creates a sense of belonging	0.217	0.172	0.697	0.227	0.187	0.046	0.126	0.159	0.693

Item	Dimension	Factor								Commu ^a
		1	2	3	4	5	6	7	8	
53	encourages a company to be more creative	<u>0.461</u>	0.048	0.690	-0.092	0.038	-0.022	0.279	-0.131	0.797
60	increase the value of the company	0.260	0.178	0.689	0.095	-0.058	0.115	-0.038	0.111	0.613
78	creates good culture in society	0.028	0.231	0.676	<u>0.453</u>	0.085	0.151	0.072	0.042	0.753
44	helping social-awareness amongst public	-0.075	0.140	0.571	<u>0.303</u>	<u>0.566</u>	-0.013	0.062	0.140	0.787
43	creates honest, responsible, ethical and generous people	0.079	0.150	0.520	<u>0.361</u>	<u>0.497</u>	0.013	0.181	-0.207	0.752
	4. Environment									
67	helps shape human behaviour	0.184	0.126	0.346	0.650	-0.034	0.141	0.089	0.085	0.628
45	is against the child abuse	0.288	0.037	<u>0.370</u>	0.586	0.092	-0.157	0.033	0.152	0.622
63	protect the natural resources	<u>0.465</u>	0.234	0.173	0.558	0.054	-0.135	0.184	-0.010	0.668
73	overcomes social problems	<u>0.352</u>	0.127	0.220	0.548	0.257	0.043	0.126	0.121	0.588
91	provides a healthy working environment	<u>0.274</u>	0.096	0.271	0.486	0.107	<u>0.313</u>	0.219	<u>0.389</u>	0.703
19	supports recycling	0.178	<u>0.541</u>	<u>0.315</u>	0.360	-0.136	-0.144	<u>0.311</u>	-0.007	0.689
	5. Personal									
38	promotes a company pays its taxes on a regular and continuing basis	<u>0.435</u>	<u>0.302</u>	0.177	<u>0.040</u>	0.570	0.050	-0.012	0.125	0.657
39	encourages company to follow government regulations	<u>0.479</u>	0.207	0.112	0.115	0.526	-0.055	0.379	0.077	0.727
42	helps people change their attitude	0.089	0.266	0.254	<u>0.645</u>	0.390	0.096	0.142	-0.160	0.766
	6. Profit									
1	contributes to company profits	0.239	0.164	0.056	0.149	-0.016	0.744	-0.006	-0.030	0.664
2	is an activity that attracts customers	0.149	0.251	0.354	-0.068	-0.008	0.718	0.105	0.097	0.752
24	helps the management with a competitive strategies	<u>0.625</u>	0.115	0.204	-0.050	.138	0.406	0.135	0.034	0.652
	7. People									
13	encourages its employees to become involved in social activities voluntarily	0.017	0.250	0.282	0.219	0.202	-0.002	0.656	0.217	0.708
10	gives back to society to improve the quality of life	-0.225	0.210	0.299	0.231	0.112	0.167	0.583	-0.064	0.622
16	improves the quality of employees' lives	<u>0.365</u>	0.179	-0.033	<u>0.465</u>	-0.052	0.163	0.506	0.150	0.690
	8. Politic									
22	encourages its employees to develop their skills and careers	<u>0.456</u>	0.262	0.136	0.180	0.175	0.284	0.187	0.447	0.674
30	provides accurate information to all	<u>0.601</u>	0.217	0.149	0.212	0.149	-0.067	0.122	0.458	0.727
37	is a contribution of talent according to the needs of society	0.096	<u>0.323</u>	<u>0.344</u>	0.079	<u>0.465</u>	-0.001	0.112	0.399	0.627
	Eigenvalue	19.415	4.155	3.377	2.505	1.602	1.550	1.289	1.226	
	Percent of variance	38.831	8.311	6.754	5.010	3.205	3.100	2.579	2.452	
	Cumulative Percent	38.831	47.142	53.895	58.905	62.110	65.210	67.789	70.241	

a. Communalities of each item.

The eight-component solution explained a total of 70.24% of the variance, with Component 1 contributing 38.83%, Component 2 contributing 8.31%, Component 3 contributing 6.75%, Component 4 contributing 5.01%, Component 5 contributing 3.21%, Component 6 contributing 3.10%, Component 7 contributing 2.58% and Component 8 contributing 2.45%. To obtain a clear interpretation of the components, varimax rotation with Kaiser Normalization was performed. The rotated factor loadings indicate a simple and clear structure (Thurstone, 1947), with the eight components showing a number of strong loadings. The logic is that interpretation is easiest when the varimax-factor correlations are either closer to 1. The factor loadings closer to 1 is given an indication of the variable has clear of association (Hair *et al.*, 1998). In this current stage of analysis (exploratory) there were a multiple loading for some of these CSR items. Since authors differ in their opinion on what to do with multiple loading (Pett *et al.*, 2003), the decision was made in the present study to retain these items, and to place them under an appropriate component, because of its conceptual relationship with the other items under the same component.

Figure 6.3 Scree Plot



The rule of thumb, is to include all items with structure coefficients with an absolute value of 0.30 or greater (Stevens, 2002). Table 6.7 shows the critical values for a correlation coefficient at $\alpha = 0.01$ for a Two-Tailed Test. Therefore in this analysis only items that loaded at levels of 0.3 or greater were retained for the rest of analysis. These items are highlighted in the Table 6.6. Items were not retained because they

- a) did not load on any factor with a value of 0.3 or greater,
- b) loaded on the 'wrong factor'; or
- c) had cross-loadings on two factors and the higher and interpretable factor is retained.

Table 6.7 Critical Values for a Correlation Coefficient

n	CV	N	CV	N	CV
50	0.361	180	0.192	400	0.129
80	0.286	200	0.182	600	0.105
100	0.256	250	0.163	800	0.091
140	0.217	300	0.149	1000	0.081

Source: Stevens 2002, pp.394.

Table 6.7 is a guidance to test the structure coefficient for statistical significant against a two-tailed table based on sample size and a critical value (CV). In this study, the sample size of 142, the CV would be |0.217| doubled (two-tailed).

Therefore in Study 1, findings indicate eight dimensions of CSR, namely; process, policy, values, environment, personal, profit, people and political. This construct for CSR measurement and dimensions, was used in Study 2. The dimension 1 (i.e. process) has 13 items, dimension 2 (i.e. policy) has 10 items, dimension 3 (i.e. values) has 9 items, dimension 4 (i.e. environment) has 6 items, and dimension 5, 6, 7 and 8 (i.e. personal, profit, people and politic) has 3 items respectively.

Based on this results one could ask

1. what are the CSR dimensions that relate to stakeholders' satisfaction and loyalty?
2. is the factor structure of each CSR dimension identified, similarly important to stakeholders' satisfaction and loyalty?
3. how many CSR dimensions influence stakeholders' satisfaction and loyalty?

Thus Study 2 is designed to further validate the construct measure and also test its relationship with related variables or constructs.

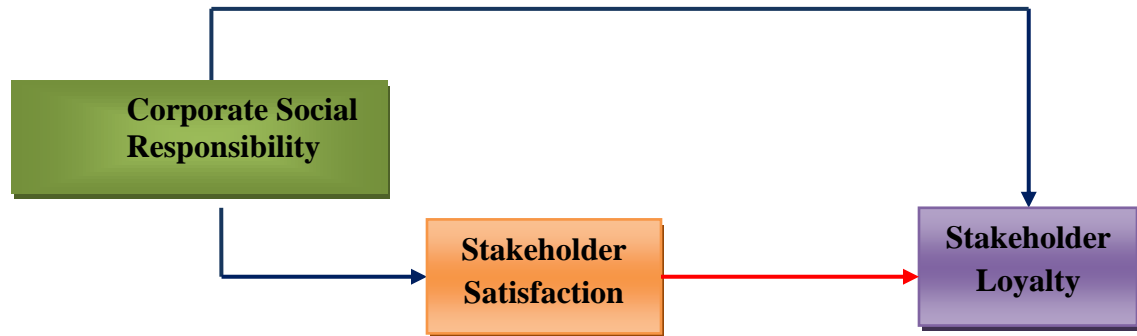
In the next section 6.4, the theoretical framework and hypotheses development are clearly discussed. The theoretical and hypotheses development are discussed in this section because the researcher wants to show the connection between Study 1 and Study 2. As highlighted in the previous chapter, Study 1 is to inform the scale development whereby Study 2 is to further validate the scale development.

To make the model fully identified, CSR is hypothesized to have positive relationships with stakeholder satisfaction and loyalty. There are two main strands in the extensive literature on the effect of CSR on loyalty: the direction of the relationship between measured CSR and stakeholder satisfaction and the magnitude and statistical significance of that relationship. The measurement models for these constructs used (exogenous and endogenous) must be validated and accepted before the structural model can be developed. These items are accessed in Study 2. As for data collection, the same method in Study 1 is used in Study 2 (i.e. web based survey). The framework of the study is highlighted at the end of this section (see diagram 6.3). The structural equation modelling (SEM) is then employed to measure the causal relationship effect of Exogenous on Endogenous construct.

6.4 SPECIFYING MODELS AND HYPOTHESES

The conceptual framework is developed based on supported literatures discussed in the previous chapter and also from the understanding of qualitative research and Study 1. Drawing on previous literatures and current findings, a conceptual framework within which the proposed model is formulated (as shown in figure 6.2).

Figure 6.4 Conceptual Framework



Based on theory-based formative construct (Strike *et al.*, 2006) and stakeholder theory (Freeman, 1984), the framework argues that Corporate Social Responsibility (CSR) will improve stakeholder relationships through their effects on holistic-relation. CSR is formatively designed to influence the stakeholder satisfaction and loyalty, and stakeholder satisfaction to mediate the effects of CSR. The theoretical rationale for the model draws upon CSR appears to be importance and create more values for most companies (Gugler and Shi, 2009; Balmer *et al.*, 2003; Hatch and Schultz, 2003; Maignan *et al.*, 1999; Betty and Ritter, 1986; Caves and Porter, 1977; Fombrun and Shanley, 1990; Greyser, 1996; Klein and Leffler, 1981; Milgrom and Roberts, 1986; Stigler, 1962). Bhattacharya and Sen (2004) also point out firms' with CSR actions would ultimately promote performance-enhancing behaviours, for example the customer loyalty.

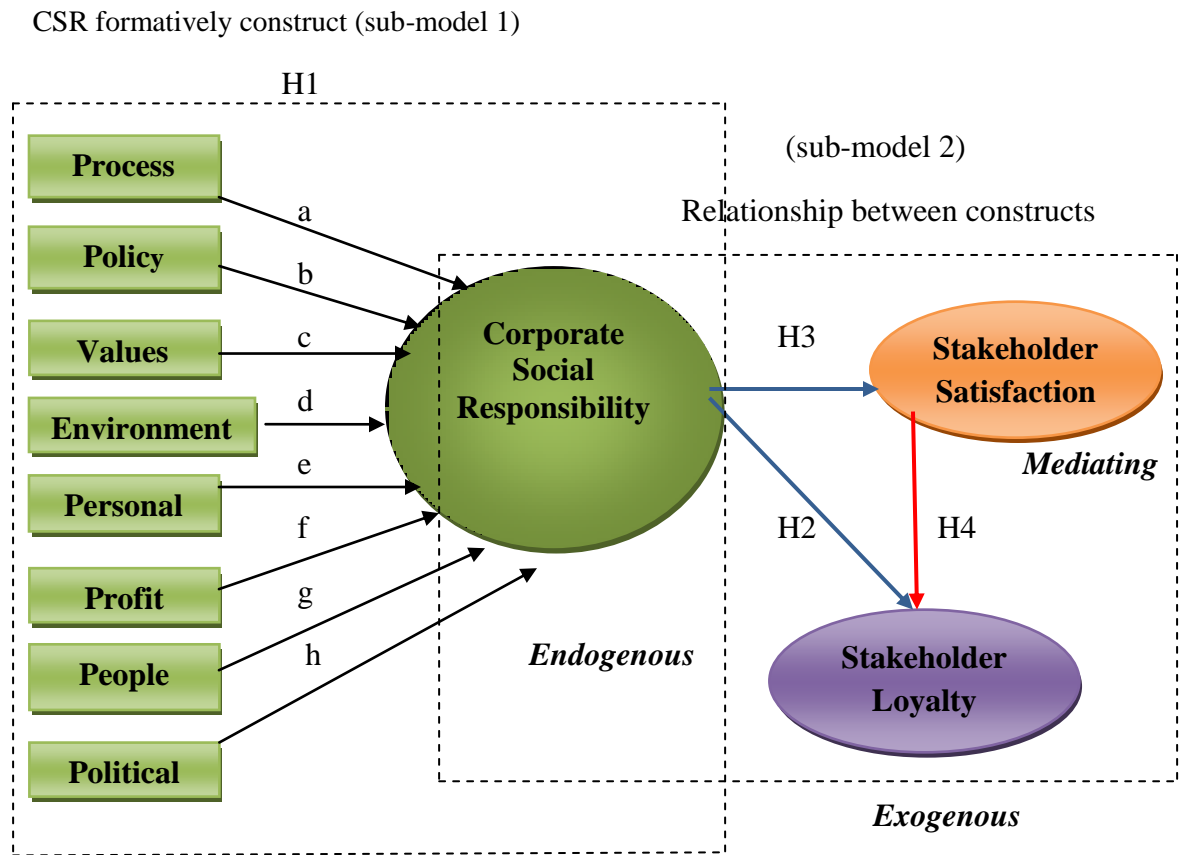
However, based on Liu and Zhou's (2009) conceptual model, it is less clear whether CSR affects this kind of stakeholders' relationships. Although CSR have served as the theoretical rationale for formative construct (Strike, Gao and Bansal, 2006), it has not been operationalised or empirically tested formatively. Therefore, based on the qualitative and

Study 1 findings, CSR is modeled as an aggregate second-order construct composed of eight dimensions: process, policy, values, environment, personal, profit, people and political. If a theoretical model linking CSR to stakeholder relationships were to become established it might provide the means to evaluate importance model of CSR-stakeholder relations. Such a model might be used to understand why and how CSR is importance to stakeholder.

Therefore, these eight developed CSR constructs will be operationalised and empirically tested formatively in this study. Thus, the next research objective attempt to validate the CSR constructs by (1) specifying the mediating role of stakeholder satisfaction linking CSR to stakeholder loyalty, and (2) specifying the causal relationships among the exogenous and endogenous variables.

Figure 6.5 further specifies each element of the proposed model examined in this study as well as hypotheses relating them which predicts that; (1) a dominant paradigm of CSR dimensions will contribute to a greater stakeholders loyalty, (2) a dominant paradigm of CSR dimensions will contribute to a greater stakeholders satisfaction and (3) stakeholder satisfaction is mediates relationship between CSR and stakeholders loyalty.

Figure 6.5 Proposed Research Model



As specified in this model, the CSR multidimensional construct prevail:

- (a) the eight dimensions are viewed as separate facets that are defining characteristics of the CSR construct,
- (b) changes in the eight dimensions are expected to cause changes in the CSR multidimensional construct,
- (c) changes in the CSR multidimensional construct do not cause changes in the eight dimensions,
- (d) the eight dimensions do not share a common theme,
- (e) eliminating a dimension (e.g. profit) may alter the conceptual domain of the CSR multidimensional construct,

- (f) changes in one of the dimensions (e.g. process) is not necessarily expected to be associated with changes in all of other seven dimensions (i.e. policy, values, environment, personal, profit, people and political) and
- (g) the eight dimensions are not expected to have the same antecedents and consequences.

For the operationalisation of this construct, Jarvis *et al.*, (2003) has suggested three ways for obtaining identification: (1) to add two additional consequences of CSR to the model, (2) to add two reflective indicators of CSR and (3) finally through both measurement and structural relations. The construct conceptualisation and nature of the indicators used have been determined in the questionnaire design stage. With Jarvis *et al.*, (2003)'s recommendation, the measurement model relationships between constructs and their indicators have been looked carefully in this study as they explained the structural relationships between constructs.

In this research the recommendations by Jarvis *et al.*, (2003) was taken into account and the likelihood of recommending stakeholder satisfaction and loyalty might be such factors as shown in the proposed model (Figure 6.5). The next paragraphs are explained that these factors have reflective indicators, and they are not causally related to each other.

6.4.1 CSR Dimensionality

As discussed in Chapter Two and previous section, there has been emerging about the character of the constructs when they are being treated with structural equations. More specifically, when a scale of measurement of a construct is proposed it is necessary to study whether, from the conceptual point of view, it is a formative model or a reflective one (Diamantopoulos and Winklhofer, 2001; Jarvis *et al.*, 2003). With respect to the direction of the causality, it seems clear that dimensions like economic or philanthropic are not manifestations of CSR but defining characteristics of it. Furthermore, changes in these indicators cause changes in the construct, and not vice-versa. With respect to the formative criterion dimension of CSR has its own antecedents and consequences. CSR is therefore a formative construct. But we have to take into account that the dimensions of CSR are in turn measured by their own scales. That is to say the eight dimensions found in this study have their own indicators. For this reason Jarvis *et al.* (2003) consider that the CSR is a second order formative scale that is the dimensions of CSR are formative but the indicators of these dimensions are reflective. This aspect is important when proposing and testing the model. All this, and taking as reference the previous studies on CSR dimension and measure, leads this study to propose a hypothesis of the dimensionality of CSR:

Hypothesis 1: *Corporate Social Responsibility is a multidimensional formative construct made up of eight dimensions:*

- a) process; b) policy; c) values; d) environment;*
- e) personal; f) profit; g) people; h) political.*

6.4.2 CSR and Stakeholder Loyalty

Sureshchandar *et al.*, (2002) and Maignan and Ferrell (2001) have noted that CSR can directly influence loyalty. Similarly, Bhattacharya and Sen (2004) point out firm's CSR

actions would ultimately promote performance-enhancing behaviours, the customer loyalty. Moreover, a firm with CSR initiatives is more likely to generate favourable attributions and stakeholders identification (Luo and Bhattacharya, 2006). Liu and Zhou (2009) have revised Ball *et al.*, (2004) model by adding CSR in order to explore if CSR can explain loyalty. The base model of customer loyalty by Ball *et al.*, (2004) is explained by the customer's satisfaction, the firm's image, the firm's complaint-handling, communication, and the customer's trust. In their conceptual model, Liu and Zhou have conceptualised that CSR causes customer loyalty but they are yet to test this model. Improving the social responsibility may represent another antecedent that has been found to enhance consumer loyalty (Maignan *et al.*, 1999). This should help this research to create a good theory on stakeholders' loyalty and advance the present practice in CSR.

Given the well-established theoretical rationale and preliminary empirical support in the qualitative study and Study 1 of this research, the following hypothesis is advanced for empirical testing:

Hypothesis 2: *The greater the level of Corporate Social Responsibility multidimensional formative construct, the stronger is the positive link with stakeholder loyalty.*

6.4.3 CSR and Stakeholder Satisfaction

As discussed in Chapter Two, with the increasing of social and environmental awareness and the demands placed by industrial activities on CSR, the implementation of CSR in businesses has become more important for companies than ever. With this trend of global

consciousness and corporate behaviour to achieve a cleaner earth, product safety, equal service, public and employee welfare, the pressure on industries to improve their companies' performance is tightened accordingly. As a result, firms must evaluate, and may even have to change their operations to suit the stakeholders demand in order to meet stakeholders' satisfaction.

Thus, this CSR is very important for stakeholders' satisfaction, as Clarkson (1995:110) quoted:

‘The survival and continuing profitability of the corporation depend upon its ability to fulfill its economic and social purpose, which is to create and distribute wealth or value sufficient to ensure that each primary stakeholder group continues as part of the corporation's stakeholder system’.

Hence, CSR may have relationship with stakeholders' satisfaction. Moreover, if any stakeholders, over time, that is not being treated fairly or adequately, whether it is the employee, customer, or shareholder group, it will seek alternatives and may ultimately to be dissatisfied with the firm. If that occurs, the firm's survival will be threatened. Because failure to retain the participation of a stakeholder group will cause their dissatisfaction and withdrawal from the companies (Clarkson, 1995), this study believe that CSR may help to increase the stakeholders' satisfaction.

Following this rationale, therefore:

Hypothesis 3: *The greater the level of Corporate Social Responsibility multidimensional formative construct, the stronger is the positive link with stakeholder satisfaction.*

6.4.4 Stakeholder Satisfaction Mediates CSR and Stakeholders Loyalty

The existing marketing literature shows an evidence for the influence of customer satisfaction on customer loyalty. Customer satisfaction (Anderson and Sullivan, 1993; Oliva *et al.*, 1992; Woodside *et al.*, 1989) is considered the predominant antecedents of consumer loyalty (Anderson *et al.*, 1994; Cronin and Taylor, 1992; Garbarino and Johnson, 1999; Nguyen and Leblanc, 2002). In the context of stakeholder satisfaction, customers may look for reliability and excellence of the product or service, whereby investors and suppliers demand for credibility, meanwhile communities expect responsibility on the part of the company (Fombrun, 1996). Taking this idea into account, CSR, understood in a broad sense, can influence stakeholders when evaluating the product and services that the firm provides to them. The perception of socially responsible behaviour can strengthen their commitment towards the firms.

On the other hand, some studies have revealed that a large number of consumers claimed to be more willing to buy products from companies involved in social causes (Ross *et al.*, 1992; Jones, 1997). This explains why customers reward CSR efforts with loyalty towards the company (Maignan *et al.*, 1999). Indeed, several studies also explain why CSR activities have been adopted by firms based on growing evidence that consumers are willing to give incentives to socially responsible corporations (Brown and Dacin, 1997; Creyer and Ross, 1997; Ellen, Mohr and Webb, 2000; Murray and Vogel, 1997; Nelson, 2004; Sen and Bhattacharya, 2001). Margolis and Walsh (2003) also have pointed to the impact of CSR on multiple stakeholders (e.g., employees, investors and consumers). It should be clear that as CSR becomes more important, the relationship between stakeholder

satisfaction and stakeholder loyalty is a topic that deserves the attention of academic researcher and practitioner.

In linking this evidence with the first hypothesis on the stakeholders' loyalty, a mediating role of stakeholder satisfaction in the CSR-dimension linkage might logically be expected. That is, CSR affects stakeholders' satisfaction, which in turn affects stakeholders' loyalty. As a consequence, putting the pieces together, this study is making some important additions. In adding CSR to Liu and Zhou (2009) model, this study predicts a mediating role of stakeholder satisfaction on the impact of CSR on stakeholders' loyalty. Empirical work in this research is likely to provide a complementary on the CSR research and yield research in marketing.

Thus, this study put forward the following hypothesis:

Hypothesis 4: *The greater the level of stakeholder satisfaction, the stronger is the positive link between Corporate Social Responsibility and stakeholder loyalty.*

6.5 SUMMARY OF CHAPTER SIX

Acceptable validity of the developed CSR definition was obtained from the Study 1. The domain of construct has lead to a proper factor analytic procedure. The guidelines suggested by Ford *et al.*, (1986) have been followed during the factor analytic processes. This research believes that adherence to these guidelines has dramatically improved both the quality of the applied factor analysis literature and the validity of the information obtained from applied factor analysis research. The description of techniques used and the presentation of results were properly discussed. As such the dimensionality of CSR has been determined with 8 dimensions that are process dimension, policy dimension, values dimension, environment dimension, personal dimension, profit dimension, people dimension and political dimension.

As result, the formative constructs of Corporate Social Responsibility have been proposed. Hypotheses for this study were also developed too. The formative CSR construct is subject to validation and it was accessed in Study 2. From the above discussion, the study has to date

1. defined CSR in commonly accepted definition,
2. developed dimensions that indicates CSR as a multidimensional construct and
3. provided formative measure to capture a multidimensional conceptualisation of CSR.

Therefore, the Research Objective 1, 2 and 3 of this study have been achieved.

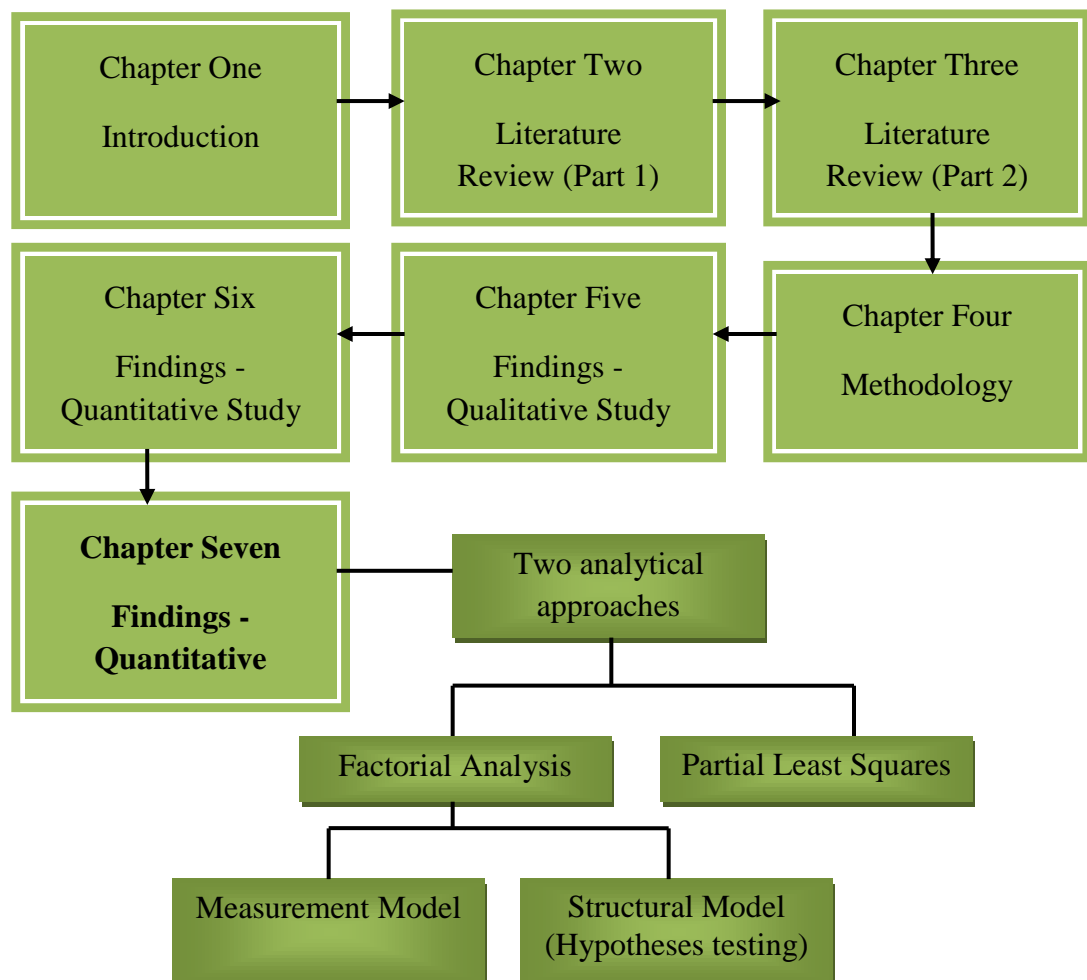
Chapter Seven

Findings - Study 2

7.1 INTRODUCTION

The main objective of Chapter Seven is to discuss the results generated from Study 2. Statistical Package for the Social Sciences (SPSS) 17 and Partial Least Square (PLS) Graph 3.0 were used in the analysis of the Study 2. To recap, as well as in response to Chapter 7, Figure 7.1 depicts the logical sequence of previous chapters that lead to this chapter.

Figure 7.1 The Logical Flow of Previous Chapters to Current Chapter.



First, a profile of the Study 2 survey respondents is presented. Second, results of the measurement model used to establish the validity and reliability of the Study 2 survey instrument are highlighted. Third, the structural model in PLS Graph 3.0 is analysed to test the hypothesised relationship among constructs as proposed in the framework. Finally, a summary of this chapter is given.

As highlighted in the methodology chapter, various arguments support the selection of the PLS approach for this study. First, the small sample size appears more than adequate for the employment of PLS since part of the calculations involve significantly fewer cases than are employed by other Structural Equation Modeling (SEM) techniques such as Analysis of Moment Structure (AMOS) (Chin, 1998a). Second, it is unlikely that the variables under investigation will follow a normal distribution. Third, the conceptual framework represents a comprehensive and complex design. This level of complexity would severely limit the possibilities of interpreting the model estimations without using PLS. The final argument concerns the construct specifications. As illustrated in Chapter 6, CSR dimensions are of a formative nature.

The formative specification favours the utilisation of variance-based models (Jarvis *et al.*, 2003). Thus, due to sample size, distribution assumptions, framework adequacy and construct specifications, the PLS approach is applied in this research (Fornell and Bookstein 1980; Fornell and Larker, 1982; Bagozzi *et al.*, 1991; Chin, 1998a). Other statistical methods are used additionally to enhance the interpretation of the data and for controlling purposes.

7.2 STUDY 2 PROFILES

Following instrument development and validation in Phase 1 and Study 1, the data was collected, using an online survey tool, from individuals representing the Malaysian stakeholders. Based on the guidelines set forth by Dillman (2000), multiple steps to increase response rate were taken.

7.2.1 Survey Distribution

An approach similar to Study 1 was followed to increase the response rate among respondents. The approach utilised in this study included a message with a link to the online survey via social network and email. A first reminder was posted to the social network and a second reminder used email. The purposes of the reminders were due to increase the response rate after two weeks the online survey was posted to the network. The online survey itself was posted on the Survey Monkey website [<http://www.surveymonkey.com/s/Study2CSR>]. One explanation for the low response rate is that some of the respondents had participated in the Study 1. Therefore, the key informants were emailed to collect individual's email in the sampling frame.

Key informants were mailed a note stating the research objectives and the importance of their participation. Participants were provided with a link to the online survey signalling the start and ends of survey distribution. After the individuals emails were gathered from the key informants, the mailing lists were developed and the survey distribution was sent out to all participants. Finally, a week before the survey ended, reminders were sent out to all participants who were in the mailing list.

7.2.2 Respondent Demographics and Response Rate

As mentioned previously, the sample was made up of individual stakeholders. The individuals came from a diverse group of industries and sectors, including non-governmental organisations (NGO), thereby increasing generalisability. The organisations represent government agencies, public listed companies, government-linked companies, consumer and non-governmental organisations and also others. The individuals were randomly chosen from the organisations chosen for the study. Both internal and external stakeholders were selected. Thus, it can be inferred that sample bias should not be an issue in data analysis.

The initial sample frame was 377 individual stakeholders from the six categories. One hundred and twenty four participated in this online survey. This yielded a response rate of 32.89%. Unfortunately, fifteen responses were incomplete. Hair, Anderson, Tatham, and Black (1998) suggested removing any survey where than 30 percent was missing; therefore the incomplete surveys were removed for the purpose of data analysis. In relation to this, PLS analysis tends to produce better results on complete data sets.

After unqualified responses were removed, the final sample size was 109, yielding a final response rate of 28.91%. Results of the respondents' demographics and response rate are presented in Table 7.1. The respondents included senior managers, CEOs, presidents, directors, deans, managers, executives and clerical officers. Therefore, it should be noted that the sample size represents all levels of the stakeholders in an organisation.

Table 7.1 Demographics and Response Rate.

Age		Sex		Income		Industry	
Category	N (%)	Category	N (%)	Category	N (%)	Category	N (%)
<30	12 (11)	Male	50 (46)	< RM1000	7 (6)	G	50 (46)
30-50	94 (86)	Female	59 (54)	RM1000-2500	20 (18)	PLC	14 (13)
>50	3 (2)			RM2501-4000	47 (43)	GLC	15 (14)
				> RM4000	35 (32)	C	6 (5)
						NGO	8 (7)
						O	16 (15)
Total	109 (100)		109 (100)		109 (100)		109 (100)

Note:

G- Government; PLC- Public listed company; GLC- Government linked company;

C- Consumer (goods/services); NGO- Non-governmental organisation;

O- Others.

7.3 DATA ANALYSIS AND RESULTS

Both convergent and discriminant validity were evaluated to validate the measurement of the constructs. In order to test the convergent validity, this study examined standardised loadings, Cronbach's Alpha, composite reliability, and average variance extracted for each of the constructs (Chin, 1998a; Diamantopoulos, 2005; Fornell and Larcker, 1981; MacKenzie *et al.*, 2005). All met the accepted thresholds, providing good evidence of convergent validity. In order to evaluate discriminant validity, this study examined each indicator's loading and cross-loadings (Chin, 1998b) and compared each construct's average variance extracted with its shared variance with other constructs (Fornell and Larcker, 1981). The results show that each construct has a higher loading with its intended indicators and shares more variance with its block of indicators than with the indicators of

other constructs, thus establishing discriminate validity among three constructs (i.e. CSR, stakeholder satisfaction and loyalty). This study used two analytical approaches: *factorial analysis* and *partial least squares* (PLS) to assess the model and to test the proposed hypotheses.

7.3.1 Factorial Analysis - Measurement Validation

7.3.1.1 Data Analysis and Results

Reliability Assessment

For the constructs with formative and reflective measures, these various loading were first examined using a factorial analysis in this study. For the individual reliability of the items (IIR), values loading over 0.5 were considered adequate (Julien and Ramangalahy, 2003). Factor analysis was also used on the Study 2 data to ensure the data collected in the primary study were consistent with number of factors identified in the Study 1. The instrument was tested by conducting principal component analysis using SPSS 17. Fifty-six items were analysed using the principal components method with Varimax rotation procedure and ten factors rotated. Following Hair *et al.*, (1998), all items that loaded below 0.5 were removed. After an item was removed, the process was repeated until all items not meeting the specified criterion were eliminated from further testing. Next, composite reliability using Cronbach's alpha was evaluated using SPSS 17. Composite reliability is reported as being a measure of reliability for a construct, with loadings of 0.7 considered acceptable (Nunally, 1978). Following these criteria for validity and reliability assessments, two items were indicated for removal. Item number 45 from the CSR indicator and item number 2 from the satisfaction indicator were reported with low loadings and did not met the required threshold. Table 7.2 lists the items and their factor loadings.

The PCA also revealed ten Eigenvalues exceeding 1. The inspection of the scree plot then supported the extraction of the ten factors, inclusive of the eight factors for formative constructs and two factors for reflective constructs. Figure 7.2 shows the plots of Eigenvalues on the Y axis and component numbers on the X axis. The figure shows these values in the first seven columns of the table immediately above. From the eight to ninth factors, the line is nearly flat but above these it levels off. From the ten factors, it is clearly seen that the line is almost flat, meaning that each successive factor is accounting for smaller and smaller amounts of the total variance. Therefore, this may confirm the retention of the eight factors of the CSR formative constructs and the two reflective constructs.

Additionally, Cronbach's Alpha for each construct was calculated in SPSS 17 to assess *composite reliability* (ρ_C). The value of 0.7 or greater is recommended for a composite reliability score (Fornell and Larcker, 1981). All of the constructs reported good reliabilities as they ranged from .815 to .945. Therefore, the reliability of this instrument was also supported.

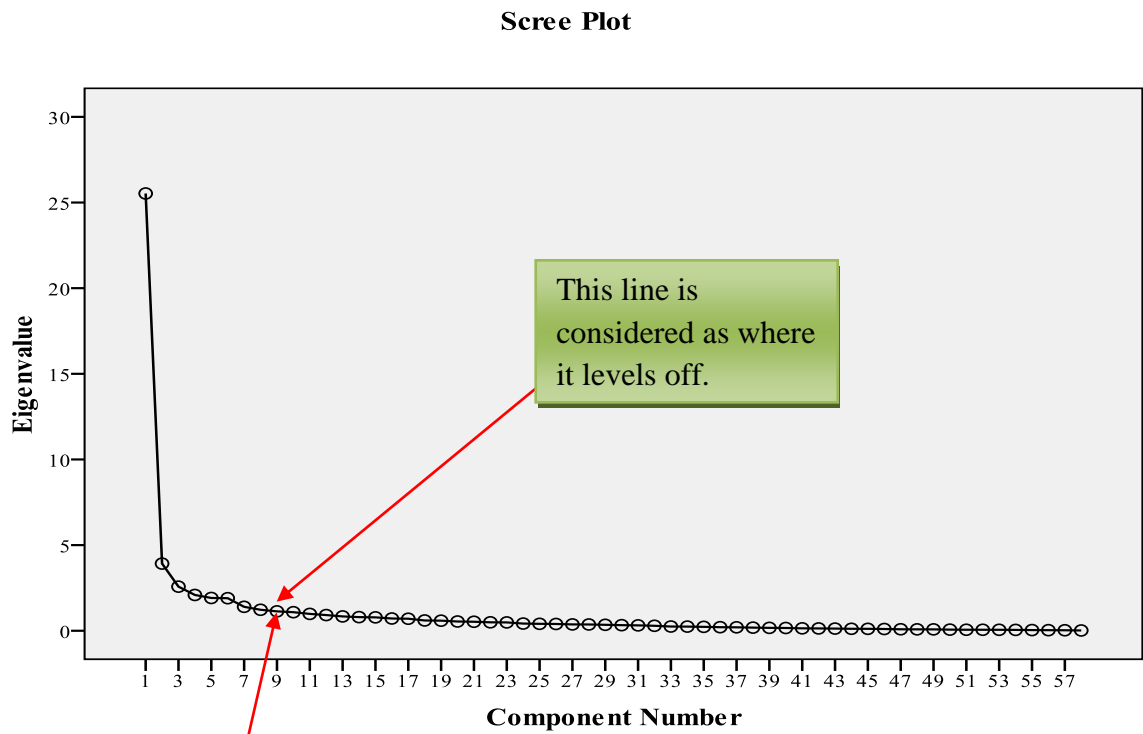
Table 7.2 Rotated Factor Loadings from Principal Component Analysis (construct validity and composite reliability of scale items)

N ^a	Indicators	Factor Loadings for this Research Instrument-SPSS										Co ^b
		1	2	3	4	5	6	7	8	9	10	
	<i>Corporate Social Responsibility(CSR)</i>											
32	CSR induces products and services innovation	.597										.758
57	CSR smoothes business operation	.613										.662
78	CSR overcomes business problems	.503										.657
31	CSR provides safe and healthy products in the market	.694										.715
27	CSR requires companies to provide high-quality products to its customers	.638										.730
62	CSR increases the value of products	.733										.758
58	CSR helps a company to market their products and services easily	.577										.719
34	CSR believes in customer satisfaction	.626										.628
70	CSR helps a company to its achieve targets	.594										.755
71	CSR leads to company innovation	.666										.753
72	CSR ensures consumers are not cheated	.596										.612
18	CSR helps ensures employees are offered a reasonable salary	.549										.730
61	CSR increases the value of intangible products	.737										.717
95	CSR concerns fair layoffs		.677									.703
94	CSR concerns fair compensation		.636									.818
82	CSR positions products profitably		.606									.658
89	CSR increases product safety and health		.706									.679
84	CSR helps companies manage their procurement		.634									.754
85	CSR supports a firms' infrastructure		.579									.677
93	CSR protects local certified food		.507									.651
88	CSR concerns better labour relations		.710									.814
92	CSR concerns diversity and non-discrimination		.723									.771
85	CSR promotes a firm's technology development		.653									.726
52	CSR provides social values to the company			.721								.768
56	CSR creates a good company portfolio			.609								.807
54	CSR makes a company outstanding			.573								.714
50	CSR creates a sense of belonging			.699								.790
53	CSR encourages a company to be more creative			.706								.722
60	CSR increases the values of the company			.723								.702
78	CSR creates a good culture in society			.815								.868
44	CSR increases social awareness in the public			.791								.806
43	CSR creates honest, responsible, ethical and generous people			.748								.764
67	CSR helps shape human behavior				.649							.674
45	CSR protects natural resources				.239*							.661
63	CSR overcomes social problems				.592							.748
N ^a	Indicators	Factor Loadings for this Research Instrument-SPSS (continue)										Co ^b

	<i>Corporate Social Responsibility(CSR)</i>	1	2	3	4	5	6	7	8	9	10	
73	CSR provides a healthy working environment				.628							.702
91	CSR supports recycling				.728							.781
19	CSR helps shape human behavior				.622							.649
38	CSR promotes a company paying its taxes on a regular and continuing basis					.596						.747
39	CSR encourages companies to follow government regulations					.682						.742
42	CSR helps people changes their attitudes					.546						.603
1	CSR contributes to company profits						.626					.804
2	CSR is an activity that attracts customers						.663					.769
24	CSR helps management with competitive strategies						.659					.730
13	CSR encourages its employees to become involved in social activities voluntarily							.666				.789
10	CSR gives back to society to improve quality of life							.710				.833
16	CSR improves the quality of employees' lives							.710				.699
22	CSR encourages its employees to develop their skills and careers								.679			.632
30	CSR provides accurate information to all								.678			.712
37	CSR is a contributor to talent according to the needs of society								.753			.785
	<i>Satisfaction</i>											
1	The product and services offered always meet my expectations									.791		.813
2	If I had to choose all over again I would not feel differently about choosing a CSR-based company									.360*		.671
3	I did the right thing when I decided to use products and services from a CSR-based company									.783		.819
4	Purchasing services and products from a CSR-based company is usually a satisfying experience									.707		.727
	<i>Loyalty</i>											
1	They are able to provide the best products and services to stakeholders										.785	.840
2	I say positive things about CSR-based companies to other people										.736	.827
3	I intended to continue being a customer of CSR-based companies for a long time to come										.745	.809
4	I will encourage friends and relatives to use the product or services offered by CSR-based companies										.772	.813
	Eigenvalue	25.52	3.92	2.57	2.08	1.91	1.90	1.39	1.22	1.13	1.08	
	Percentage of variance	44.01	6.76	4.43	3.60	3.30	3.27	2.40	2.11	1.95	1.86	
	Cumulative Percentage	44.01	50.7	55.2	58.8	62.1	65.3	67.8	69.9	71.8	73.7	

Note: a. Number of items; b. Communalities; *.Loading is below 0.50.

Figure 7.2 Scree Plot



The suitability of factor analysis for the sample was again confirmed by a Kaiser-Meyer-Olkin (KMO) value of 0.871. Table 7.3 shows the KMO and Bartlett's Test for the formative and reflective items. The table shows that the KMO value is closer to 1.0. The Bartlett's Test of Sphericity was also highly significant ($p < .000$).

Table 7.3 KMO and Bartlett's Test

		56 items ¹¹
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.871
Bartlett's Test of Sphericity	Approx. Chi-Square	5928.294
	Df	1653
	Sig.	.000

¹¹ One of the reflective items was excluded for this analysis because of its low loadings (i.e. below 0.5).

7.3.1.2 Empirical considerations

Based on the results, this research administered 49 indicators of CSR constructs and four indicators for stakeholder satisfaction and loyalty respectively to a sample of 109 individual stakeholders from various industries and sectors in Malaysia.

Indicator intercorrelation

As discussed earlier, this study conducted a range of preliminary analyses on these data (including Principal Component Analysis, Kaiser-Meyer-Olkin and Barlett Test). In Study 2, items with higher communalities above 0.6 are retained. All items were shown to be above this minimum criterion (see Table 7.2). However, for two items, the loadings were low, suggesting that these items be dropped. In fact, it was decided to drop only satisfaction item number 2 was decided to drop. A reason to keep the CSR item (number 45) will be discussed in the following section. The major contribution from these analyses is that eight constructs are needed adequately to represent the domain of the 49 items. Table 7.4 shows the association between the 49 formative items and the eight indicators of process, policy, values, environment, personal, people and political. Given these eight indicators, the directionality and strength of the indicators also fit expectations. Overall, these analyses support the theoretical considerations.

Table 7.4 CSR Measures: Dimensionality and Association between Indicators and Items Suggested by Study 2.

No.	Items	Indicators							
		Profit	Policy	Values	Environment	Personal	Profit	People	Political
1	CSR induces products and services innovation	*							
2	CSR smoothes business operation	*							
3	CSR overcomes business problems	*							
4	CSR provides safe and healthy products in the market	*							
5	CSR requires companies to provide high-quality products to its customers	*							
6	CSR increases the value of products	*							
7	CSR helps a company to market their products and services easily	*							
8	CSR believes in customer satisfaction	*							
9	CSR helps a company to achieve its targets	*							
10	CSR leads to company innovation	*							
11	CSR ensures consumers are not cheated	*							
12	CSR helps ensures employees are offered a reasonable salary	*							
13	CSR increases the value of intangible products	*							
14	CSR concerns fair layoffs		*						
15	CSR concerns fair compensation		*						
16	CSR positions products profitably		*						
17	CSR increases product safety and health		*						
18	CSR helps companies manages their procurement		*						
19	CSR supports a firm's infrastructure		*						
20	CSR protects local certified food		*						
21	CSR concerns better labour relations		*						
22	CSR concerns diversity and non-discrimination		*						
23	CSR promotes a firm's technology development		*						
24	CSR provides social values to the company			*					
25	CSR creates a good company portfolio			*					
26	CSR makes a company outstanding			*					
27	CSR creates a sense of belonging			*					
28	CSR encourages a company to be more creative			*					
29	CSR increases the values of the company			*					
30	CSR creates a good culture in society			*					
31	CSR helps increase social awareness in the public			*					
32	CSR creates honest, responsible, ethical and generous			*					
33	CSR helps shape human behavior				*				
34	CSR protects natural resources				*				
35	CSR overcomes social problems				*				
36	CSR provides a healthy working environment				*				
37	CSR supports recycling				*				
38	CSR promotes a company paying its taxes on a regular and continuing basis					*			
39	CSR encourages companies to follow government regulations					*			
40	CSR helps people changes their attitudes					*			
41	CSR contributes to company profits						*		
42	CSR is an activity that attracts customers						*		
43	CSR helps the management with competitive strategies						*		
44	CSR encourages its employees to become involved in social activities voluntarily							*	
45	CSR gives back to society to improve quality of life							*	
46	CSR improves the quality of employees' lives							*	
47	CSR encourages its employees to develop their skills and careers								*
48	CSR provides accurate information to all								*
49	CSR is a contribute to talent according to the needs of society								*

Indicator relationships with endogenous construct

Eight formatively measured constructs of CSR are used to predict the independent reflectively measured construct of stakeholder satisfaction. Stakeholder satisfaction is theoretically relevant as it is considered in the literature, to be one of the most important consequences of stakeholder loyalty (Anderson, *et al.*, 1994; Cronin and Taylor, 1992; Garbarino and Johnson, 1999; Ismail *et al.*, 2006; Nguyen and Leblanc, 2001). A mediating variable is included to provide greater confidence that any observed effects are not spurious results of CSR and stakeholder loyalty heterogeneity. To further validate these constructs, the technique of partial least squares (PLS) Graph Version 3.0 was used and discussed in the following section.

7.3.2 Partial Least Square - Measurement Validation

PLS-Graph Version 3.0 was used to further validate the instrument and test the relationships between the constructs as proposed in the proposed model. PLS uses a two-step approach to testing a model: *an assessment of the measurement model* and *an evaluation of the structural model*. The measurement model represents the relationships between items and the purported constructs they intend to measure. In other words its purpose is to evaluate the reliability and validity of the instrument. The structural model is designed to evaluate the hypothesised relationships in the proposed theoretical framework by examining the significance of the path loadings among the constructs.

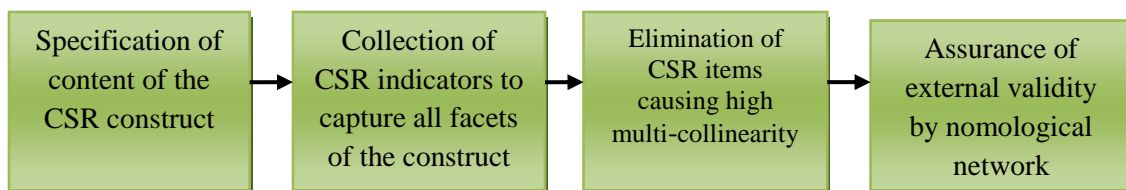
7.3.2.1 Evaluation of the Measurement Models

As discussed in the previous section, measure validation and model testing were conducted using Partial Least Squares (PLS) Graph Version 3.0, a structural equation modelling tool that utilises a component-based approach to estimation. Thus, minimal demands on measurement scales, sample size, and distributional assumptions (Chin, 1998; Falk and Miller, 1992; Fornell and Bookstein, 1982; Wold, 1982) were required in this component-based approach that uses PLS to represent both formative and reflective latent constructs.

7.3.2.1.1 Evaluation-criteria for formative constructs

Many of the criteria to test for reliability and validity in reflective contexts do not apply to formative settings (Diamantopoulos, 1999). Due to the inverse relationship of formative constructs in comparison to reflective constructs, internal consistency and indicator reliability measures are not useful (Chin, 1998b). The nature of the CSR formative constructs demands special caution in developing the constructs and its indicators (Götz and Liehr-Gobbers, 2004). As discussed in previous chapter, the four-step approach of formative construct development proposed by Diamantopoulos and Winkelhofer (2001) is followed in this study.

Figure 7.3 Operationalisation Process of CSR Formative Constructs.



Source: Diamantopoulos and Winkelhofer (2001).

As presented in Figure 7.3, the first step consists of a specific definition of the CSR construct and a detailed description of its relevant contents. In the second step, several indicators have to be applied to cover the multiple facets of the CSR construct. In the third step, items which cause high multi-collinearity have to be eliminated. Finally, the external validity need to be evaluated by the nomological network which the CSR construct is placed in. The multi-collinearity analysis of step three refers to the analysis of linear interdependence of the CSR indicators. Since multi-collinearity of the indicators is a severe problem in the application of formative constructs,¹² it is important to evaluate the multi-collinearity and reduce it if needed.

7.3.2.1.1.1 Multi-collinearity

Multi-collinearity can be a problem for the estimation of the relationships within (formative) measurement models as well as the effects among the latent variables. The data set (N = 109) with eight correlated exogenous latent variables has been created (see Figure 7.2). The multi-collinearity analysis of step three refers to the analysis of linear interdependence of the indicators (see Chapter 3). Since multi-collinearity of the indicators is a severe problem in the application of formative constructs (Diamantopolous and Winkelhofer, 2001), it is important to evaluate the multi-collinearity and reduce it if needed. Multi-collinearity analysis can be analysed:

1. via correlation matrixes,
2. by calculating the variance inflation factor (VIF), and
3. by assessing the condition index (CI) of Belsley *et al.* (1980).

¹² In case of high multi-collinearity, the influence of an indicator cannot be evaluated and can lead to distorted parameters (Diamantopoulos and Winkelhofer 2001).

In order to ensure that no multi-collinearity problem exists, this study employed the correlation analysis and variance inflation factor discussed below.

Correlation Analysis

The correlation analysis investigated if two CSR items of the same formative constructs are highly correlated. If there is a strong correlation (above 0.7) one of the items should be excluded since it causes multi-collinearity (Götz and Liehr-Gobbers, 2004). In this research the correlation of formative constructs is below the common cut-off threshold of 0.7 (does not exceed 0.5). Appendix 7.1 shows the correlation matrices of the weight loadings. In order to determine which item should be substituted, the focus of the decision should reflect the content specification of the overall construct. Therefore, no items should be substituted in this case.

Variance Inflation Factor (VIF)

The VIF, another indicator of multi-collinearity, reflects the part of the variance which can be explained by the indicators of the construct. If the VIF exceeds 10, this indicates high multi-collinearity (Gujarati, 2003; Götz and Liehr-Gobbers, 2004). The VIF was computed from normal PLS output by taking the R^2 of the construct and follows the formula (see Appendix 7.2 for details of the calculation). According to general rules of thumb (e.g., Kutner *et al.*, (2004; 2005), values above $VIF = 10$ allude to a potentially severe problem of multi-collinearity. Therefore, a maximum VIF greater than 10 is thought to signal harmful collinearity (Marquardt, 1970).

Multi-collinearity among the eight indicators did not seem to pose a problem. The maximum variance inflation factor comes to 1.158, which is far below the common cut-off threshold of 10. Appendix 7.3 depicts the R^2 and VIF for each of the indicators.

This study also examined the correlation of the latent variables. Table 7.5 shows the inter-construct correlation were below the common cut-off threshold of 0.9.

Table 7.5 Correlations of Latent Variables

	Process	Policy	Value	Environment	Personal	Profit	People	Political	CSR
Process	1.000								
Policy	0.797	1.000							
Value	0.707	0.705	1.000						
Environment	0.588	0.650	0.727	1.000					
Personal	0.584	0.625	0.678	0.687	1.000				
Profit	0.554	0.565	0.635	0.547	0.487	1.000			
People	0.598	0.650	0.709	0.780	0.564	0.542	1.000		
Political	0.694	0.624	0.699	0.732	0.502	0.594	0.732	1.000	
CSR	0.686	0.712	0.834	0.785	0.657	0.706	0.844	0.760	1.000

As discussed earlier, a different approach was used to assess measurement properties for the formative construct. Some of the study did not estimate ICRs because formative indicators are not necessarily internally consistent (Chin, 1998b). Moreover, they did not evaluate AVEs because this assumes that the indicators will demonstrate convergent validity, a condition not required for evaluating formative constructs (Jarvis *et al.*, 2003).

Therefore the ‘bootstrap’ (Chin, 1998a; Chin and Newsted, 1999; Efron and Tibshirani, 1993; Wildt, Lambert, and Durand, 1982) procedure was applied to evaluate the robustness of the model results. Since the PLS method does not rely on distribution assumptions, the bootstrap allowed the calculation of levels of significance for the path coefficients as well as the indicator weights and loadings. The weights of a formative construct represent the beta coefficients, which are determined by multiple-regression.

PLS estimates indicator weights that measure the contribution of each formative indicator to the variance of the latent variable. Indicator weights are used as evidence of construct validity (Petter *et al.*, 2007). When significant, item weights indicate that an indicator explains a significant portion of the variance in the formative construct. Thus, in order to interpret the results, another important criterion is the analysis of the indicator weights in formative constructs. Table 7.6 depicts the weights of this CSR formative construct. For this measurement model, four formative indicators (process, values, profit and political) were significant.

Table 7.6 Weights of the CSR Indicators

Item	Weight	Standard Error	T-Statistic
Process	0.3207	0.0829	3.8692***
Policy	0.0368	0.0698	0.5274
Values	0.3449	0.0856	4.0315***
Environment	0.0488	0.1126	0.4332
Personal	-0.1133	0.1060	1.0691
Profit	0.2841	0.0947	2.9992**
People	0.0647	0.1146	0.5644
Political	0.2639	0.0869	3.0385**

Note: * Significant at $p < 0.05$; ** Significant at $p < 0.01$; *** Significant at $p < 0.001$

After an accurate measurement of the concepts has been assured¹³ the structural relationships can be interpreted. The evaluation criteria for reflective construct in this study is discussed in the next section.

7.3.2.1.2 Evaluation criteria for reflective constructs

Again, before testing the hypothesised structural model, psychometric properties of the measures for the two reflective constructs measured by questionnaires were evaluated through confirmatory factor analysis using a measurement model in which the constructs were specified as correlated variables with causal paths. As such, the measurement model is evaluated to assess the adequacy of the measures. In PLS analysis the measurement model was assessed to examine internal consistency reliability and convergent and discriminant validity (Barclay *et al.*, 1995; Chin, 1998a; Compeau *et al.*, 1999). Internal consistency reliability (also known as composite reliability) was computed from the normal PLS output using the following formula (see Appendix 7.4 for the details).

The square root of the AVE was computed from normal PLS output by taking the square root of the following formula:

¹³ Brinckmann presents measures and threshold values used to evaluate formative measurement model. The evaluation criterias are (a) correlation between indicators with critical value <0.7, (b) variance inflation factor with critical value <10, (c) condition index with <30, (d) inter-construct correlation with <0.9, (e) t-value of indicator weights (exclusion of significant non-interpretable variables) with >1.98 and (f) t-value of relationships with respective constructs (nomological validation) with >1.98. Brinckmann (2007). In this research the suggested measures and threshold values were used to evaluate the formative measurement model.

$$AVE = \frac{\sum \lambda_i^2}{[\sum \lambda_i^2 + \sum (1 - \lambda_i^2)]} \quad (\text{Chin, 1998a}).$$

The cross-loadings were computed by calculating the correlations between latent variable component scores and the manifest indicators of other latent constructs (Chin, 1998a).

As highlighted previously, PLS was also used to generate weights and loadings for each item in relation to the construct it intended to measure. The loadings in the measurement model were used to assess individual item reliability (IIR). Therefore, items with IIR loadings greater than 0.707 were considered acceptable, as this implied the item explained almost 50% of the variance in a particular measure and ensured the items in the measurement model measured the same construct (Carmines and Zeller, 1979; Chin, 1998a).

At the same time, the weights generated for each item are regression beta coefficients used to calculate latent variable scores for the latent constructs, which reflect each item's contribution to its latent construct.

Table 7.7 shows the original and refined loadings factor loadings and dimensionality of the items, which provided adequate support for construct validity. For the remaining 56 items, all the items loaded well on the constructs they intended to measure with no significant double-loading on multiple factors.

Table 7.7 Construct Validity and Composite Reliability of Scale Items –Loadings

Scale Items	Factor Loadings for this Research Instrument-PLS Graph											
	Process	Policy	Value	Environment	Personal	Profit	People	Political	Satisfaction	Loyalty	Alpha	Alpha w/Item Deleted
Pro1	0.7115											
Pro2	0.7383											
Pro3	0.6629											
Pro4	0.7830											
Pro5	0.7394											
Pro6	0.7791											
Pro7	0.6975											
Pro8	0.7318											
Pro9	0.7025											
Pro10	0.7663											
Pro11	0.6945											
Pro12	0.5951											
Pro13	0.7643										.922	
Pol1		0.7627										
Pol2		0.7771										
Pol3		0.6979										
Pol4		0.7525										
Pol5		0.7318										
Pol6		0.6688										
Pol7		0.6845										
Pol8		0.7745										
Pol9		0.7725										
Pol10		0.7237									.904	
Val1			0.8489									
Val2			0.7997									
Val3			0.7507									
Val4			0.8314									
Val5			0.7539									
Val6			0.8275									
Val7			0.8921									

Scale Items	Factor Loadings for this Research Instrument-PLS Graph (continue)											
	Process	Policy	Values	Environment	Personal	Profit	People	Political	Satisfaction	Loyalty	Alpha	Alpha w/Item Deleted
Val8			0.8605									
Val9			0.8094								.936	
Envi1				0.8170								
Envi2				X ^a								
Envi3				0.8575								
Envi4				0.8097								
Envi5				0.8841								
Envi6				0.7570							.766	.883
Pers1					0.8846							
Pers2					0.8985							
Pers3					0.7857						.815	
Prof1						0.8878						
Prof2						0.8786						
Prof3						0.8451					.839	
Peop1							0.9296					
Peop2							0.9443					
Peop3							0.8809				.907	
Poli1								0.8715				
Poli2								0.8674				
Poli3								0.8877			.847	
Satis1									0.9216			
Satis2									X ^a			
Satis3									0.9226			
Satis4									0.9208		.803	.911
Loyal1										0.9167		
Loyal2										0.9195		
Loyal3										0.9363		
Loyal 4										0.9325	.945	
Scale											.973	.977

Note: a. Item with low loading.

Results indicated that all items met this requirement with the exception of two items, Envi2 and Satis1, and show the low loadings. The results were consistent with the factorial analysis result in SPSS 17 (see previous section). Table 7.8 shows the items and reasons to drop and not to remove. Since the remaining items had IIR loadings greater than 0.5, the measurement model indicated that the survey instrument was sufficient for measuring each construct individually.

Table 7.8 Low Item Loading After Validity and Reliability Assessments

Items	Reason
Envi2 – [not to remove]	Item loaded below 0.5 after EFA (actual loading = 0.766) and the composite reliability for the construct increased from 0.883 but this assessment was not useful for formative construct (Chin, 1998b). Thus it was decided to retain the item.
Satis1- [dropped]	Item loaded below 0.5 after EFA (actual loading = 0.803) and the composite reliability for the construct increased from 0.911.

Reliability

For appraisal of the *reliability* of a reflective construct, this study examined the *composite reliability* (ρ_C) of the construct (Werts *et al.*, 1974). In order to establish reliability in these instances, the limits proposed by Nunnally (1978), indicating that levels of 0.7 show a level of adequate confidence, were adopted. In order to verify convergent validity, this study employed the measure developed by Fornell and Larcker (1981, pp. 45-46), called extracted average variance (AVE). For formative constructs, the reliability was assessed through condition indices (FIV); the values obtained for the both constructs can be observed in Appendix 7.5.

In addition to the loadings and weights, PLS Graph 3.0 also generated the internal consistency score for each construct. Internal consistency differs from Cronbach's alpha in

that the latter presumes, a priori, that each item measuring a single construct contributes equally (Barclay *et al.*, 1995). Internal consistency uses the item loadings estimated within the causal model and is not influenced by the number of items in the scale (Fornell and Larcker, 1981). The constructs had internal consistency scores between 0.5951 and 0.9443 for formative constructs, and internal consistency scores between 0.9183 and 0.9356 for reflective constructs, which meant that all of the measures met the reliability requirements suggested by Chin (1998a).

Discriminant Validity

Following the reliability assessment of the measurement model, a PLS-Graph 3.0 was used to assess discriminant validity. Discriminant validity indicates the degree to which one construct is different from all other constructs in the instrument. The criteria for assessing adequate discriminant validity is the use of the measure average variance extracted (AVE), which is the average shared between a construct and its measures (Fornell and Larcker, 1981) and by analysing the correlation of latent variables obtained from PLS-Graph 3.0. There are two procedures that normally been used for assessing discriminant validity:

1. Examine the ratio of the square root of the AVE of each construct to the correlations of this construct to all the other constructs.
2. Examine item loadings to construct correlations.

However, as discussed above, internal consistency and indicator reliability measures are not useful in formative construct; therefore this study only examines the square root of the AVE of the construct to prove the construct discriminant validity of the study.

Next, discriminant validity was assessed to ensure that the diagonal elements were significantly higher than the off-diagonal values in the corresponding rows and columns. Discriminant validity is adequate when constructs have an AVE loading greater than 0.5, which means that at least fifty percent of measurement variance was captured by the construct (Chin, 1998a). As highlighted in the previous paragraph, Appendix 7.5 illustrates the AVE scores and the correlation matrix for the constructs. All constructs demonstrated AVE scores greater than the 0.5 recommended minimum score. At the same time, Table 7.9 illustrates the square root of the AVE of each construct.

In the matrix, the diagonal elements in bold are the square root of the AVE and the off-diagonal elements are the correlations between constructs. The measurement model demonstrated adequate discriminant validity, since the diagonal loadings were significantly greater than the off-diagonal loadings in the corresponding rows and columns.

Table 7.9 Inter-Construct Correlations¹⁴

	Process	Policy	Value	Environm	Personal	Profit	People	Political	Satisfaction	Loyalty
Process	0.722 (n.a)									
Policy	0.755	0.735 (n.a)								
Value	0.701	0.673	0.820 (n.a)							
Environm	0.528	0.665	0.637	0.826 (n.a)						
Personal	0.535	0.620	0.628	0.680	0.858 (n.a)					
Profit	0.632	0.587	0.686	0.500	0.493	0.871 (n.a)				
People	0.559	0.638	0.622	0.771	0.553	0.491	0.918 (n.a)			
Political	0.669	0.619	0.627	0.700	0.476	0.615	0.717	0.876 (n.a)		
Satisfaction	0.714	0.700	0.657	0.556	0.533	0.623	0.505	0.680	0.921	
Loyalty	0.640	0.702	0.662	0.609	0.503	0.581	0.567	0.689	0.818	0.926

Note: n.a = not appropriate

This study has met its measurement model requirements for reflective construct as the results show:

¹⁴ Please note that the diagonal is the square root of the average variance extracted. To be discriminant, the square root of the AVE should be larger than off-diagonal elements in the correlation matrix.

1) The *internal consistency reliabilities* were all at least 0.9 and exceeding minimal reliability criteria.

2) Strong evidence of *convergent and discriminant validity* was found as

a) the square root of the average variance extracted for each construct was greater than 0.70 (i.e., AVE > 0.50) and greater than the correlation between that construct and other constructs (without exception)

b) the factor structure matrix shows that all items exhibited high loadings (>0.707) on their perspective constructs (with only two of the 56 items showing a loading below 0.8) and no items loaded higher on constructs they were not intended to measure.

Therefore, it was determined that this instrument had achieved acceptable levels of validity and reliability. Overall, the measurement instruments exhibited sufficiently strong psychometric properties to support valid testing of the proposed structural model. Next, the structural model was assessed and the hypotheses were tested after the measurement model for formative and reflective constructs had been assured.

7.3.2.2 Evaluation of the Structural Models (Hypotheses Testing)

Following measurement model assessment, the structural model was evaluated to test the relationships between the constructs proposed in the theoretical framework presented in previous section (Chapter Six, page 237). PLS Graph 3.0 yielded two critical pieces of information, which indicated how well the structural model predicted the hypothesised relationships. The first piece of information was the squared multiple correlation (R^2) for each endogenous construct in the theoretical framework. This number measured a

construct's percentage variation explained by the model (Wixom and Watson, 2001). Thus, PLS structural model and hypotheses were assessed by examining path coefficients (similar to standardised beta weights in a regression analysis) and their significance levels.

Latent variables can be exogenous – typically denoted ξ , and endogenous – typically denoted η (Andreev, Heart, Maoz and Pliskin, 2009). Since specification issues with respect to the measurement models for latent variables (reflective versus formative models) have been discussed rather intensively recently in the marketing research literature (e.g., Diamantopoulos and Winklhofer, 2001; Jarvis *et al.*, 2003), this study specifies formative construct of measurement models for the exogenous latent variables ($\xi_1 \dots \xi_8$: formative/mode B). For both endogenous variables, η_1 and η_2 , only reflective measurement models are supposed (mode A).

The proposed model conceptualised the eight first-order CSR dimensions as formative indicators of the second-order CSR construct. Since a PLS Graph does not directly permit the representation of second-order latent constructs, it is necessary to test such models indirectly by separately testing the first-order constructs comprising a second-order construct in a sub-model, and then treating the computed first-order factor scores as manifest indicators of the second-order construct in a separate model (Agarwal and Karahanna, 2000). As such, this can help to manifest indicators of the second-order construct. Therefore, this study separately tested two sub-models or used the second-order CSR construct to explain the formative constructs.

7.3.2.2 .1 The Hypotheses Testing

PLS provided information indicating how well the structural model predicted the hypothesised relationships. The data set ($N = 109$) was generated according to the parameterised path model (see Figure 7.5). PLS estimated the path coefficients, which indicated the strengths of the relationships between the dependent and independent variables (Wixom and Watson, 2001). Moreover, PLS also provided a measure of predictive power of this research model, or the squared multiple correlation (R^2) value for each endogenous variable (Chin, 1998a). The R^2 value found in PLS is comparable to the R^2 value in a multiple regression model, which represents the amount of variance explained by the independent variables contained within the model (Barclay, Higgins and Thompson, 1995). Thus, the R^2 value was used to measure each construct's percentage variation explained by the model.

Before examining the hypotheses, the significance of the R^2 was evaluated using an *F*-test (Falk and Miller, 1992). The path coefficients and the R^2 value found in this study were used to indicate how well the model was performing. Meanwhile the 'bootstrap' procedure was employed to calculate the path coefficient which indicates the strength of the relationship between two constructs (Wixom and Watson, 2001).

F-test

An *F*-test was used to assess the significance of the R^2 (Falk and Miller, 1992).

$$F = \frac{R^2/m}{(1-R^2) / (N - m - 1)}$$

Where,

N = the total number of the sample size,

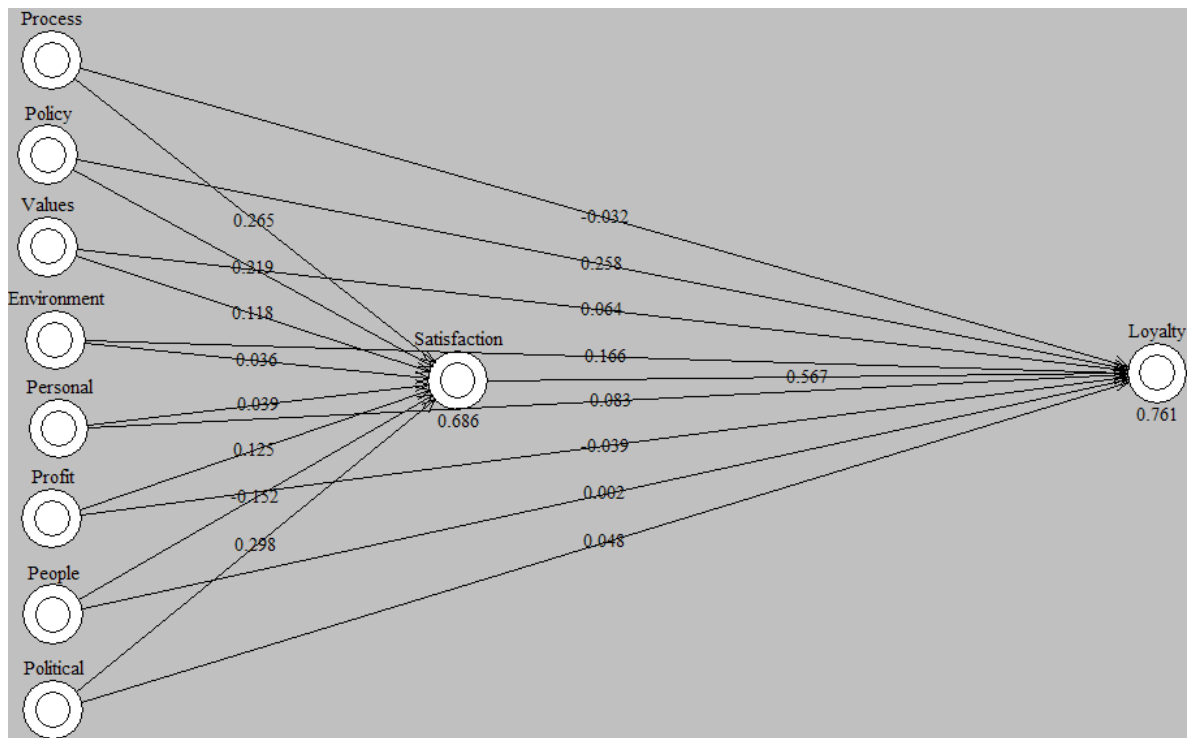
m = the number of items in the construct, and

F is distributed as an F distribution with m and $(N - m - 1)$ degrees of freedom. The results of the F -test, demonstrated that all the R^2 values were significant at $p < 0.001$ (see Appendix 7.6)

Bootstrap

In relation to this, Edwards (2001) has discussed an analytical framework for multidimensional constructs. This study also acknowledged the need for considering alternative specifications of multidimensional constructs of CSR. *One alternative* to the formative second-order model addressed above is to operationalise the eight CSR dimensions as distinct first-order constructs simultaneously influencing stakeholder satisfaction and loyalty. A main limitation of this approach is that multi-collinearity among the CSR dimensions results in instability and serious distortion of the estimated path coefficients between the second-order CSR construct and the two dependent variables (stakeholder satisfaction and loyalty). The instability and distortion of the estimated path was found when using this first alternative, as shown in Figure 7.4. Therefore, this first alternative failed to operationalise the CSR model.

Figure 7.4 PLS Test (distinct first-order constructs).



The *second approach* is to treat CSR as a second-order factor with the eight dimensions as first-order factors. A drawback to this approach is that representing the effect of the eight dimensions directly on the second-order CSR construct masks its theorised specific effect on the eight dimensions of CSR. Thus, the following hypotheses are tested in this sub-model one (see Figure 7.5);

Hypothesis 1: *Corporate Social Responsibility is a multidimensional formative construct made up of eight dimensions:*

- a) *process;*
- b) *policy;*
- c) *values;*
- d) *environment;*
- e) *personal;*
- f) *profit;*
- g) *people;*
- h) *political.*

Testing this model showed a significant effect on policy ($\beta = 0.188$, $p < 0.05$), values ($\beta = 0.215$, $p < 0.05$), profit ($\beta = 0.279$, $p < 0.01$), and political ($\beta = 0.178$, $p < 0.05$), but no significant effect of process ($t = 0.6711$, n.s.), environment ($t = 0.1416$, n.s.), personal ($t = 0.2261$, n.s.), and people ($t = 1.3016$, n.s.). These dimensions do not support H1a, H1d, H1e or H1g. **Therefore, H1 is partially supported.**

Given the results of Hypothesis 1, it was necessary to operationalise the developed construct (i.e. CSR). As in any empirical research, the results of the present study cannot confirm the construct without taking into account the external construct validity (Bollen, 1989; Jarvis *et al.*, 2003). Hypothesis 2 and Hypothesis 3 are postulated to confirm the CSR construct. Therefore, to make the model fully identified in the structural model (Bollen, 1989), CSR is hypothesised as having positive relationships with stakeholder satisfaction and loyalty.

Hence, the following hypotheses were tested in the sub-model two;

Hypothesis 2: *The greater the level of Corporate Social Responsibility multidimensional formative construct, the stronger is the positive link with stakeholder loyalty.*

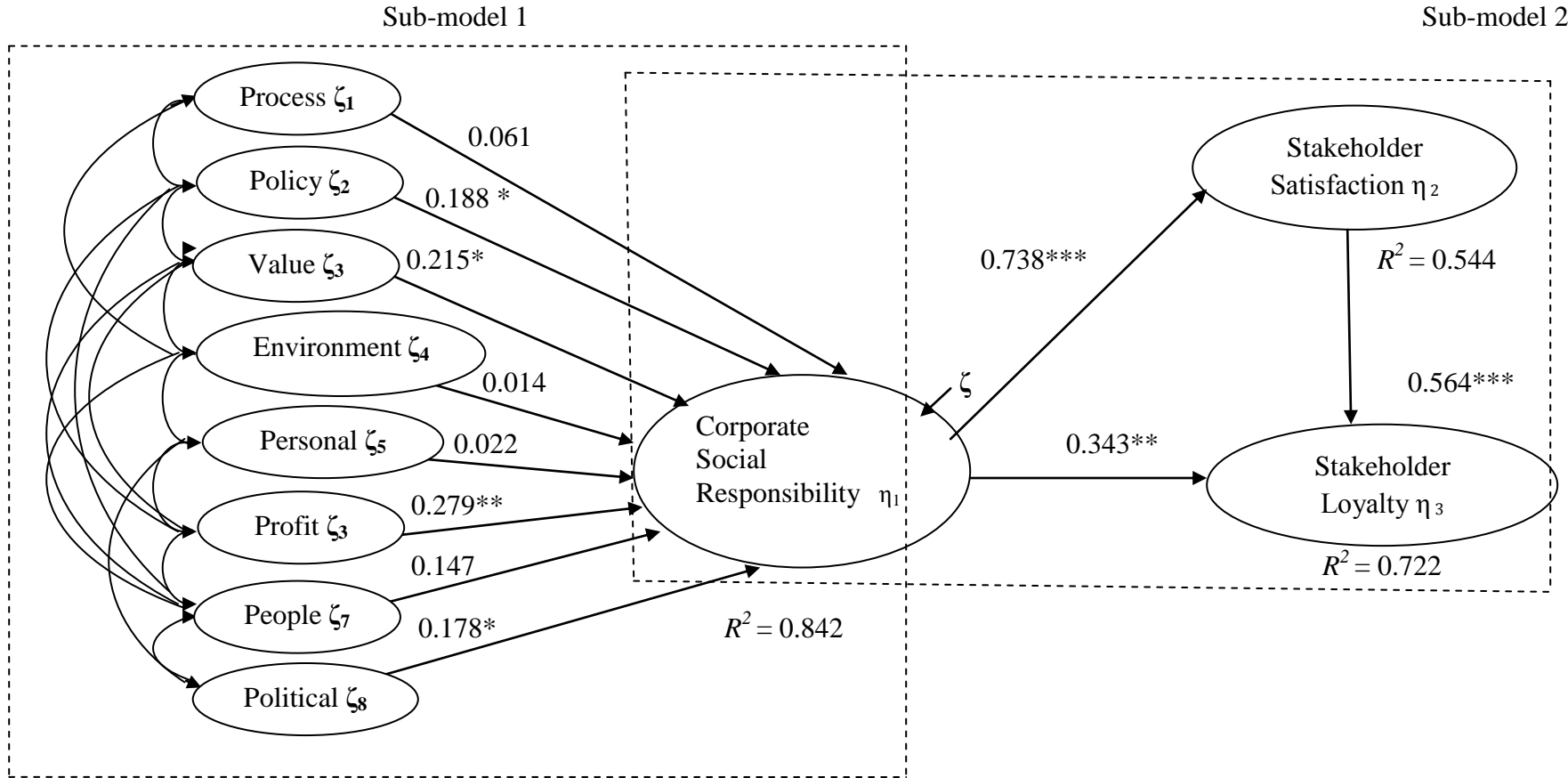
Hypothesis 3: *The greater the level of Corporate Social Responsibility multidimensional formative construct, the stronger is the positive link with stakeholder satisfaction.*

There are two main strands in the literature on the effect of CSR on loyalty: the direction of the relationship between measured CSR and stakeholder satisfaction and the magnitude and statistical significance of that relationship. As can be seen in Figure 7.5, these variables

clearly support the direction of the relationship between measured CSR; as they explain the structural relationship between constructs. Partially supporting Hypothesis 1, CSR had a significant effect on stakeholder loyalty ($\beta = 0.343$, $p < 0.01$). **Thus, this study found support for H2.** Supporting Hypothesis 2, CSR also had a significant effect on stakeholder satisfaction ($\beta = 0.738$, $p < 0.001$). **The collective results obtained in the test of this hypothesis indicate support for H3.** Both H2 and H3 were equally supported and strong relationship exists between the constructs.

Overall, the results suggest that reflective constructs (i.e. stakeholder loyalty and stakeholder satisfaction) supported the validation of formative construct (i.e. CSR) in the design of measures of the CSR model. As these alternative first-order and second-order models provide complementary views into the underlying phenomena, and are fairly consistent, the model presented in Figure 7.5 has theoretical justification, and provides insight into the dynamics linking relationships between CSR and stakeholder satisfaction and loyalty.

Figure 7.5 PLS Test of Proposed Model.



Note: *Significant at $p < 0.05$; **Significant at $p < 0.01$; ***Significant at $p < 0.001$.

In the next paragraph, the mediating role of stakeholder satisfaction in the model will be assessed and the following hypothesis was also tested in sub-model 2;

Hypothesis 4: *The greater the level of stakeholder satisfaction, the stronger is the positive link between Corporate Social Responsibility and stakeholder loyalty.*

In order to confirm the mediational roles played by stakeholder satisfaction, a hierarchical model test was performed using PLS. A commonly-used approach to test mediation, (using a series of regression analyses), follows the criteria outlined by Baron and Kenny (1986). According to these authors, a variable may be said to function as a mediator to the extent that it accounts for the relationship between the predictor and the criterion or outcome variable. In relation to this, we examine whether stakeholder satisfaction reported fully mediates, as assumed in the literature, or partially mediates the relationship between the CSR and stakeholder loyalty. If Path c in the last condition above were zero, this would be indicative of full mediation. If Path c is not zero but is still significant, this would be indicative of partial mediation.

As a mediator variable, the three conditions should be met as follows (Baron and Kenny, 1986, p. 1176):

1. variations in levels of the independent variable significantly account for variation in the presumed mediator (i.e., Path a),
2. variations in the mediator significantly account for variations in the dependent variable (i.e., Path b), and

3. when Paths a and b are controlled, a previously significant relation between the independent and dependent variables is no longer significant, with the strongest demonstration of mediation occurring when Path c is zero.

However, this approach does not test the significance of the indirect effects (Mackinnon *et al.*, 2002). In this approach, the association between the explanatory variable is determined or otherwise and the outcome significantly reduces the presence of the mediating variable. While Mackinnon *et al.*, (2002) argue that newer methods have been shown to have higher power than the Sobel test, the Sobel test is used in this study because it is the most widely employed (Bontis, Booker and Serenko, 2007).

Sobel Test

The Sobel test provides a means of testing whether the influence of the independent variable on the dependent variable that is expressed through the mediator is significant. Appendix 7.7 illustrates the Sobel test that has been calculated in this study. The result shows, z-value is 4.813. Therefore, the Sobel test statistics are significant for the data, indicating that CSR does have a significant indirect effect on stakeholder loyalty that is mediated by stakeholder satisfaction.

PLS Analysis

PLS has rarely been used for mediation testing (Bontis *et al.*, 2007), while regression analysis following Baron and Kenny's (1986) approach has been widely used to test for mediation. In order to test this mediation effect, an analytical approach using PLS analysis was taken for the following reasons:

1. PLS provides the additional benefit of allowing examination of all of the paths in the CSR model simultaneously, and
2. PLS provides triangulation of the results obtained using the more traditional Baron and Kenny (1986) approach.

Furthermore, the PLS analysis reveals that all three paths are significant, which means that the independent variable (CSR) has a direct effect (Path c) as well as an indirect effect via the mediator (Paths a and b) on the dependent variable (stakeholder loyalty). These results provide support for the hypothesis of partial mediation (see Table 7.10).

Table 7.10 Analysis of Mediation Effect Using PLS Analysis.

Mediator		
Path	Beta coefficient	t-value
A	$\beta = 0.738^{***}$	$t = 15.6776$
B	$\beta = 0.564^{***}$	$t = 5.0561$
C	$\beta = 0.343^{**}$	$t = 2.8933$
Sobel test	$z\text{-value} = 4.813$	

Note: * Significant at $p < 0.05$; ** Significant at $p < 0.01$; *** Significant at $p < 0.001$.

Finally, supporting Hypothesis 3, stakeholders' satisfaction mediates the relationship of CSR and stakeholders' loyalty had a significant effect ($\beta = 0.564$, $p < 0.001$). The model explained substantial variance in CSR ($R^2 = 0.842$), stakeholder loyalty ($R^2 = 0.722$) and stakeholder satisfaction ($R^2 = 0.544$).

In sum, the model test (i.e. sub-model 1 and 2) providing support for significant relationships for three hypotheses and partial support for one hypothesis.

7.4 SUMMARY OF CHAPTER SEVEN

In nearly all past studies, constructs of marketing research have been modelled as reflective constructs – the traditional method of modelling constructs in psychometrics. Most of the tests of reliability and validity in psychometrics are based on the assumption that the constructs are reflective (Bagozzi, 1994; Bollen, 1989; Diamantopoulus and Winklhofer, 2001). Appendix 7.8 shows the differences between these two types of measures.

Using the item loadings, the internal composite reliability (ICRs) was calculated to evaluate the reliability of the *reflective constructs*, all of which exceeded the .70 threshold for the ICR. The average variance extracted (AVE) was also evaluated to estimate convergent validity. Since each construct's AVE exceeded .50, the analysis suggests that this study's measures satisfy heuristics required to *confirm convergent validity* (Barclay *et al.*, 1995).

Discriminant validity is indicated the degree to which a given construct is dissimilar to other constructs; and discriminant validity can be satisfied if a given construct shares more variance with its measures than it shares with other constructs in a model (Barclay *et al.*

1995). Given that, to evaluate *discriminant validity* this study examined the correlations between the dimensions as well as the items (analysing the cross-loadings obtained from PLS-Graph 3.0). The square root of each AVE shown exceeded the correlation between each dimensions and all other dimensions, hence discriminant validity can be satisfied in this study.

Moreover, this study also conducted a CFA in PLS to establish convergent and discriminant validity of the reflective constructs further (Gefen and Straub, 2005). Indicators should load higher on the construct of interest than any other variables. Appendix 7.9 shows summary of the factor loadings. The analysis provides evidence that the reflective measures in this study are reliable as well as convergent and discriminant. However, a different approach was used to assess measurement properties for the formative construct. An important departure from the traditional approach to reporting measurement model results in PLS is that the AVE, ICR and Cronbach's alpha need not be reported because they are not theoretically or empirically meaningful when using a formative construct (Bollen, 1984) and this study acknowledged this guidance.

The estimation of ICRs and evaluation of AVEs are meaningless for this type of indicator because formative indicators are not necessarily internally consistent (Chin, 1998b) and one can assume that the indicators will demonstrate convergent validity, as such a condition is not required for evaluating formative constructs (Jarvis, *et al.*, 2003). In fact, this study reported these analyses because reviewers who lack a firm grasp of formative constructs will frequently request such information (although not theoretically meaningful) and one

may forestall such questions by providing AVEs, ICRs and Cronbach's alphas with a footnote explaining that they are not meaningful.

Despite the fact that four of eight indicators were not significantly related to the latent variable (i.e. process, environment, personal and people), this study did not drop these indicators because they contribute conceptually to the Corporate Social Responsibility (CSR) construct. Although statistical considerations should be taken into account, conceptual reasoning holds more influence than statistical results when deciding whether or not to drop formative indicators (Cohen, *et al.*, 1990; Edwards and Bagozzi, 2000; Fornell, *et al.*, 1991; Petter, *et al.*, 2007).

To further validate the formative construct, this study assessed its place within its nomological net. Hence, when reporting structural model results with a formative construct using PLS, one simply evaluates the strength of the relationship (standardised path coefficient) between the focal formative construct and related endogenous constructs. To establish that CSR is a second-order factor, the null hypothesis that the first-order factors converge to a higher-order construct was tested. Factor loadings from the measurement item to respective first-order construct range from 0.5891 to 0.9456 and factor loadings from first-order factors to the second-order factor range from 0.5807 to 0.8221. Thus, the second-order factor model was employed to represent a CSR.

Other interesting findings show that the *personal* dimension represented negative weight of sign (see Table 7.1). In this study, this dimension may be the best option to identify this dimension as a *reflective indicator* instead of a formative indicator, when it is conceptually

appropriate (Jarvis *et al.*, 2003). Furthermore, formative indicators of the same construct ‘can have positive, negative, or no correlation’ with one another (Bollen and Lennox, 1991: 307). This finding will be discussed further in the following chapter. Table 7.11 also summarises the results for estimates and signs for selected parameters in the measurement model and structural model for this study.

Table 7.11 The Results for Estimates and Signs for Selected Parameters.

Measurement Model $\xi_1 \dots \xi_8$	Weights		Absolute values	Signs
		X_1	0.3207	Positive
		X_2	0.0368	Positive
		X_3	0.3449	Positive
		X_4	0.0488	Positive
		X_5	-0.1133	Negative
		X_6	0.2841	Positive
		X_7	0.0647	Positive
		X_8	0.2639	Positive
Structural Model	Path coefficients	$\xi_1 \longrightarrow \eta_1$	0.061	Positive
		$\xi_2 \longrightarrow \eta_1$	0.188	Positive
		$\xi_3 \longrightarrow \eta_1$	0.215	Positive
		$\xi_4 \longrightarrow \eta_1$	0.014	Positive
		$\xi_5 \longrightarrow \eta_1$	0.022	Positive
		$\xi_6 \longrightarrow \eta_1$	0.279	Positive
		$\xi_7 \longrightarrow \eta_1$	0.147	Positive
		$\xi_8 \longrightarrow \eta_1$	0.178	Positive
		$\eta_1 \longrightarrow \eta_2$	0.738	Positive
		$\eta_1 \longrightarrow \eta_3$	0.343	Positive
		$\eta_2 \longrightarrow \eta_3$	0.564	Positive

Having satisfied the requirement arising from measurement issues, the structural model was subsequently tested. All proposed paths were significant except the four coefficient paths for the CSR dimension. The *process*, *environment*, *personal* and *people* dimensions were not significant. Thus, these dimensions do not support H1a, H1d, H1e or H1g (see Appendix 7.10). The CSR construct is significantly related to stakeholder satisfaction ($\beta = 0.738$, $p < 0.001$) and stakeholder loyalty ($\beta = 0.343$, $p < 0.01$). Stakeholder satisfaction is

positively related to stakeholder loyalty ($\beta = 0.564$, $p < 0.001$) and provides support for the hypothesis of partial mediation. Therefore, these results support the nomological validity of the formative CSR measure and Study 2 has validated Corporate Social Responsibility (CSR) as a formative second-order construct.

Overall, this chapter has met its objective and the Research Objective 4 (see below box), developed in this study has been achieved too.

Research Objective 4:

To evaluate CSR conceptualisation by examining the robustness across different types of construct.

Hence, Study 2 has

- (a) examined the relationship between CSR and stakeholder loyalty,
- (b) examined the relationship between CSR and stakeholder satisfaction and
- (c) examined CSR and its mediating relationships between variables/examined the effects of CSR to stakeholders' relationship.

Chapter Eight

Discussion and Conclusions

'Theory and measurement are intimately intertwined, and both must therefore be considered in a causal modelling context' (Bagozzi, 1984:196).

8.1 INTRODUCTION

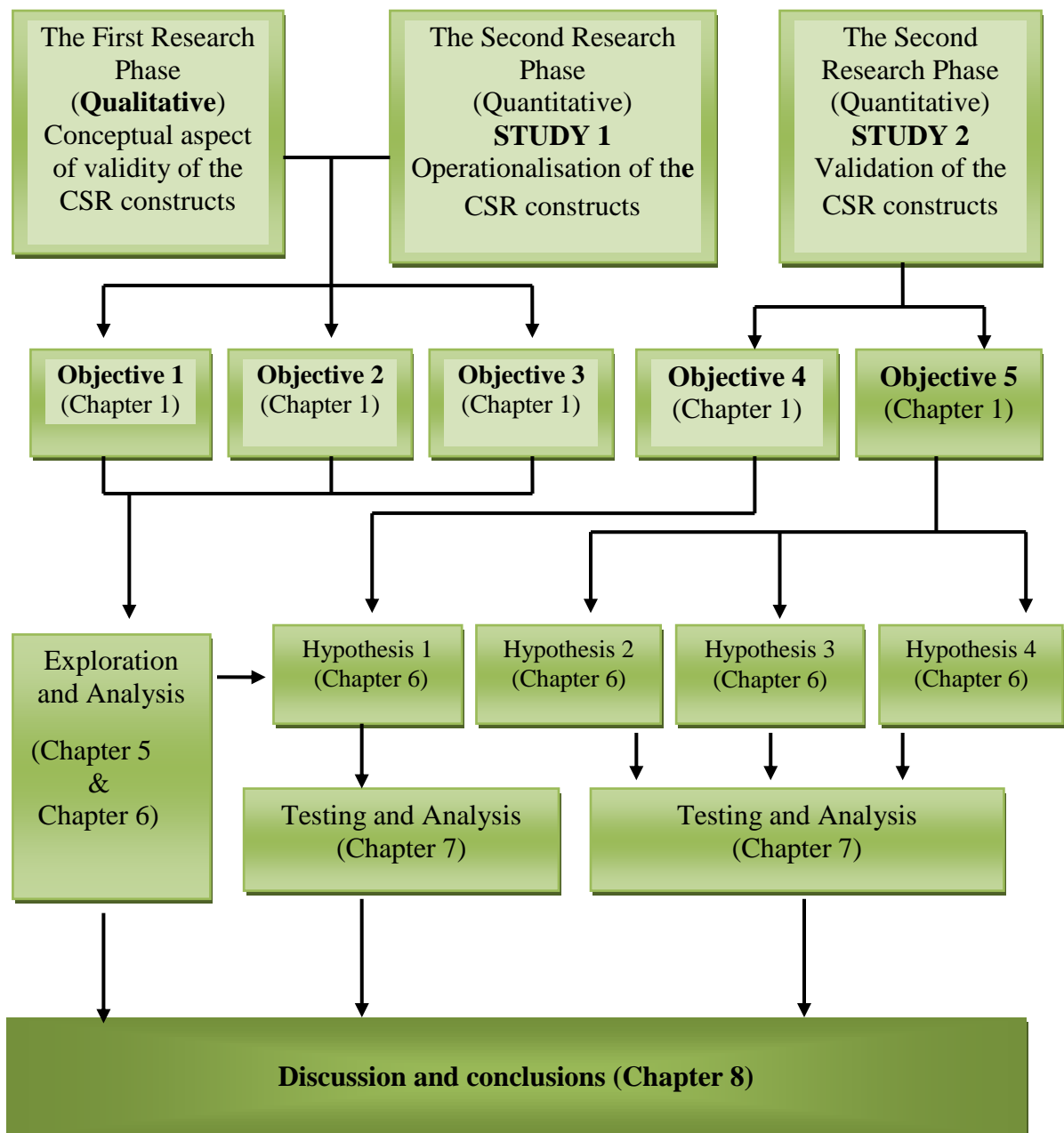
The main objectives of this final, closing chapter of the thesis are to provide a short summary of the project by underscoring the main conclusions reached from the study and the main contributions of the current research. This chapter brings all previous chapters together in a discussion of the results. Moreover, this chapter will also identify contributions to academic knowledge and the managerial implications and discuss some limitations of the approach taken in the present study. In addition, this chapter offers some recommendations for further research that could be encouraged or assisted by the present work.

Building on detailed discussions about the specification, estimation, and validation of the CSR formative measurement model, it is hoped that this final chapter will be helpful to reader(s), as it was carefully structured, to extend and strengthen the contribution of this work. At the same time, the chapter contains a summary of what was achieved in respect of each of the objectives set out at the beginning of the study. Therefore, the chapter has six aims:

1. To map out the contributions of this study according to the overview presented in Chapter 1;
2. To discuss further the details of these contributions and link the different ideas;
3. To restate each contribution with regard to the literature;
4. To conclude the research with a brief reiteration of the overall results;
5. To present implications for academic knowledge and management; and
6. To highlight the limitations of the current research and suggest areas of further research.

To recap, and in response to Chapter 7 an overview of the logical sequence of key steps that led to this final chapter is illustrated in Figure 8.1. The figure also describes the connection between each chapter and the key activities in this research with the aim of providing readers with a clear, overall picture. The evidence of the worthwhile nature of this research is outlined in detail in the research contribution section. Specifically, the theoretical contributions and methodological contributions of the research are discussed. This section highlights the capability of the researcher as a doctoral student of mastering the existing knowledge in relevant areas as well as being able to go beyond the existing knowledge.

Figure 8.1 The Logical Flow of Key Steps from Research Objectives to Conclusions.



8.2 DISCUSSIONS ON THE FINDINGS UNDER EACH SPECIFIC RESEARCH OBJECTIVE

8.2.1 Findings on Objective 1

Objective 1: To develop a commonly-accepted definition of CSR.

Objective 1 was partially achieved. This is an echo of the statement by Marimoto, Ash and Hope (2005:320) when they point out that ‘one pivotal difficulty in developing a single measurement system for CSR appears to be the lack of one broadly accepted definition of the concept’. Irrespective of how successful CSR measurement is gauged, the initial, crucial step should be determined after first identifying the construct. This study looks for a consensus of understanding in an attempt to propose a more universal framework to enhance developing country adoption and practice of CSR.

CSR has been found to be a field of study with significant implications for stakeholders (e.g. academia, industry and society). CSR means something to everybody, although not always the same thing. It has been pointed out that the ‘subsequent diversity and overlap in terminology, definitions and conceptual models hamper academic debate and ongoing research’ (Van Marrewijk, 2003: 96). Indeed, Whitehouse (2006) remarks that in respect that the whirlwind of debate over the last 75 years has consumed substantial energy while ultimately going around in circles. To some stakeholders, CSR conveys the idea of socially responsible behaviour; to others, it means legal responsibility or liability; to yet others, CSR is just a ‘tool’ to transmit a ‘responsible for’ message from organisations to society at large. The landscape of CSR has been constantly expanding (Carroll, 1979, 1999; Carroll and Buchholtz, 2008; Davis, 1960; Friedman, 1970; Levitt, 1958) and become a widely

accepted field with extensive literature on the subject (Banerjee, 2007; Garriga and Melé, 2004; Margolis and Walsh, 2003; Palazzo and Scherer, 2006).

Although the acceptability and popularity of the concept is recognised, a problem still arises in CSR discourse. As highlighted in the literature chapter (see Chapter Two, page 23), there is no agreement as to a normative basis underpinning CSR practice (Campbell, 2007; Palazzo and Scherer, 2006) because of the absence of an agreed-upon and universally accepted definition of CSR. Moreover, as there is no consensus on a definition of CSR (McWilliams *et al.*, 2006), it is sometimes claimed to be a vague, ambiguous and contested concept (Amaeshi and Adi, 2007). Consequently, it becomes difficult to measure CSR objectively without an identified construct. Therefore, it is essential to clarify what is to be accounted as 'CSR'. This present research has analysed the landscape of CSR ideas and revealed its theoretical complexity. With a view to addressing this issue, Research Objective 1 was designed. Malaysia, a developing country was selected for the empirical study.

In the most generalised of analytical formats, questions regarding CSR definitions were analysed in a two-fold manner, i.e. using qualitative and quantitative approaches. On one hand, there are two qualitative methods, the literature search and personal interviews. The qualitative data from these methods were then content-analysed using thematic analysis (see Chapter Four, page 136 for content analysis procedures and Chapter Five, page 205 for the qualitative findings). On the other hand, the quantitative approach, which includes the online survey, is used further to identify CSR in a more systematic manner (see Chapter Six, page 236). Hence, both inductive and deductive theorising were involved in connection

with the development of a definition, and at this stage the approach was exploratory. This research also examines the necessity and possibility of addressing such a challenge within CSR in view of the variety of perspectives and interests of the exponents of CSR, such as academics, managers and so on; seeking to distinguish practice from theory and empirical from normative or vice-versa. Based on the theoretical and empirical findings, the current study has shown CSR to be an **essentially contested concept** (ECC) and a **multi-dimensional concept** (MDC).

The main reason why this study has pointed to CSR as an essentially contested concept is because it has attracted continual arguments as to its proper meaning from different users (i.e. stakeholders). In addition, Gallie's (1956) theory has suggested a progressive analysis of CSR, acknowledging the obligation of its contested nature due to a number of factors which include varied describability, internal complexity, flexible character, and antagonistic and protective uses. Therefore, even his theory acknowledges the need for common ground if CSR is to be identified as one concept. Although a universal meaning for CSR may not be necessary as it is an essentially contested concept (Okoye, 2009), there is still a need for a common reference point. This common reference point will set the parameters of the issue and identify the common basis indicating that all such arguments relate to the CSR concept. However, in line with other critical analyses of ECC, it is doubtful that CSR's 'common reference' can be distilled to a single definition.

This common reference point can be found more commonly in attempts to deal with various issues which have emerged from the dynamic relationship between corporations and society over time. It is also interesting to observe that these debates have taken place

with varied specific social contexts; for example, in the West during the Great Depression in 1930s, and with the commencement of globalisation, perhaps new strands of CSR will emerge in the face of looming global recession and organisational scandals.

Moreover, over time, society will ‘change’; thus, its needs and demands will also change. Then CSR issues and demands will inevitably be subject to re-evaluation. A company executive in the present study pointed out (see Chapter Five, section 5.3.2, page 220), that *‘the CSR implementation and initiatives [which] companies...pursue [will] very much depend to the extent to on how the organisation define CSR and the relative importance they (the actors) place on issues’*. Similarly, although some social issues (e.g. recycling, worker-welfare) may be common to almost all firms, they can be very diverse given the difference in the expectations of stakeholders, governments, NGOs and other social actors impacting on a given industry (Aguilera *et al.*, 2007; Davies, 2003; Logsdon and Wood, 2002). These statements reflect the fact of CSR as a contested concept; CSR encourages flexibility and diversity because dynamic relationships between corporations and society occur in different contexts, at different points in time and in different places.

These phenomena do not negate the ability of this research to address this complex concept, as in one sense there is the realisation that *‘in many contexts no single use can be advanced that must be accepted by all reasonable person’* (Connolly, 1974:40), while at the same time, such contestation between conceptions *‘deepens and enriches our sense of what is at stake in a given area of value’* (Waldron, 2002:142). Therefore, the arguments can be perfected but never finalised.

Drawing upon the work of this research, a definition of CSR is constructed, as follows:

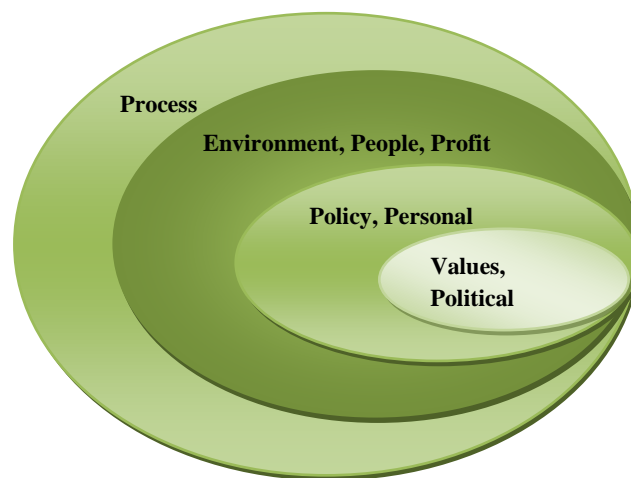
'CSR is a continuous and long-term *process* guided by organisational and *personal values*. It is concerned with *people* (as stakeholders), the *environment* and organisational *policies*, and is influenced by *political* concerns. Adoption of CSR is often associated with monetary gain or *profit* for the initiator.'

Table 6.2 in Chapter Six (see page 247) depicts the percentage of the total scores of the respondents (N=142). In this empirical study, four categories are used to measure whether the developed definition conforms to C1- accurately captures the true meaning of CSR; C2- sufficiently practical; C3 - relevant to multi-stakeholders in all places; and C4 - offers a sound theoretical and practical definition of CSR. It is statistically noted that more than 70% of the respondents agreed with these categories and fewer than 5% strongly disagreed with the interpretation of the developed definition. This suggests that the level of agreement on the developed definition is satisfactory.

On the other hand, this study also demonstrated CSR as multi-dimensional construct (MDC). This is due to the flexibility and dynamism of a CSR definition in the context of this present study. In this sense, CSR is seen as a set of activities that work together through a consistent flow to relate with business, responsibilities, expectations, rights and regulations. CSR makes room for different voices (i.e. stakeholders' opinions), with wide-ranging interests in the achievement of an appropriate relationship between corporation and society. Based upon qualitative results, 'Process', 'Policy', 'Political', 'People', 'Profit', 'Environment', 'Personal' and 'Values' are the most frequent themes found in the

document analysed (see Table 5.5, page 217 in Chapter 5). Of these eight dimensions, 'Process', 'People', 'Profit' and 'Environment' are found to be the most frequently mentioned in the document, followed by 'Policy' and 'Personal', while the least frequent dimensions mentioned are 'Values' and 'Political'. However, in the quantitative result, 'Political' and 'Values' were shown to be significant (see Table 7.7, page 295). Thus, based upon these results, this study assumed that although 'Political' and 'Values' have rarely been identified or have been 'invisible', these dimension are very important in justifying the CSR concept. Hence, Figure 8.2 portrays the multi-layered conception of CSR in the context of Malaysian stakeholders. In order strategically to address CSR based on the current findings, this study argued that CSR could be compared to peeling an onion. Firms have to go through all the rational layers to bring out the 'invisible' meaning of CSR. These layers cover each other, and each has its own important place, without losing the sense of the whole concept. Each layer has a dynamic relationship with other layers. Thus, from an attempt to elaborate this multi-layered concept, a few implications emerge, which are important in addressing CSR more accurately in terms of the bases of its conceptualisation.

Figure 8.2 The definition of CSR as a multi-layered concept.



Source: Isa (2011).

First, CSR is viewed in terms of a number of activities and responsibilities that bring together elements of valuable social practices of an organisation toward society or those to whom they are responsible - so-called Process. As demonstrated in this study, CSR is a complex phenomenon addressing a dynamic relationship between corporations and different levels of society or stakeholders. For example, it may involve enlightened employee management policies, serving the market, meeting customer needs and managing the resources required to gain competitive advantage. A firm can address social opportunities that not only generate profits, but also offer societal benefits as well (Burke and Logsdon, 1996; Husted and Salazar, 2006). This implies that CSR is involved in a long 'process' (internal and external) of manifestation and involves far more than an *ad hoc* approach. In this vein, during the interviews, a Senior Manager from a government-linked company in the construction industry, mentioned that '*CSR is a long term process and sometimes it can be very subjective...We follow up their progress....*' (see page 222).

Mounting research evidence suggests that an increasing number of multiple stakeholders, both internal and external to the firm, are placing more demands on firms' social responsibilities and how they respond to the social environment (Aguilera, *et al.*, 2007). This leads to the next layer, as, with the organisation responding to social demands, other CSR elements begin to appear - Environment, People and Profit. The reason they are in the second layer is that these elements ultimately have to answer to society, shareholders and other stakeholders about decisions made and strategies pursued. This is also consistent with the role of CSR strategy described in literature (Galbreath, 2009); it is related to whom it is to serve - the 'people'; to what offerings are necessary to meet and exceed stakeholder needs and; to how to gain a competitive advantage, as well as to costs and profitability - the

‘profit’. At the same time, it also addresses corporate credibility, acceptance and support in implementing their strategies - the ‘environment’. Subsequently, the Senior Manager also stressed during the interviews that *‘We want to be a responsible corporation towards our stakeholders...business environment and be equal to everybody’...* (see page 222).

As demonstrated in this research, CSR is not an organisational phenomenon strategically confined to a narrow dimension within the firm. In fact, when assuming corporate responsibilities, other fundamental social needs and social issues are important for developing its synergies; hence, CSR can be more fully integrated into corporate strategy. For example, while the second outer layer, to produce profits, forms part of the firm’s formal social contract, social issues, for example child labour, energy conservation and so forth, should be considered in the context to find an appropriate balance between firm’s mission and the level of CSR. An imbalance can lead to a firm focusing less on its economic obligations and more on other social responsibilities, thus raising concerns about long-term capability, in view of its limited resources (Pearce and Doh, 2005). A firm like The Body Shop, however, makes cosmetic and fragrances which do not harm the environment. Moreover, this company in their core business is against animal testing for its cosmetic products and were among the first in the field to use re-cycled paper bags for its packaging. Here, The Body Shop has addressed social issues while at the same time increasing its wealth and fulfilling its economic obligation.

However, at the practical level, it appears that much cynicism remains with respect to integrating CSR into the overall strategy of the firm (internal) or adopting and adapting CSR to society (external) - the Policy. While CEOs acknowledge that CSR is an important consideration for a company’s success, some of them appear to be sceptical about CSR

while at the same time struggling to build it into their corporate strategy (Hirschland, 2005, 2006; McKinsey and Company, 2006). In a similar vein, recent reports also disclose that many companies are imprecise as how to incorporate CSR into their business operations (McKinsey and Company, 2006). If efforts are made in this regard by incompetent individuals or entities, the approaches may be weak, or perhaps even biased - the Personal.

Finally, as the process moves inwardly, each layer grows successively closer to the ideas of Values and Political. As mentioned earlier, these two dimensions are salient but 'invisible' due to their complex characteristics. For example, values are very hard to visualise. Stakeholders have difficulty appreciating values until they have experienced them or passed through the process. Similarly, with the Political, it is very hard to determine whether the company is genuine in its CSR initiative or this is just window dressing. Consequently, because they are difficult to 'see' or are 'invisible', these dimensions were captured as an inward position (see Figure 8.2). These components are further discussed in the following section.

In order to conceptualise CSR, this study has argued that although a universal definition of CSR may be unnecessary (Okeye, 2009), it is nonetheless necessary to provide a clear avenue towards the resolution of definitional disputes by proving the necessity of an accepted definition. As definition is concerned with understanding and addressing issues of the vital concept, **contested nature** and **multi-dimensional construct** can be elucidated to explain the meaning of CSR theoretically and practically. Such an effort offers a means to add a new definition to the CSR literature within the developing country. This is necessary not only to appreciate the scope of this concept, but also because the definitional issues of

CSR have prompted a vast amount of discourse and because of the non-progression of CSR evaluation. Consequently, defining CSR as an identified objective and also reaching an agreement upon it could assist progress in measuring CSR, as ‘a good conceptual definition should specify the underlying theme that ties the exemplars together’ (MacKenzie, 2003:325).

This study results concur with the findings of both qualitative and quantitative findings and suggest that within the developing country there also exists no clear definition of the concept of CSR. While, CSR is not a universally adopted concept (Freeman and Hasnaoui, 2010) there are some similarities, there are substantial differences that must be addressed as it is understood differently despite increasing pressures for its operationalisation into practices.

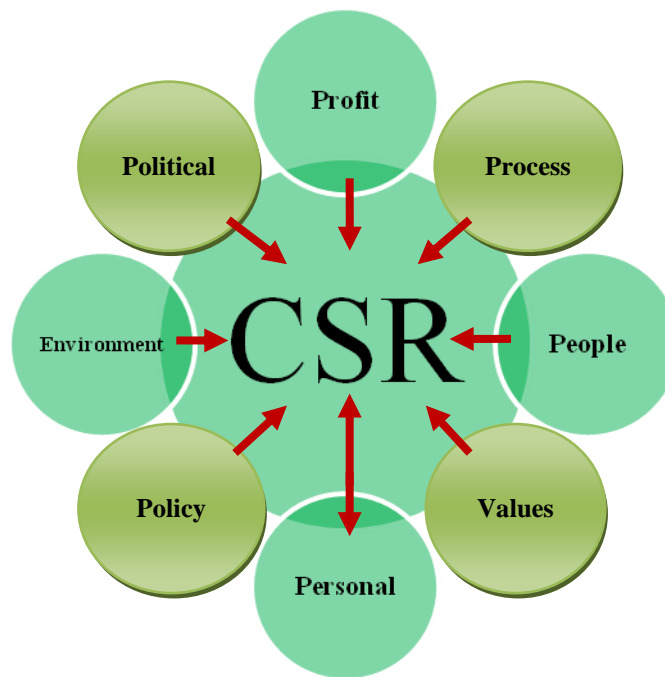
8.2.2 Findings on Objective 2

Objective 2: To develop dimensions indicating CSR as a multi-dimensional construct.

Objective 2 was achieved successfully. CSR initiatives use different nomenclatures and classifications, but, as shown in Figure 8.3, through the attempt to develop a multi-dimensional construct, this study proposes eight dimensions of CSR: (1) Profit, which refers to firms making an investment in CSR and consequently seeking monetary gain while fulfilling their economic obligation; (2) Policy, which refers to the compliance to regulation which extends beyond legal and ethical conduct; (3) Political, which refers to manipulation by certain organisations or individuals for their own agenda and interests; (4) Personal, which refers to individual character, subject to individual perception and

expectation; (5) Process, which refers to long-term activities or business between and among stakeholders; (6) People, referring to the objects of a firm's responsibility and commitment (e.g. shareholders, employees, customers, suppliers, governments, non-governmental organisations and communities); (7) Environment, referring to the effective management and protection of natural resources while balancing these with stakeholders' activities, and; (8) Values, referring to the core beliefs that help a firm differentiate its reputation and identity and guide communication efforts.

Figure 8.3 The Eight Dimensions of CSR.



Source: Isa (2011).

Objective 2 sheds light on the nature of CSR dimensionality. To this end, the process starts with the commonly-held view of multi-dimensional construct issues such as (1) theoretical utility; (2) matching levels of abstraction; (3) reliability; (4) construct validity and; (5) criteria-related validity. That is, it is necessary to answer the question of the nature of the

multi-dimensional construct by looking at how the occurrence of construct measurement error (convergent and discriminant validity) as well as error in the structural equations among constructs (unexplained variance). As such, a process of model specification begins at the conceptual level by examining CSR latent variables. Appendix 8.1 summarises the issues underlying the multi-dimensional CSR construct. Second, the multi-dimensional construct used was tested with other variables in order to validate these dimensions within the construct. This second process is discussed in the following section (see section 8.2.4).

The conclusion to be drawn from the present analysis of triangulation methods is that **CSR is a multi-dimensional construct**. Since the CSR construct is unobservable, it has to be inferred from measured variables. Accordingly, a ‘latent variable’ design with multiple indicators for the construct was chosen (see Appendix 8.2). This design accommodates the nature of the research by allowing the CSR construct to be presented in a formative way that can be empirically measured. Another important finding was that the landscape of CSR dimensions was apparently undeveloped. For many years, literature has identified the problem of CSR conceptualisation, but there has been virtually no empirical research on how the focal construct of CSR is identified. Scholars have been aware of the challenges of this construct classification (Hillman and Keim, 2001; Amaeshi and Adi, 2007). On the other hand, advocates of multi-dimensional constructs argue that such constructs provide holistic representations of complex phenomena, allow researchers to match broad predictors with broad outcomes, and increase explained variance (Hanisch, Hulin and Roznowski, 1998; Ones and Viswesvaran, 1996; Roznowski and Hanisch, 1990). However, critics contend that multi-dimensional constructs are conceptually ambiguous, explain less variance than is explained by their dimensions taken collectively, and confound

relationships between their dimensions and other constructs (Gerbing and Anderson, 1988; Hattie, 1985).

After the publication of Friedman's (1970) thesis, management scholars began to develop greater theoretical rigour concerning the social responsibilities of the firm. Critical authors such as Carroll (1979, 1999, 2008) and Dahlsrud (2008) have helped clarify the CSR dimension, which Strike *et al.*, (2006) point out is an essential preliminary to specifying components of CSR. In addition, they encourage researchers to give more thought to their conceptualisation of the CSR construct. The eight dimensions of CSR are discussed further in section 8.3.

8.2.3 Findings on Objective 3

Objective 3: To provide a formative measure to capture a multi-dimensional conceptualisation of CSR

Objective 3 was achieved successfully. Most of the paths shown in Figure 7.4 (see Chapter Seven, page 304) were found to be statistically proven, which enabled the study to capture CSR formatively. The most salient point is that the focal construct of CSR had never been adequately defined. This fundamental problem has led to poor construct conceptualisation of CSR. This is not surprising, as many of the scale development procedures recommended in the literature only apply to constructs with reflective measures (MacKenzie, Podsakoff and Jarvis, 2005). Thus, a critically important distinction between measures (i.e. formative or reflective) is necessary to improve the scale of development process.

The CSR concept is not readily discernible, as most decisions of businesses are not purely economic, legal, ethical, or philanthropic. Carroll's (1991:43) approach of steps and phases of responsibility was restricted to the explicit domain; as he mentioned, 'there is a natural fit between the idea of CSR and organisation's stakeholders.' Wood claimed that in his work, Carroll had succeeded in differentiating the interactions between firm and society. However, Carroll had neglected CSR concept interconnection which is in fact essential (Sachs and Maurer, 2009). This present research agrees with Wood's idea, as in real-world situations, the CSR conception should not be isolated, but interconnected. For example, a decision to employ new personnel can - at the same time- involve economic and ethical (or social) responsibilities (Freeman, 2004). Similarly, a philanthropic investment can also contribute to a firm's economic responsibility (Porter and Kramer, 2002).

On the other hand, Strike *et al.* (2006:860) claim that 'until researchers in this area are able to agree on the theoretical construct of CSR, a sound measurement of CSR....will continue to be elusive'. Therefore, in agreement with Freeman (1994) and others (e.g. Agle *et al.*, 2008; Freeman *et al.*, 2004; Wood, 1991), this present research has overcome the artificial separation of CSR to which the CSR construct contributes, by specifying its dimensions. To face this challenge cautiously, the present research believes CSR should be formatively constructed, which means each dimension need not be interchangeable (Jarvis *et al.*, 2003). Similarly, Strike, Gao and Bansal (2006) viewed CSR as a theory-based formative construct. They addressed the construct by using commonly employed component indicators (Agle, Mitchell and Sonnenfeld, 1999; Griffin and Mahon, 1997; Hillman and Keim, 2001). Appropriate measurement should become a starting point from which one can examine the success or failure of business.

Following the line of argument developed in the previous paragraph, this present research has set out to provide a formative measure to capture a multi-dimensional conceptualisation of CSR. In addition, this study has attempted to undertake investigations of latent variables of the conceptual approach (Bagozzi, 1994), and to present some possible implications for a managerial approach to instilling a formative construct in CSR measurement.

Among the most prominent findings of this study are the following: this study has shown that CSR is a formative construct with seven dimensions (i.e. Process, Policy, Values, Environment, Profit, People, and Political) showing a positive relationship with CSR and only one dimension showing a negative one (i.e. Personal). Therefore, the Personal dimension is seen as subject to individual perception and expectation. For example, an individual who has a greater understanding of the importance of CSR may evince more ethical behaviour and vice versa. In addition, more optimistic stakeholders tend to follow more universal moral rules of behaviour, whereas the more relativistic stakeholders feel that moral action is defined by the nature of the circumstances and the individual confronted by an ethical dilemma (Vitell, Ramos and Nishihara, 2010).

Moreover, the Personal dimension was theorised as a formative indicator, and a negative relationship and non-significance with the CSR construct was found, thereby rejecting Hypothesis 1e. But again, formative indicators of the same construct '*can have positive, negative, or no correlation*' (Bollen and Lennox, 1991: 307) with one another. Indeed, 'internal consistency is of minimal importance because two variables that might even be negatively related can both serve as meaningful indicators of a construct' (Nunally and Bernstein, 1994:489). In addition, as mentioned in Chapter Six, CSR is a theory-based

formative construct (Gjølborg, 2009; Poolthong and Mandhachitara, 2009; Strike *et al.*, 2006), so it may not be entirely convincing to suggest the Personal dimension as a reflective indicator for a reflective construct. While this present research investigation did not carry out a test of reflective measures for the CSR construct, the study's concern was to show that dimensions of a construct can indicate either formative or reflective constructs. Theory indicates that these connections exist in one construct and this will exhibit a different level of measurement. As a means of measurement analysis, a different type of indicator can lead to a different type of construct, and as such, a different type of construct may give a different level of measurement. This demonstrates the danger of misspecifying the construct.

This is one of the most interesting findings of the study, the importance of which resides in having the appropriate indicator when one wants to measure CSR. Furthermore, if future research seeks to establish an effects indicator model, it may be possible to use the Personal dimension or indicator to reveal other indicators which may direct causality from construct to indicator. Therefore, this dimension may be the best option to identify this dimension in terms of a *formative indicator as an effect* instead of a *formative indicator as a cause*, when it is conceptually appropriate (Jarvis *et al.*, 2003). Consequently, the study also contributes to literature attempting to discover construct-measurement relationships. The present study has provided explanations for the major causes and effects of the formative construct (see Appendix Table 8.1).

Moreover the distinction between formative and reflective indicators is also important because failure to correctly specify measurement relations can threaten the statistical

conclusion validity of a study's findings. Thus, poor construct conceptualisation makes it difficult to avoid measure deficiency and contamination, which often leads to measurement model misspecification, and raises doubts about the credibility of the hypotheses (MacKenzie, 2003). Consequently, this would suggest that measurement model misspecification may cause Type I and/or Type II errors of inference in hypothesis testing (MacKenzie, Podsakoff and Jarvis, 2005). For example, if an obtained p-value is small then it can be said that either the null hypothesis is false or an unusual event has occurred and the probability is that a decision to reject the null hypothesis will be made when it is in fact true and should not have been rejected (Type I error) and the probability is that a decision will be made to accept the null hypothesis when it is in fact false (Type II error). More typically, the significance level of a test is such that the probability of mistakenly rejecting the null hypothesis is no more than the stated probability. In addition if the selected measure is fundamentally wrong, the test will be performed using the wrong measurement, which will have an effect on the structural model, and hence on the process of accepting or rejecting the hypothesis.

Needless to say, although the development of a formative measure of CSR appears to be an interesting idea, the present study as it is currently structured does articulate clearly why this measure should be developed. Whilst the author shows that current measures of CSR are deficient, this study also explained what a formative measure of CSR would contribute to academic literature on CSR or the practical relevance of such a measure (see section 8.3). Related to Objective 3, the content in this section of the discussion as it is currently structured is more focused on methodological issues than on the content of CSR as a management issue. As mentioned in the literature, there has been extensive discussion on

the issues that are touched upon in the study, even though this has come under the heading of such terms as ‘corporate social performance’ or has been part of the debate on the link with financial performance. Whilst these studies might not use the term CSR, in essence they address problems of measurement similar to those discussed in the paper. Although the author has limited the literature review to papers that use the term CSR, as is also mentioned, this construct is fluid and contested, which means that other papers using other terms are not to be disregarded. (See Mitnick, 2000; Carroll, 2000; Margolis, Elfenbein, and Walsh, 2007; Rowley and Berman, 2000). This is why the findings of this study appear to have the potential to affect the current understanding of the CSR model as a formative construct. It would not be an exaggeration to say that this study features the measurement validity of CSR models in much more detail than any other study to date.

8.2.4 Findings on Objective 4

Objective 4: To evaluate CSR conceptualisation by examining the robustness across different types of construct.

Objective 4 was achieved successfully. To avoid a misspecification problem, an alternative formative measure was suggested by Bollen and Lennox (1991), Diamantopoulos and Winkelhofer (2001), Jarvis *et al.* (2003), Law *et al.*, (1998) and MacCallum and Browne (1993). These authors suggested including an error term, ζ . Following this suggestion, MacKenzie *et al.* (2005) assumed that a construct with formative indicators must emit paths to at least two unrelated reflective indicators, two unrelated latent constructs or some combination of the two. Therefore, this study introduced stakeholder satisfaction and stakeholder loyalty to formulate the impact of formative indicators on the outcomes, and this model predicts the independent variable in the analysis. As recognised by Heise

(1972:160), a construct measured formatively is not just a composite of its measures, but rather ‘the latent construct is as much a function of the dependent variable as it is a function of its indicators’. Thus the meaning is when the dependent constructs change the empirical nature of the formatively measured construct changes. In this case, each of the formative observables (Process, Policy, Value, Environment, Profit, People, and Political) contributes to the latent variable, so that its empirical realisation is consistent with the content of the indicators and its apparent conceptual definition.

Due to the above assumption and the nature of the formatively measured construct, the current CSR model with the same formative indicators may depict different outcomes, as its empirical realisation depends on the outcomes included in the model (Wilcox *et al.*, 2008). This situation is problematic, since the nominal definition of the CSR construct has not changed. Burt (1976) refers to this problem as ‘interpretational confounding’. The problem occurs with the assignment of empirical meaning to an unobserved variable which is other than the meaning assigned to it by an individual *a priori* to estimating unknown parameters. While the present discussion is within the context of formative measurement, an interpretational confounding is a clear problem with this type of measurement (Howell *et al.*, 2007).

Consequently, the formatively measured CSR construct could change from model to model and study to study depending on what it is predicting. In relation to this, Blalock (1982:30) has made the clear point that, ‘*Whenever measurement comparability is in doubt, so is the issue of the generalizability of the underlying theory...If the theory succeeds in one setting but fails in another, and if measurement comparability is in doubt, one will be in the*

unfortunate position of not knowing whether the theory needs to be modified, whether the reason for the differences lies in the measurement-conceptualisation process, or both’.

The problem that Blalock (1982) highlighted is apparent in discussions of the CSR literature. For example, Tuzzolino and Armandi (1981) operationalise CSR using Organisational Need-Theory. They observe that the social performance categories and measures outlined are merely suggestions. They also claim that *‘partial-equilibrium assumptions of the CSR theory are somewhat restrictive, we know of no more robust points of analytic departure, given the metatheoretical state of the art. Nevertheless, one must keep in mind that, on at least a conceptual level, CSR must be coupled to the corporate life cycle dynamic...’* (p.27). In addition, the absence of refined theory and accepted practice in the social measurement area further complicates the analysis.

In the study, the examination of the different types of construct in a more systematic way has provided a less complicated process to conceptualise CSR and its theory. Although some scholars theoretically defined the concept in a broader sense, some of the *measurement-conceptualisation processes* were neglected during the operationalisation. Tuzzolino and Armandi (1981) operationalised CSR using Organisational Need-Theory, whereas this study has used stakeholder theory to operationalise CSR. This is considered an important examination in terms of construct conceptualisation because the theory is strongly related to CSR and stakeholder satisfaction and loyalty. The combination of different constructs (i.e. CSR is formative construct, and satisfaction and loyalty are reflective constructs) provide interesting results and reflect the robustness across different types of construct. On the other hand, the plausible structure of CSR and the stakeholder

concepts presented may reveal a somewhat different structure in further studies. Thus, this result of the study may stimulate new discussions and analyses of the CSR construct in future studies.

8.2.5 Findings on Objective 5

Objective 5: To examine CSR and its mediating relationships between variables.

Objective 5 was achieved successfully. In order to confirm the mediational roles played by stakeholder satisfaction, a hierarchical model test was performed using PLS. This is a commonly-used approach to test mediation, (using a series of regression analyses), following the criteria outlined by Baron and Kenny (1986). Appendix 7.7 illustrates the results of the Sobel test that were calculated in this study. The result shows that z-value is 4.813. Therefore, the Sobel test statistics are significant for the data, indicating that CSR does have a significant indirect effect on stakeholder loyalty that is mediated by stakeholder satisfaction. Moreover, the PLS analysis reveals that all three paths are significant, which means that the independent variable (CSR) has a direct effect (Path c) as well as an indirect effect via the mediator (paths a and b) on the dependent variable (stakeholder loyalty). These results provide support for the hypothesis of partial mediation (see Table 7.10 in Chapter Seven, page 310).

The results also indicate the relative importance of the CSR dimensions regarding CSR success in relation to stakeholder satisfaction and loyalty. According to this study, CSR appears to have tendency to satisfy the stakeholder and to lead to stakeholder loyalty. For example, if the customer had to choose all over again she or he would not feel differently

about choosing a CSR-based company. Moreover, they feel they did the right thing in deciding to use products and services from a CSR-based company. The customer will feel confident and happy with product and services offered by firms that engage in CSR. More specifically, purchasing services and products from a CSR-based company is usually a satisfying experience for them. Furthermore, when stakeholders feel satisfied, they will say positive things about CSR-based companies to other people. Consequently, they intend to continue being customers of CSR-based companies for a long time to come and will encourage friends and relatives to use the products or services offered by CSR-based companies. Another significant example is employees' behaviour toward firms that engage in CSR. Employees also feel motivated and secure working with companies that engage in CSR. They will stay longer and feel proud as a result of working with the firm – a result that also appears compatible with the qualitative interviews. Therefore, these stakeholders will become loyal customers of the company - a result that appears compatible with the quantitative results from the online survey.

8.3 HOW THE STUDY HAS ACHIEVED THE AIM OF DEVELOPING AND VALIDATING THE FORMATIVE MEASURES OF CSR

As far as the scale development between the constructs are concerned, the theoretical underpinning used by the author of this thesis demonstrates originality in what it aims to accomplish – to develop and validate a formative construct of CSR – which is an important limitation of extant CSR literature. Therefore, to ensure that the idea was novel, this study was greatly concerned with the methodology of its execution.

This research has developed a formative, second-order construct to measure CSR, following the formative operationalisation process suggested by Diamantopoulos and Winklhofer (2001). Through a comprehensive literature review, intensive qualitative and quantitative study of CSR and individual stakeholders in Malaysia, this research has **added a newer definition** and **revealed eight dimensions of CSR**: Process, Policy, Values, Environment, Profit, Personal, People and Political. In addition, the present study contributes to existing research in terms of its content; namely, as the first empirical approach for developing and validating CSR measurement (to the best of the author's knowledge). Although CSR definition and dimensionality represent central CSR constructs, research has heretofore failed to offer concepts that might explain their measurement. The proposed approach therefore contributes to a systematic conceptualisation of CSR measurement and in this sense, fills the research gaps (Carroll, 1991; 1999; Clarkson, 1995; Dahlsrud, 2008; Gjolberg, 2009; Lu and Castka, 2009; Maignan and Ferrell, 2004; Matten and Moon, 2008; McWilliams *et al.*, 2006; Turker, 2009) and expands the research field with an empirically-based approach.

Moreover, the present research has offered a robust discussion of the findings of this formative approach to the construction of a meaningful CSR construct by presenting the various components of the CSR construct and explaining or outlining the rationale underlying each measure. A discussion of the rationale for each measure and why the eight dimensions form a novel and meaningful CSR construct is important to highlight the contribution of this work. Thus, the conclusion ties together the theory, data, findings and implications as it seeks to provide an important contribution to the CSR literature through the creation of a formative construct of CSR. Furthermore, this study seeks to create a

formative construct of CSR based on the perceptions of stakeholders; specifically, *what* these stakeholders' relations are is keys to the central argument. Therefore, a relationship between CSR and stakeholders' behaviour (i.e. stakeholder satisfaction and loyalty) in this construct creation process captures the structural model of CSR.

Specifying the construct – the definition

The first step of index construction or scale development requires the specification of the construct domain by providing a conceptual definition of the construct (Diamantopoulos and Winklhofer, 2001). This present study agrees with the existing literature that the scope of CSR is unclear, is subject to diverse interpretation and has no consensus as to its definition (see Amaeshi and Adi, 2007; McWilliams *et al.*, 2006). Therefore, regarding the specification of the construct domain, the first step is to provide a clear definition of CSR. The qualitative study serves to understand the construct definition of CSR, as well as the existing CSR dimensions identified in the literature and from the practitioner. On the other hand, the quantitative study serves to confirm the proposed definition developed in this study. To specify the construct, this study has given a detailed step-by-step explanation of the process (see Chapter Five, page 204 and Chapter 6, page 236) of developing the CSR definition. The results indicate that CSR is a contested concept and shows multi-dimensional constructs.

On the basis of the generic CSR that this study defines and the CSR that derives from current findings, CSR represents the composition of 95 items, such as the sum of stakeholders' social responsibility perception and expectation of the firm. In terms of dimensionality, CSR is a second-order construct that consists of Process, Policy, Values,

Environment, Profit, Personal, People and Political, each of which represents facets of CSR that could be separate constructs but remain integral parts of CSR at a more abstract level. Therefore, the following sections refer to these parts as first-order dimensions of the second-order CSR construct.

The first dimension, **process**, pertains to measuring the long-term activities or business between and among stakeholders. However, the weakness of the current CSR dimension is that the focus of the criteria is more on goal-oriented outcomes and is also concerned with the ‘macro’ level of all large corporations (Tuzzolino and Armandi, 1981). In the light of this weakness, this present research views CSR as a ‘process’. When managers are more consciously aware of the social consequences of their decisions, CSR changes from being a goal-oriented to an institutionalised process. Moreover, current management practices, particularly in the field of CSR, are based on outputs rather than processes, which create difficulties in understanding the concept. One of the main reasons the CSR framework can be ineffective in practice is that it does not take into account a coherent portfolio of CSR business practices covering all stakeholders (Lamberti and Lettieri, 2009). In fact, top managers have become increasingly aware that CSR is not only an alternative means to increase profitability in the short term, but is a pillar of the company’s system of values and mission (van Marrewijk, 2004; Willard, 2002). This study holds that firms that consider this dimension for their CSR initiatives are more likely to develop trust in CSR as a means to increasing business profitability and stability.

The second dimension, which relates to **policy**, relies on the compliance to regulation which extends beyond legal and ethical conduct. The policy dimension is observed as being

a key issue in determining CSR dimensionality. This dimension provokes some unexpected transformations in terms of business values and processes because the common response of some corporations to such allegations is either the development of a CSR policy, or a reference to and potential reform of such a policy. For example, it has recently been argued by some ethical campaigners that the CSR policies of corporations such as Gap and Nike do are not as prominent as they ought to be, and as a result, allegations of negligence have been made against them (Rosselson, 2009). These allegations could potentially elicit a number of different reactions (Rosselson, 2009). Some might argue that it is the role of state to regulate corporations more strictly, whereas some would say that corporations are best left to regulate themselves and to be relied upon to make ethical decisions and comply with the policy (Whitehouse, 2006). This thesis has found that CSR policy affects people's opportunities in life, regardless as to whether it comes from efforts made by the state or by corporations. The current circumstances demand a different sort of response and that such a response can be related to the personal and political ideals of the dimension.

The third dimension, **values**, relates to determining the core beliefs that help a corporation to differentiate its reputation and identity and guide communication efforts. This dimension is considered 'invisible' and begins with issues of image and reputation. That is, stakeholders appear to see corporate reputation as the key driver to promoting and embedding CSR internally in organisations and they view corporate image and reputation as leverage to force corporate change towards implementing CSR. Moreover, the values dimension is involved if the goods, services, or activity satisfy a need or provide benefits that contribute positively to the quality of life, knowledge, or safety of firms' stakeholders (Haksever *et al.*, 2004). Thus, this study proposes that the values dimension is a key driver

in framing and embedding CSR in corporate strategy, elicits more on social values that will enhance prominent and favourable impact on competitiveness in a core business. Moreover, how a company values its corporate social responsibility department and projects will reflect its world view and corporate culture. By making CSR policies part of ‘corporate value’, the notion of what it means to be ethical is made part of the commercial value of a product. Therefore, immeasurable resources are devoted to the publication of glossy brochures and advanced websites for the CSR division of many corporations. Hence, CSR is something that can be bought and sold like any other product (Nan and Heo, 2007).

The fourth dimension, **environment**, relates to the effective management and protection of natural resources while balancing this with stakeholders’ activities and interests. Nevertheless, there are corporations which misuse natural resources. The main culprits in this respect are oil, mining, logging and mineral exploitation corporations, with conflict arising over hydroelectric dams, and bio-fuel plantations as well as coal, copper, gold and bauxite mines (Vidal, 2009). Central arguments of this sort of allegation are that corporations are involved in activities that will lead to the eventual annihilation of local peoples, as well environmental deprivation and loss of biodiversity. Recent examples in this regard include the Trafigura scandal in the UK, in which the corporation tried to conceal its responsibility for the illegal dumping of waste and the consequent ill-health of those who came into contact with it in the Ivory Coast, as well trying to suppress reporting of this by the press (The Guardian, 2009). In this respect, the government’s hydro-energy project in Malaysia, the Bakun dam project, has environmentalists up in arms, questioning the need for the dams and the planned development of the Sarawak State (The Star, Wednesday July 23, 2008). Although government officials claim the dams will be

necessary to meet energy demands, the project has been highly controversial after environmentalists suggested that Sarawak's national park may be threatened. In many such cases it is alleged that the state is also complicit in these abuses, supporting the activities of the corporation, rather than those of its citizens (Vidal, 2009). From these current circumstances, there is evidence that the stakeholders (e.g. environmentalists) will return positive or negative feedback towards environmental issues, regardless of whether the project is handled by a corporation or by government entities.

The fifth dimension, which relates to **profit**, refers to firms making an investment in CSR and consequently seeking monetary gain while fulfilling their economic obligations. This dimension is considered somewhat clichéd, as this is consistent with many other CSR studies (e.g. Carroll and Buchholtz, 2008; Vilanova, Lozano and Arenas, 2009) and as expected, profit shows higher significance value than any other (see Chapter 7, page 275 for details of analysis). In this regard, an important implication of this study of CSR from the stakeholders' perspective is the understanding that CSR is "often associated with monetary gain or profit for the initiator" (definition as determined in Objective 1); **profit** was shown to be significant in this study. From the firm's perspective, however, CSR is often a defensive strategy or is often considered as being conducted *at the expense of profit* (e.g. Milton Friedman). Hence, there has been a long, sustained search for the "business case for CSR". Given this historical perspective, it is important for a study briefly to address the question of CSR as a monetary expense as well (particularly when some of the stakeholders the study identified are shareholders). This is an evaluative condition which requires some clarification.

Accordingly, from the standpoint of Malaysian stakeholders regarding the assessment of the subject, some of the stakeholder perceived CSR as taking place at the expense of profit but many has agreed that CSR is conducted merely to make more profit. Nevertheless, many of the firms claimed that they really '*practise what they preach*'; however some of them have also benefited from their CSR initiatives in terms of profit. Consequently, the criticism regarding profit in relation to CSR will never end, as it is ambiguous in nature (see the similar views from stakeholder 'R' regarding this issue in page 224 during the qualitative study). Perhaps this is a good illustration of how a developing country adopting CSR (in the legally mandated accountability sense) can be contrasted with developed countries' defensive claims of CSR practice (in the voluntary sector and 'beyond the law'). In addition, it should be possible to assert that the CSR is used aggressively in Malaysia. This usage also reflects the complexity inherent in a contested concept of CSR due to the relationship between business and society existing in different social contexts.

The sixth dimension, **personal**, pertains to measuring an individual character, subject to individual perception and expectation. Particularly in recent times, there has been a perception that large global corporations are more socially responsible than small companies. Employees from global corporations are expected to have top wage earners and average wage earners. One study indicates that, in the United States at least, in the period from 2002 to 2006, the top 1 percent of wage earners gained 75% of all income growth, something that is attributed to an explosion in top wages and salaries (Saez, 2008: 2-3). But are these employees happy to receive huge salaries if their working life is not balanced with their personal well-being? Another common perception of corporations is that they engage in CSR for the sake of their shareholders' benefit, growth, and wealth.

Moreover, Korten (2001) argues that corporations are responsible for causing much of the world's poverty and inequality. However there is an argument that CSR has a considerable effect on people's lives in developing countries such as Malaysia. Recently, a popular sentiment has emerged that CSR has also had a direct impact upon people's lives in the industrialised, developed countries of Europe and North America in terms of income and wealth from shares, pensions and savings, as well as in terms of job security and inevitable redundancy in difficult economic circumstances. Recent financial crises have emphasised the idea that in many Western societies, corporations wield a great deal of power over people's lives; this power is increasingly coming under widespread scrutiny.

From the above discussion, the salient fact is that everyone sees and responds to CSR in a different way. Therefore, this means that stakeholders may perceive CSR from the standpoint of their own particular interests. For example, as mentioned earlier, firms may think that their employees will be satisfied and that employees' welfare has been taken care if the firm offers employees a high salary. In contrast, the employee may well feel differently. Employees might not be at all satisfied at all if their working lives and personal lives are not balanced, even if their employers are giving them a very high salary. Interestingly, the study has also found that the **personal** dimension can also be viewed as a *reflective* indicator (see Figure 8.3, in page 329). Therefore, the personal dimension consists of the '**effect**' and '**cause**' of CSR.

The seventh dimension, **people**, refers to the objects of a firm's responsibility and commitment (e.g. shareholders, employees, customers, suppliers, governments, non-governmental organisations and communities). Other studies have also recognised that CSR

can be decomposed into people components (Johnson and Greening, 1999) and stakeholder management issues (Hillman and Keim, 2001). In relation to this, the Ministry of Women, Family and Community Development of Malaysia, aims to recognise companies that have made a difference to the communities in which they operate through their CSR programmes (NST, Dec 1 2010). In 2010, the Sunway Group received the award in the field of Education, together with Malakoff Corporation Berhad (Environment), CIMB Group (Culture and Heritage, and Community and Social Welfare), Saito College Sdn Bhd (Small Company CSR), L'Oreal Malaysia Sdn Bhd (Empowerment of Women) and Telekom Malaysia (Workplace Practices), while Media Prima Berhad received the Media Coverage Special Award for their CSR initiatives (NST, Dec 1 2010). The award does not just benefit the companies involved, but also the community. It serves both as an example and inspiration for other companies to follow in their footsteps and help transform the nation's life.

However, the focus on CSR may vary a great deal depending on the company's character. For example, the Body Shop Malaysia¹⁵ represents itself as a beauty and skincare company with a conscience, and has hoped, through a campaign, to create widespread awareness of violence against women and communicate the idea of friendship as a means of assisting victims of domestic violence. Since 2000, it has campaigned actively with the Women's Aid Organisation (WAO), a non-profit-making organisation, and their campaign, which they called *Break the Silence on Domestic Violence: Talk to a Friend*, has focused on the often hushed-up issue of domestic violence. On the other hand, Sime Darby and Kuala Lumpur Kepong Berhad (KLK) employs 2,933¹⁶ women, most of whom come from

¹⁵ Information received from Body Shop Malaysia official website - www.thebodyshop.com.my

¹⁶ Information received from Kuala Lumpur Kepong Berhad official website - www.klk.com.my

disadvantaged backgrounds and hence are not highly educated. As part of its general philosophy of caring, the company provides semi-detached houses with free water and electricity to all its employees. Housing benefits for employees are the same, irrespective of gender. Women employees are also paid the same salary as men, and enjoy more benefits, especially with regard to their health and general well-being. KKK provides regular health check-ups for its women employees, including pap smears and breast examinations. In addition, lactating women are exempted from certain duties, such as spraying chemicals.

Nevertheless, a common allegation made against corporations in regards to this dimension is that of the abuse of human rights. Other common allegations that have been made in this regard concern the use of child labour, sexual abuse, and the denial of freedom of speech to corporate employees in many places (Human Rights Watch, 2007). In summary, if corporations want to be profitable in the long run they should consider the social welfare of internal and external stakeholders, for instance the employees and surrounding community, in their plans.

The eighth dimension, **political**, relates to determining the situation of manipulation by certain organisations or individuals' people for their own agenda and interests. An element of this dimension is that corporations are able to behave in such a way as to take advantage of current situations; for instance, the phenomenon of globalisation. As such, for example, corporations can exert their rights to extract resources and demand people's land by claiming it for the use of infrastructure development (e.g. building roads or railways), for which they pay low compensation to local people. As a result of this, corporations are making a great deal of money. Furthermore, it is also alleged that many corporations are able to take advantage of globalisation by paying employees in developing countries far

less than they would be paid in developed countries. However, there are also corporations which have used a CSR agenda for their own benefit and yet still consider the welfare of the community at the same time. In this regard, Malaysian corporations like the Sunway Group, Malakoff Corporation Berhad, CIMB Group, Saito College Sdn Bhd, L'Oreal Malaysia Sdn Bhd, Telekom Malaysia and Media Prima Berhad have incorporated their CSR efforts into their company strategies (NST, Dec 1 2010). Related to this too, are the advantages corporations can gain from particular technical strategies such as exploiting tax loopholes, transfer pricing and tax havens for their commercial gain. In relation to this, going beyond Carroll (1979), this thesis shows that the political dimension necessarily enhances social welfare despite its pros and cons because it all depends on stakeholders' perceptions. Thus, this situation reflects back to the personal dimension.

Therefore, this conceptualisation of CSR as a formative second-order construct with eight dimensions provides the basis for next steps in the CSR operationalisation process. Compounding these types of formative construct are the links that have been made among the dimensions.

Indicator specification – the dimensions

The second step of index construction, indicator specification, uses the construct definition to identify those indicators that capture distinct facets of the construct. In contrast to reflective constructs, formative constructs require a census of indicators (Bollen and Lennox, 1991) and the indicators must cover the scope of the construct (Diamantopoulos and Winklhofer, 2001). The quantitative research serves to confirm the proposed dimensions identified in this study. Moreover, Hulland (1999) recognised that the choice

between using formative or reflective indicators for a particular construct could be a difficult task. Therefore, in this study the researcher had to think carefully about whether the CSR measures ‘cause’ (or define) the construct (i.e., formative relationship) or represent a reflective relationship. The study choice of a formative form of epistemic relationship has been justified clearly and consistently. From the empirical study, the used of formative indicators have increase the R^2 value for the endogenous (or predicted) (i.e., stakeholder satisfaction and loyalty) constructs. Therefore, the use of formative indicators has eliminated the need for the exogenous constructs because all explanation is ‘pushed’ to the endogenous variables.

This study used both formative and reflective relationships in the research model (see Figure 7.5, page 307). In addition, this study has provided a clear argument for choosing one form of epistemic relationship over the other for each of the three constructs. Although it is possible to question whether this study’s choice of formative indicators is sufficiently complete for CSR constructs, the natures of the relationships studied are well defended. Consequently, discussions about reliability and validity for the eight formative indicators constructs employed here are relevant.¹⁷

¹⁷ Only the CSR construct is modelled as formative in this study, whereas stakeholder satisfaction and loyalty are modelled as reflective. As the earlier discussion noted, these two constructs carry different measurements (i.e., convergent and discriminate validity). Therefore, it was decided to retain one of the low loading items for formative items, whereas one of the very low loading items from reflective construct was dropped. The content validity of this study’s formative constructs (particularly CSR, which includes qualitative and quantitative studies) should not be debatable.

Assessing indicator collinearity and determine external validity – the measurement

The third and fourth steps of the formative operationalisation process also used quantitative survey data. As mentioned in Chapter Seven, the third step assesses indicator collinearity, and fourth step determines the external validity. This conceptualisation of CSR as a composition of its parts requires a formative operationalisation (Diamantopoulos and Winklhofer, 2001; Jarvis *et al.*, 2003). First, the direction of causality runs from the items to the construct, so that the more specific CSR components (e.g. CSR induces product and service innovation) indicate the overall situation of CSR. Second, some CSR components are independent of others. Third, covariance between CSR indicators is possible but not inevitable; in other words, a change in one indicator does not necessarily mean a change in the others. Fourth, CSR indicators might have different antecedents and consequences with respect to the nomological net.

In terms of dimensionality, CSR represents a multi-dimensional formative construct with eight dimensions, each of which includes various facets of CSR that might indicate separate constructs but that also represent integral parts of CSR at more abstract level. Of the four types of second-order models that combine formative and reflective measures (Jarvis *et al.*, 2003), this study applies Type IV because the formative indicators combine for both first-order and second-order constructs. Therefore, CSR becomes a function of the CSR dimensions (process, policy, values, environment, profit, personal, people and political), which themselves consist of a series of formative indicators.

Assessing indicator collinearity

The strength of the correlations among the indicators affects the stability of the indicator coefficients, because the formative measurement model is based on a multiple regression (Diamantopoulos and Winklhofer, 2001). Therefore, two potential problems emerge. First, high collinearity complicates an assessment of the indicators' validity. Second, indicators that are almost perfect linear combinations of others are likely to contain redundant information, which implies the need to consider their exclusion from the index (Bollen and Lennox, 1991; Diamantopoulos and Winklhofer, 2001). The variance inflation factors (VIF) for each indicator indicate the possible presence of collinearity. In this study, all VIFs are less than 2.7, which strongly indicates no multi-collinearity (see Appendix 7.3).

Assessing external validity

Internal consistency examinations (e.g. Cronbach's alpha) are not appropriate for formative indicators (Bagozzi, 1994). Several authors instead suggest testing the external validity of a formatively measured construct (e.g. Bagozzi, 1994; Diamantopoulos and Winklhofer, 2001; Jarvis *et al.*, 2003). In dealing with (formative) index constructions (Diamantopoulos and Winklhofer, 2001; Jarvis *et al.*, 2003), this study assesses the external validity according to two reflective indicators of the construct. The indicators selected in this context reflect CSR success from the stakeholders' perspective (i.e. the relationship between CSR and stakeholder satisfaction and stakeholder loyalty).

The data from the online survey enable an estimation of the CSR model with PLS Graph 3.00. With respect to measurement models, the results of the PLS analysis show that only in four indicators are the weights of the formative indicators significant. These are Policy,

Value, Profit and Political, which are considerably more significant than Process, Environment, Personal and People (see Figure 7.5, page 307). For the reflective constructs, the analysis reveals loadings of high t-values, average variance extracted, and composite reliability (see Appendix 7.3 and Appendix 7.5). Thus, the reflective constructs provides a good benchmark for assessing the formative construct's external validity. In a check for collinearity between the first-order constructs using the PLS scores, the VIFs of less than 1.7 indicate low levels of multicollinearity (Bruhn, Georgi and Hadwich, 2008) and the maximum variance inflation factor comes to 1.158, which is far below the common cut-off threshold of 10.

On the structural model level, correlations of less than 0.7 occur between the exogenous constructs, which indicates the CSR dimensions' good discriminant validity (see Table 7.6). Several authors (e.g MacKenzie *et al.*, 2005) suggest testing for discriminant validity between formative constructs as well. The idea behind CSR dimensions is that they represent eight distinct areas of CSR activities; testing for discriminant validity could confirm this assumption. The path strengths, as Figure 7.5 (see page 307) depicts, reveal that four paths are significant. The R^2 , which indicates the extent to which the formative measurement model covers a construct's scope (Diamantopoulos, 2006), is 0.842 for the reflective construct; therefore, the model provides acceptable coverage of the CSR construct. This finding appears even more valid because the reflective indicators pertain to the CSR relationship and thus represent consequences of the focal construct. That is, CSR success depends not only on CSR activities but also on its impact on stakeholders' behaviours (i.e. stakeholder satisfaction and loyalty).

8.4 IMPLICATIONS, LIMITATIONS, AND FUTURE RESEARCH

In this closing chapter of the thesis, the previous sections have provided a short summary of the project by underscoring the main contributions of the current research and the main conclusions reached from the study. The author's contributions to new knowledge, along with a discussion on further research areas that could arise out of the study, and a discussion of some limitations of the approach taken in the present study are covered in this final section. Moreover, this section offers some recommendations for further research that could be encouraged or assisted by the present work.

The discussion on the implications has looked at two important aspects: theoretical and practical implications. In other words, the findings of the present study will benefit CSR practitioners, marketers and CSR researchers. Lastly, various possible avenues for further research in the study of CSR, stakeholders' behaviour (i.e. stakeholder satisfaction, stakeholder loyalty) and related issues are suggested.

8.4.1 Research Implications

8.4.1.1 Implication for theory

As mentioned at the beginning of the thesis, 'the research proposed this conceptualisation as a systematic method on which to build CSR measures, which in turn are an important step for efficient CSR models'.

First, theoretically, this study defines the CSR construct that constitute a contested concept and provides a systematic view of CSR activities by operationalising CSR as a second-order construct that consists of eight dimensions: Process, Policy, Values, Environment,

Profit, Personal, People and Political. In addition, the indicators of each of these dimensions encompass CSR items that comprise the relevant dimension. The relatively abstract level of both indicators and dimensions implies that the measurement instrument applies to different industries; thus, researcher (s) might use the instrument to conduct inter-firm comparisons across industries.

Another important implication of the thesis is the role it has to play in literature specifically about CSR, in terms of measurement and management (e.g. stakeholder behaviour). It was a specific aim of the thesis to make a direct contribution to this literature, primarily because the thesis views the question as a technical question of how to make CSR 'better'. In addition, the thesis makes some broad points that are useful to this type of literature. Primarily, this is to do with the idea that CSR is about all stakeholders having to understand this contested concept very carefully, since it covers multi-layered dimensions. Moreover, this is also to do with the view that CSR is about accepting that corporations have responsibilities that extend beyond that of profit generation, and that corporations impact upon people (i.e. stakeholders) and environment (e.g. natural resources) in serious activities. This is essentially what prompts an approach to CSR from the stakeholders' perspective, but it also implies that technical approaches to CSR research could benefit from engagement with the operationalisation of CSR. Importantly this would imply the broadening out of the organisational plan to address the fundamental assumptions of the process. As this thesis has emphasised, current CSR process take its formative construction as non-negotiable. It is this assumption (i.e. CSR as formative construct) that needs to be addressed where the circumstances of management in relation to corporations, and the relationship inherent in their activities with the stakeholders, are concerned. Unfortunately,

it is often emphasised within the corporate community that a key problem with CSR is that there is a prevailing lack of clarity about what it means and what it is trying to achieve. The thesis suggests that one way of acquiring clarity about it is by looking at multiple-stakeholders' understanding of the concept. Another way of acquiring clarity about CSR is by looking at some of the ideals of the political and personal dimensions, however abstracted they might be from corporate and individual realities.

Furthermore, this study tested the CSR scale by examining the stability of the eight developed CSR dimensions. Given that this research was designed to develop and validate a CSR scale, a number of variables had to be tested in the study. As a result, it is suggested that CSR be theorised as a causal model. Causal models provide this study with four key benefits:

1. they make the assumptions, constructs, and hypothesised relationships in CSR theory explicit;
2. they add a degree of precision to CSR theory, since they require clear definitions of constructs, operationalisations, and functional relationships;
3. they permit a more complete representation of CSR's complex theories, and;
4. they provide a formal framework for constructing and testing both theories and measures.

Therefore, as Bagozzi's (1980) suggestion it was clearly shows how importance for the CSR researcher(s) to address a causal models properly. Moreover, employing the PLS technique in this study has enriched the existing methodological approach to conducting CSR management research, if it has been used appropriately.

Moreover, in terms of methodology, this study also demonstrates an appropriate usage of the guidelines for constructing formative indices (Diamantopoulos and Winklhofer, 2001) to operationalise second-order constructs (specifically, Type IV with formative dimensions and indicators, according to Jarvis *et al.*, 2003). Existing applications of these guidelines mostly involve one-dimensional constructs; in contrast, this research defines and operationalises CSR as a multi-dimensional, second-order construct. This study has also justified the use of PLS, given the small sample size and the use of developed measures that are actually grounded in this exploratory research. In addition, PLS has proved its primary objective for the minimisation of error. In other words, PLS is equivalent to the maximisation of variance explained in all endogenous constructs. By examining the R^2 values for the dependent (endogenous) constructs, the degree of minimisation of error has been determined in this study. Similarly, as Hulland (1999) suggested, a study employing PLS should report R^2 values for all endogenous constructs included in the models.

One consequence of the use of PLS in this study is that no proper overall goodness-of-fit measures exist for models estimated. Bentler-Bonett's (1980) normed fit index (NFI) reported on the goodness-of-fit statistics for PLS algorithms but Hulland (1999) claimed that these statistics were meaningless. The reason is that goodness-of-fit is based on the assumption that the estimated model parameters are chosen in an attempt to minimise the difference between the observed and the reproduced covariance matrices. Moreover, the NFI is easily influenced by sample size and may often be biased. Therefore, a causal model developed through PLS can help CSR researchers to achieve new insights, as the alternative structural equation model (SEM) approach is 'combining and confronting' with data (Fornell 1982) and provides an alternative to the issue of goodness-of-fit. With this

approach, the researcher is also forced to be explicit about the measurement and theoretical assumptions (Bagozzi 1980, 1984). After considering the limitation and constraints of this study, the level of rigour and clarification required by PLS are good efforts to continue establish the CSR measures. Thus, this study has taken considerable steps towards meeting this challenge by fulfilling all the causal model's demands.

However, these new techniques must be adapted appropriately because in the SEM approach any '*rubbish in is rubbish out*'. Therefore a systematic and consistent procedure for the application must be followed. In addition, dealing with the complex construct like CSR, researcher using causal modelling approach must understand its underlying assumptions and limitations too.

8.4.2 Managerial Implications

In an environment that is increasingly and globally competitive, management efforts directed toward a better understanding and measurement of CSR will improve an organisation's competitive position.

Furthermore, the results have several implications for managers, including guidelines for implementing CSR; for example, firms can take into account the fact that CSR has eight dimensions. More specifically, with respect to stakeholder loyalty, firms should engage in systematic customer value and social responsibility by examining stakeholder satisfaction. If firms structure their CSR according to these activities, they will have a good starting point for gaining stakeholders' loyalty. The results also indicate the relative importance of CSR dimensions in terms of CSR success. The research findings suggest a number of

implications for managing CSR. These include the need for management to acknowledge that the provision of CSR is an expectation of many stakeholders. It is possible that stakeholders see CSR as contributing to a better relationship, together with the firm's other activities or merely perceive it as an additional value to the firm (and the organisation as a whole). This view is in accordance with stakeholder theory and the need to integrate CSR into the firm's core business activities is likely to be considerable. However, such action may be poorly implemented simply because firm does not consider the distinction between CSR dimensions.

Generally, the findings suggest the following specific directions for the organisation regarding the CSR model of management:

1. When assessing CSR, firms should not employ general measures of CSR, but should ensure that all aspects of CSR's specific dimensions are evaluated as there may be a need to use the eight CSR dimensions, as proposed in this study.
2. Firms should continually monitor the level of fulfilment of stakeholders' social needs and satisfaction with the organisation if they wish stakeholders to remain loyal to their organisation.
3. Finally, there is a need to look beyond simply providing valuable CSR in order to build strong, enduring relationships with stakeholders.

Specifically, the study results could influence managerial decisions in at least two areas: CSR formative measures and company performance.

8.4.2.1 Measuring formative measures of CSR

Managers conducting research on stakeholders' perceptions of CSR should re-examine their measures to ensure that they appropriately capture the construct. A simple, direct measure is inadequate; managers who employ direct CSR measures are unlikely to capture the conceptual richness of this multidimensional construct. The proposed higher-order, formative operationalisation of CSR implies that such a measure must contain several CSR dimensions, as their omission prevents a comprehensive understanding of the construct.

The failure to specify a measurement model properly can bias estimates of the structural relationships between constructs, and misspecifications can lead to poor or incorrect decision making. For example, a well-intentioned manager of food and beverages might decide to invest in expensive modern technology and infrastructure to improve the CSR, thus perceiving an effect on the quality of the product (e.g. healthy food). On the basis of the strength of the structural relationships, the manager makes certain assumptions about the expected impact of shareholders' value perceptions, shareholders' future behaviour, and, ultimately, the firm's return on investment.

However, such a decision may be inappropriate if the manager's measurement instrument overemphasises the relative contribution of CSR (i.e., expensive modern technology and infrastructure) to enhance the quality and safety of a product by ignoring other aspects of CSR (e.g., profit and policy, as the budget to improve the quality of the range of healthy foods should not neglect the company's income and policy).

Allocation of resources may also vary according to the conceptualisations of CSR. A formative model enables a manager to determine which CSR dimensions are the most influential in forming stakeholders' satisfaction and, in turn, enhancing stakeholders' loyalty. In the preceding example, the food and beverages manager could decide to allocate budget to smooth the process of producing healthy food, train their workers in favourable environment rather than investing in an expensive infrastructure if product benefits emerge as more influential than product equity in consumers' value consumption. That is, the proposed model indicates the relative importance of each formative measure, so managers do not jeopardise their CSR efforts by not focusing on relatively important dimensions of CSR.

In the end, the use of poor CSR measures results in poor managerial decisions.

8.4.2.2 Performance on Company

Stakeholders' perceptions of CSR depend significantly on CSR efforts and implementation; therefore, the eight proposed dimensions must be an integral part of any CSR strategy. In particular, the formative measurement model decomposes process, environment, people, profit, policy, personal, values and political dimensions into CSR elemental parts, and by improving on one or more of these factors, managers can affect CSR performance and, ultimately, satisfaction and loyalty intentions. The model also demonstrates that across contexts, formative CSR measures provide the strongest drivers of CSR value, supporting previous literature that highlights these dimensions as essential pillars of the CSR value creation process. Therefore, all interaction with stakeholders should emphasise these eight formative dimensions. Managers must focus on delivering reliability and consistency in order to achieve perceptions of high CSR value. Again taking the example of the food and

beverages company, the reliability and consistency of the provision of a healthy and safe, product provided are critical to consumers' perceptions of value. The application of a standard policy developed by the International Organization for Standardization dealing with food safety, example ISO 22000, play significantly into consumers' value perceptions; therefore managers should invest in building positive standard policy in food management systems, understand what their products represent to consumers, and consistently reinforcing that image at every contact point with stakeholders.

However, managers should also take note of the importance of company profit by incorporating other dimensions of the CSR into their measures of company performance and CSR images. Literature reveals the importance of profit-making for a company's survival, but the findings of this study also emphasise the relevance of other dimensions in the context of CSR formative measures. For example, the political dimension is particularly salient in aspects that are generally 'invisible', such as contest participation, rebate, lucky draws and so on. Although these efforts show some evidence of the hidden agenda of the programme, they are important alternatives for indirectly boosting sales.

Managers need to be aware of the varying effects of the antecedent and cause constructs on CSR. A deeper understanding of these formative measurement constructs is an important step aimed at efficient CSR management in an organisation. More precisely, organisations should concentrate on managing the formative dimension by investing in the stakeholders' perception of the organisation's CSR performance. Therefore, managers must recognise that stakeholders attach varying levels of importance to what they perceive as CSR and know what to emphasise, how the formative measures affect one another, and where to

place them in order to maximise stakeholders' satisfaction and loyalty that will lead to superior performance and competitive advantage for the firm.

Based on these findings, the formative measures provide a systematic outline of the multiple dimensions that may occur in any CSR efforts. In particular, the findings strongly suggest that mere implementation of CSR will not lead to the desired effect; it may even have a negative effect. Therefore, managers need to evaluate the formative measures at all stages of CSR processes. Current findings show that the formative measurement model is a strategic process and an alternative in the CSR implementation effort.

8.4.3 Limitation and Further Research

However, as is perhaps unavoidable, the aspects of the research process that succeeded are also linked to its limitations, as highlighted in the previous section. This research is not without limitations. First, the online survey only addressed individual Malaysian stakeholders who have access to the Internet. Realising that the individual stakeholders of societal responsibilities may come from different backgrounds, both educational and industry-specific and that the individual stakeholders who participated in the survey in general have a fairly sound knowledge about CSR, it cannot be concluded that the views of the respondents will be the case across the board. Moreover, given the international setting of this work (Malaysia), this research may certainly be of interest to an international audience. However, the limitation of this approach is that either area of research in a developing country has warranted the topic because the stakeholder perceptions may or may not be in accordance with the values of stakeholders in developed countries. Second, the research only focuses on the middle and upper echelons in Malaysian society. The

reason is, as mentioned earlier, that only those having a good level of education and have good command of English were considered as the appropriate candidates for the survey (i.e. interviews and online survey). However, it almost goes without saying that perceptions and behaviour of the ‘street level bureaucrats’ at the low level are also important in understanding the CSR practices. Third, while the ideal-measurement of CSR and stakeholder theory division has been a key contribution of the thesis, it also raises problematic questions as well. This is because it is quite possible that some respondents tried to express socially desirable opinions regarding CSR instead of their own views. Fourth, it is worth remembering that the content analysis process and analysis are a circular process. Themes arise only after a long process, and hence codes developed in the latter part of the analysis. Thus, the process of analysis thus becomes a never-ending journey that makes all conclusions preliminary.

This research begins by examining definitions of CSR and its measures. Conversely, although findings are accepted, further exploration and confirmatory tests are suggested to determine whether or not the ideas proposed are actually feasible in practice. Future research into this should include three aspects. The first is the examination of differences between the national bodies’ understanding and definitions of CSR and practitioners. The single country in which this study was conducted implies a limited generalisability of these results and thus future research may be of interest to an international audience or to a broad audience of scholars conducting research in CSR and other related literatures. Future research can provide justification for the broad application of their findings despite the single country study design. As highlighted in the previous section, future researchers

might use the instruments (i.e. indicators and dimensions) to conduct inter-firm comparisons across industries and countries.

The second is the examination of the CSR multi-dimensional formative construct using confirmatory factor analysis capabilities of structural equation modelling (CSE), for example, AMOS. While such testing of confirmation is not necessarily the goal of a thesis such as this one (i.e., the current study focuses more on the prediction), it is important to acknowledge awareness of this, especially given the constant effort within the thesis to apply theory to practice. Future research may determine whether the CSR multi-dimensional formative construct developed in this current study has offered the best fit to the data.

The third is the examination of the understanding of CSR and its measurement within ethnic and cultural distinctions. Despite the author's demonstration of a broad understanding of the current literature in the CSR field, particularly with regards to the measurement of CSR, but the practice of CSR in the world of the practitioner is dependent on how the term is understood. Despite the diffusion of the meaning of CSR, the concept, as practised, must bear witness to its understanding by the population. This research specifically speaks of "CSR as perceived by stakeholders" (p.6); however, if the words are conceptually different, the discussion is defective, leading to failure of the concept of CSR. Therefore, understanding the users' definitions allows for intelligent discussion and agreement on how further to develop the concept and enhance the understanding by both practitioners and academics.

8.5 CONCLUSION

Models of CSR often carry with them built-in assumptions about the purpose of business, its boundaries and its role in society. However, to what extent does existing conceptualisation of CSR led to the development of practitioner-based model of societal responsibilities? A thorough knowledge of how CSR is defined and measured actually perceives the precondition of current understanding CSR practices. An operationalisation of CSR model may ultimately help in bridging the gaps between firm behaviour and stakeholder demands.

The central concern of the thesis - that a clarification of the CSR construct could make its measurement more specific in the context of stakeholders' behaviour - has been addressed through the critique of existing conceptions of CSR, as well as through the development of CSR measures that apply to stakeholders, particularly corporations and their CSR model. What has been expressed is a set of ideals that are possible, are likely to be manageable, and that pay due regard to the need for feasibility in regard to CSR conceptualisation. The analysis led to the *development of a practitioner-based model of CSR multidimensional formative construct* that in some aspects differs from the existing conceptualisation of CSR. The thesis should be seen as a response to a problem of the prolonged dilemma that the disciplinary boundaries of the contested concept of CSR often make it difficult to contend with. The question of the just corporation, while perhaps not completely resolving the issue for having 'better' CSR, has, through the exploration of the questions posed, been raised as an critical and compelling matter to which it is incumbent upon all stakeholders (internal and external) to respond for betterment.

In this regard, it is proposed that the agenda and scope of CSR, as well as the measures used to implement it, are a manifestation of the formative construct that corporations have to operationalise. As such, it was found that in terms of the issues that are part of the CSR agenda, those who are closely involved in participating in CSR activities (i.e. the multi-stakeholders), as well as the way in which CSR is practised, are of considerable importance. This is because the outcomes are determined by the underlying stakeholders' behaviour (i.e. stakeholder satisfaction and loyalty) that are considered a part of CSR measurement. The formative CSR construct and insights gained from stakeholders' behaviour open up a critique that diverges from a discourse dominated by the technical question of how to perform CSR better or more efficiently. These insights are particularly important in terms of the ideas about the development of formative constructs that are discussed in Chapters Five, Six and Seven under the heading of 'Findings'. By developing an understanding of CSR dimensions as intrinsically related to second-order constructs – both in the reflective sense of why CSR exists, as well as in the formative sense of why it takes the form it does – the ideas articulated as stakeholder theory aim to strike a balance between the reality of CSR as it is now, as well as the normative demands that ought to be made on CSR measurement.

Therefore, although CSR measurement leads to inevitable debate in which a systematic approach is open to question, the core aim of the thesis to develop a proposal or model that is to some degree a feasible one necessitates that such a proposal be set within those measures. The analysis led to the development of theory to a practitioner-based model of societal responsibilities that in some aspects differs from the existing conceptualisations of CSR. CSR meaning have broad impacts on its conceptualisation, but the findings from the

analysis indicate that CSR still have difficulties to have common accepted definition, which can be summarised as the definition of CSR is not only consistent across national boundaries, but definitions are not consistent within countries. Moreover, the findings also indicate that stakeholders are not the only key component of firm success. The model of CSR is considered as 'metaphorical' since organisation can be construed as having its own distinctive CSR character, which captures a dynamic relationship within organisational values, motives and behavioural dispositions. Regardless of the reasoning, and despite the lengthy practice history of CSR, the conceptualisation is also interpreted differently among countries and perhaps within the country itself (Freeman and Hasnaoui, 2010). This is reflective of the differences found in academia, but has considerably greater impact because while academia theorises, practitioners are impacting our world with their practices. However, delineating the correct measurement in detail indicates some compliance and greater understanding of social responsibility towards stakeholders, and perhaps also indicates a gradual evolution away from focusing solely on Carroll's seminal inclusion of economic, legal, ethical, and philanthropic components. The study has given a very important indication of the CSR measurement model in terms of social responsibilities of business towards stakeholders. With respect to normative and instrumental stances toward stakeholder, critically, the findings recognised that an operationalisation of CSR should be formed as multidimensional formative construct. The rationale for this construct of a CSR measurement model draws both theory and practice.

Therefore, it is worth noting that the accurate model of the construct suggests what attributes and relationship one might expect to see (i.e. the positive relationship between stakeholder satisfaction and loyalty). As such, within the CSR measurement model

proposed, the constraints of the process of the development of CSR measurement are acknowledged and the attempt made to reform it from within is presented. In other words, organisations are expected to be socially responsible, with a need for putting 'the pieces together'. They have to piece together an appropriate measurement model when trying to grasp the actions and the relationship between stakeholders in relation to CSR. Overall, by doing so, this study holds that the firm will have the capacity for 'good deeds' and create more value for stakeholders, and thus make a positive contribution to society.

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APPENDICES

Appendix 2.1 Malaysia Map



Appendix 2.2 Methods Used in CSR Research in Malaysia.

Year	Authors	Research Focus	Method Used	Research Instruments
1984	Teoh and Thong	Examined the concept of CSR, nature and extent of corporate involvement in CSR activities and corporate social reporting	Survey-interview	Interview questionnaire
1989	Andrew <i>et al.</i> ,	Examined the level of CSR disclosure	Content analysis	Companies annual reports
2003	Ahmad <i>et al.</i> ,	Examined the incidence of CSR disclosures in annual report	Content analysis	Companies annual reports
2003	Jamil <i>et al.</i> ,	Identified themes or types of CSR and trend of CSR disclosures	Content analysis	Companies annual reports
2004	Haron <i>et al</i>	Examined the level of corporate social disclosure among Malaysian listed companies during period of financial crisis.	Content Analysis	Companies annual reports
2005	Chapple and Moon	Investigation of CSR in the corporate websites	Survey	Corporate websites
2005	Dusuki	Examined CSR and Islamic banking.	Survey	Questionnaire
2006	Yusoff and Lehman	Examined the differences of environmental disclosure practices between Malaysian and Australian public listed companies.	Content Analysis	Companies annual reports
2006	Zulkifli and Amran	Examined awareness among locally-based accounting professionals	Interview	Interview transcripts
2007	Jangu <i>et al</i>	Examined CSR Disclosure in Malaysia	Survey	Questionnaire
2007	Tee <i>et al</i>	Examined corporate social reporting in Malaysia from the public relations perspective	Interview	Interview transcripts

		of issue management		
2007	Ramasamy <i>et al.</i>	Explored how attributes of chief executives in Malaysia may affect the formulation and implementation of socially responsible policies and programs of organisations	Content analysis	Companies' annual reports
2008	Wad and Chong	Explored whether, how and why offshore outsourcing transactions between foreign firms and Malaysian firms affect the upgrading of the CSR activities	Interview	Interview report, web pages, press report
2009	Lu and Castka	Investigated the status of CSR in Malaysia, different CSR practices in Malaysia and future diffusion of CSR in Malaysia	Interview	Experts' view

Appendix 3.1 CSR-stakeholder matrix

Environment	Actor	Process	Six key elements for successful CSR		Outcome
Competitive market CEOs see the commitment increasingly important to creating well-managed company	Private sector	Practice CSR	1. Good stakeholder management 2. Greater priority for CSR at board level 3. Integration of CSR into corporate policy 4. Good corporate leadership		More efficient business, greater share price, long-term business success
CSR perceived as a business contribution to sustainable development	NGOs	Putting CSR in practice by stakeholder dialogue and consultation			Meaningful change in corporate behavior
CSR voluntary initiative	Government	Light-touch regulation	More Regulation		Help organizations to tackle sustainability
Direct impact on their daily life	Local inhabitants	Positive stakeholder relationship created by CSR		Active involvement of and good coordination between government, business, NGOs, and civil society.	Less negative impact on local inhabitant and more positive involvement of the community
Society where CSR is understood better than the past	General public	Transparency created by CSR			Better quality society
Reputational value insignificant, and no cost and time for CSR	Supplier	Through supply-chains: pressure from larger corporations			SME participation in CSR
Competitive environment	Employee and contract staff	Positive stakeholder relationship created by CSR			Motivated, engaged, involved, trained and committed workforce
Corporations are more transparent and people empowered by choice	Clients and customers	Pressure on corporations			Better quality of goods and services
Share prices reflect many factors	Shareholders	Active social responsible investment			Create market for CSR. Greater share prices

Appendix 4.1 CSR Measurement Studied by Prior Studies

Author	Method Used	Data Used	Scale Developed	Measures	Shortcomings
1. Moskowitz (1972) (1975) <i>Business and Society</i>	Used expert evaluations of corporate policies	Rankings from <i>Business and Society</i>	No - Moskowitz' s rating based on his own evaluation	Relationships between firm performance and CSR	Validity problems i.e., the expertise of the evaluators and the accuracy of the information are questionable (Bowman and Haire 1975)
2. Bragdon and Marlin (1972) <i>Risk Management</i>	Used performance in controlling pollution	The Council of Concerned Businessmen Pollution Index/Council of Economic Priorities (CEP)	No	Relationships between firm performance and CSR - Positive results	Sampling problems i.e., pollution control is valid for certain industries (Bragdon and Marlin 1972)
3. Vance (1975) <i>Management Review</i>			No	Relationships between firm performance and CSR - Negative result	
4. Folger and Nutt (1975) <i>Academy of Management Journal</i>	Used performance in controlling pollution	The Council of Concerned Businessmen Pollution Index	No	Relationships between firm performance and CSR	Sampling problems
5. Bowman and Haire (1975) <i>California Management Review</i>	Used content analysis	Corporate annual reports and other corporate documents	No	Relationships between firm performance and CSR - Positive results	Confused social orientation with corporate action (Arlow & Gannon 1982 and Ullmann 1985)
6. Parket and Eibert (1975) <i>Business Horizons</i>			No	Relationships between firm performance and CSR- Positive results	
7. Sturdivant and Ginter (1977) <i>California Management Review</i>	Used expert evaluations of corporate policies	Used an index from the Council of Concerned Businessmen	No	Relationships between firm performance and CSR	Validity problems
8. Alexander and Bucholtz (1978) <i>Academy of Management Journal</i>			No	Relationships between firm performance and CSR- Negative result	
9. Spicer (1978) <i>Accounting Review</i>	Used performance in controlling pollution	The Council of Concerned Businessmen Pollution Index	No	Relationships between firm performance and CSR	Sampling problems
10. Preston (1978) <i>Journal of Contemporary Business</i>	Used content analysis	Corporate annual reports and other corporate documents	No	Relationships between firm performance and CSR	Reliability problems
11. Abbot and Monsen (1979) <i>Academy of Management Journal</i>	Used content analysis	Corporate annual reports and other corporate documents	No	Relationships between firm performance and CSR	Companies may provide information in a corporate report, which is different from the actual corporate action (McGuire <i>et al</i> 1988). Reliability problems i.e.. the company reports

Continue					
12. Anderson and Frankel (1980) <i>Accounting Review</i>	Used content analysis	Corporate annual reports and other corporate documents	No	Relationships between firm performance and CSR	Reliability problems
13. Freedman and Jaggi (1982) <i>Accounting Review</i>	Used performance in controlling pollution	Council of Economic Priorities (CEP)	No		
14. Chen and Metcalf (1984) <i>The International Journal of Management Science</i>	Used performance in controlling pollution	Council of Economic Priorities (CEP)	No		
15. Cochran and Wood 1984 <i>Academy of Management Journal</i>			No	Relationships between firm performance and CSR	
16. Aupperle et al (1985) <i>Academy of Management Journal</i>			Developed scale to measure the individual CSR values of managers according to Carroll's four-dimension model (1984)		
17. Zahra and LaTour (1987) <i>Journal of Business Ethics</i>	Used scale	Primary data from questionnaires	YES Identified items: 1. Need for government regulations of business 2. Obligations to publics 3. Materialistic greed by business and society 4. Optimism concerning economic outlook and business social participation 5. Importance of philanthropy 6. Need for ecological policy 7. Need for ethical standards 8. Religious awareness	Organisational environment	The use of a student sample and the lack of reported reliabilities for the dimensions constructed need further testing.
18. McGuire et al (1988) <i>Academy of Management Journal</i>	Used secondary data	<i>Fortune</i> Magazine's Annual Survey	No-Used <i>Fortune</i> 's CSR ratings	Relationships between firm performance and CSR	<ul style="list-style-type: none"> Variables problems i.e., other variable could influence firm performance Validity problems i.e reflect the biases of the evaluators '...suffer from the fact that their items are not based on theoretical arguments'

Continue					
19. Smith and Blackburn (1988)	Used scale	Used scale developed by Aupperle (1984) to measure the individual CSR values of managers according to Carroll's four-dimension model	Yes	Investigating the socially responsible values of managers	<ul style="list-style-type: none"> Methodology problems i.e., the forced-choice instruments of the scale.
20. Peter Arlow (1991) <i>Journal of Business Ethics</i>	Used the Questionnaire	Questions from the Social Assessments Questionnaire (SAQ) developed by Aldag and Jackson (1977)	No- used 51 items scale of social responsibility developed in SAQ	Relationships between business ethics and CSR	Sampling problems i.e., limitation of a single study of one group of students
21. Singhapakdi et al (1996) <i>Journal of Business Ethics</i>	Used scale	Perceived Role of Ethics and Social Responsibility (PRESOR)	Yes-revised scale on organizational effectiveness (OE) by Kraft and Jauch (1988)	Focus on measuring individual value	<ul style="list-style-type: none"> Generalisation problem i.e, PRESOR do not measuring socially responsible activities of business The results on PRESOR did not confirm the original factorial structure of the instruments (Etheredge 1999)
22. Quazi and O'Brien (2000) <i>Journal of Business Ethics</i>	Used scale	Scale based on relevant previous studies (Davis 1973, Orpen 1987, Ostlund 1977)	Yes- constructed a scale based on a two-dimensional model, including the span of corporate responsibility and the range of outcomes of corporate social commitments	To test the CSR perceptions of managers in different cultural and economic contexts	Instruments problem i.e., it is not designed to measure the organizational involvement with socially responsible activities.
23. Ruf et al (1998) <i>Journal of Management</i>	Used scale	Used secondary data: The Kinder, Lydenberg, and Domini (KLD) database	YES-developed a scale by using analytical hierarchy process	To evaluate the relative importance of KLD's 8 dimensions	These indices in adequate to evaluate all business and KLD '...suffer from the fact that their items are not based on theoretical arguments'
24. Maignan and Ferrell (2000) <i>Journal of Business Ethics</i>	Used scale	Based on the concept of corporate citizenship	Yes- developed scales incorporated the conceptual contribution by Carroll (1979) and stakeholder theory management.	Tested scale (empirically) in two dissimilar cultural settings.	<ul style="list-style-type: none"> The scale is considers only three primary stakeholder i.e., customers, employees, and public. These authors claim that '... these stakeholders are not the only ones who can impose responsibilities on business and whose welfare can be directly affected' (p.295).
25. Mahoney and Thorne (2005) <i>Journal of Business Ethics</i>	Used secondary data	Canadian Social Investment database	No		It does reflect some key stakeholder relationships but this database only covered details companies traded on the Canadian stock exchange, that is designed to evaluate companies in some countries

Continue					
26. Xueming Luo and Bhattacharya (2006) <i>Journal of Marketing</i>	Used secondary data	<i>Fortune</i> 500 companies from multiple archival sources: Fortune America's Most Admired Corporation (FAMA)	No- used the ratings of CSR for each firms within subsequent years (different time frames)	Relationships between CSR and Firm market value	<ul style="list-style-type: none"> Reliability problems i.e., FAMA ratings are one possible source of CSR information only '..suffer from the fact that their items are not based on theoretical arguments' (Maignan and Ferrell 2000)
27. Lindgreen <i>et al</i> (2008) <i>Journal of Business Ethics</i>	Used scale	Survey questionnaire	Yes- CSR measurement tool consist of 27 items	CSR activities	Sampling frame problems i.e, uses members of e-Rewards as respondents lead to biasness in answering the questions, only focused on managerial level in US organization only
28. Yungwook Kim and Soo-Yeon Kim (2009) <i>Journal of Business Ethics</i>	Used scale	Survey questionnaire	Yes- <ol style="list-style-type: none"> Developed 10 items of social traditional measures, revised from Mudrack (2007) Developed 14 items of social responsibility measures adapted from Ryan (1986) 	Relationship between CSR and culture	Sampling frame problems i.e., sample frame was a purposive sampling from the directory of the KPAPR, thus hard to generalize the findings of all population
29. Turker D (2009) <i>Journal of Business Ethics</i>	Used scale	Survey questionnaire- He creates an initial item pool, a list of statements was derived from the previous scales in the literature (Aupperle 1984, Carroll 1979, Maignan and Ferrell 2000, Quazi and O'Brien 2000, Wood and Jones 1995).	Yes- <ol style="list-style-type: none"> 42 items was constructed before it was eliminated to 18 items 	A scale development study	<ul style="list-style-type: none"> The scale does not cover every stakeholder of a business Excluded the economic component from the development of his scale Generalisability i.e., sample drawn from only one country

Appendix 4.2 Previous CSR Studies in Malaysia.

Year	Authors	Research Focus	Method Used	Research Instruments
1984	Teoh and Thong	Examined the concept of CSR, nature and extent of corporate involvement in CSR activities and corporate social reporting	Survey-interview	Interview questionnaire
1989	Andrew <i>et al.</i> ,	Examined the level of CSR disclosure	Content analysis	Companies annual reports
2003	Ahmad <i>et al.</i> ,	Examined the incidence of CSR disclosures in annual report	Content analysis	Companies annual reports
2003	Jamil <i>et al.</i> ,	Identified themes or types of CSR and trend of CSR disclosures	Content analysis	Companies annual reports
2004	Haron <i>et al</i>	Examined the level of corporate social disclosure among Malaysian listed companies during period of financial crisis.	Content Analysis	Companies annual reports
2005	Chapple and Moon	Investigation of CSR in the corporate websites	Survey	Corporate websites
2005	Dusuki	Examined CSR and Islamic banking.	Survey	Questionnaire
2006	Yusoff and Lehman	Examined the differences of environmental disclosure practices between Malaysian and Australian public listed companies.	Content Analysis	Companies annual reports
2006	Zulkifli and Amran	Examined awareness among locally-based accounting professionals	Interview	Interview transcripts
2007	Janggu <i>et al</i>	Examined CSR Disclosure in Malaysia	Survey	Questionnaire
2007	Tee <i>et al</i>	Examined corporate social reporting in Malaysia from the public relations perspective of issue management	Interview	Interview transcripts
2007	Ramasamy <i>et al</i> ,	Explored how attributes of chief executives in Malaysia may affect the formulation and implementation of socially responsible policies and programs of organisations	Content analysis	Companies' annual reports
2008	Wad and Chong	Explored whether, how and why offshore outsourcing transactions between foreign firms and Malaysian firms affect the upgrading of the CSR activities	Interview	Interview report, web pages, press report
2009	Lu and Castka	Investigated the status of CSR in Malaysia, different CSR practices in Malaysia and future diffusion of CSR in Malaysia	Interview	Experts' view

Appendix 4.3 Questionnaire Cover Letter/Email

Page 1 of 1

Salmi B Mohd Isa

From: Salmi Mohd Isa
To: fadzli@kulim.com.my
Cc:
Subject: Academic Survey Study 2 - Corporate Social Responsibility (CSR)
Attachments:

Sent: Wed 21/07/2010 17:08

Dear En Fadzli,

1. Could you please help me in this survey? Any information you provide will be only used for academic purposes. Information identifying the respondents will not be disclosed under any circumstances. The responses are confidential. Your participation is extremely important to the completion of this research.

2. Please click below link to participate in this survey:

<http://www.surveymonkey.com/s/MMKV266>

3. There is *no right or wrong answer* to the following statements. This survey is only concerned with your opinion regarding the subject matter. The survey has four main sections for you to answer. Please click the **NEXT** button to proceed to the next section and click **DONE** button when completed.

4. This survey would also like to offer you with some incentives. The prize draw will be handled by the Head of Department when survey is closed. The survey will be closed on 31st July 2010. The incentives of £25 will be given to each of the then lucky participants. The researcher will contact the lucky winner for the prize collection. If you want to participate in this draw, please email your details to the researcher.

Details require as below:

1. Full name
2. Contact address and number
3. The date when you answer the survey (e.g. July 28, 2010)

If you require further explanation, please contact the researcher at the address and contact number below.

Your cooperation is very much appreciated.

Best regards,

Salmi Mohd Isa

Doctoral Researcher

Centre for Marketing, Communications and International Strategy

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T: +004 0757 6759190

Appendix 4.4 Online Survey Features and Template

SurveyMonkey - Question Builder

Page 1 of 1

[My Surveys](#) [Address Book](#) [My Account](#)

You have a **BASIC account** | To remove the limits of a BASIC account and get unlimited

Study 2 [Edit](#)

Edit Survey

[Preview](#)

To change the **look** of your survey, select a theme below.

[Sea Green](#)

[Create Custom Theme](#)

[+ Add Page](#)

PAGE 1

[Edit Page](#)

[Add Page Logic](#)

[Move](#)

[Copy](#)

[Delete](#)

1. Corporate Social Responsibility (CSR) Perceptions

Directions: The following set of statements relate to your feelings about CSR-based companies. Please show the extent to which you as a stakeholder believe CSR-based companies have the following characteristics. Once again, placing a tick 1 means that you strongly agree that CSR-based companies have the characteristic, placing 5 means that you strongly disagree. You may circle any of the numbers in the matrix to indicate your feelings are. There are no right or wrong answers-all we are interested in is a number that represents your feelings about CSR-based companies.

Note:

As a CSR-based company, this firm is engaging with eight dimensions of Corporate Social Responsibility (CSR) operations. The eight dimensions are Process, Policy, Values, Environment, Personal, Financial, Social, and Environmental.

[+ Add Question](#)

Q1

[Edit Question](#)

[Move](#)

[Copy](#)

[Delete](#)

1. Please respond to ALL the statements

	Strongly agree (1)	(2)	(3)
1. CSR induces products and services innovation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. CSR smoothes business operations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. CSR overcomes business problems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

http://www.surveymonkey.com/MySurvey_EditorFull.aspx?sm=pvdx4xn3Vr8A2Hzl... 08/11/2010

Appendix 5.1 Sources of CSR Definition and Dimensions from Literature Search

Authors	Year	Title	Document Type
1. Bowen, Howard R.	1953	Social Responsibility and Accountabilities of the Businessman	Harper & Row (B)
2. Davis, K.	1960	Can business afford to ignore social responsibilities?	California Management Review(J)
3. Frederick, W.C.	1960	The growing concern over business responsibility.	California Management Review(J)
4. McGuire, J. W.	1963	Business and Society	McGraw Hill (B)
5. Davis, K. and Blomstrom, R. L.	1975	Business and Society: Environment and Responsibility	McGraw Hill (B)
6. Walton, C. C.	1967	Corporate social responsibilities.	Belmont, CA: Wadsworth (B)
7. Heald, M.	1970	The social responsibilities of business: Company and community.	Cleveland, OH: Case Western Reserve University Press (B)
8. Johnson, H.L.	1971	Business in contemporary society: Framework and issues.	Belmont, CA: Wadsworth (B)
9. CED	1971		
10. Steiner, G.A.	1971	Business and Society.	New York: Random House (B)
11. Manne, H.G. and Wallich, H. C.	1972	The modern corporation and social responsibility.	(A)
12. Davis, K.	1973	The case for and against business assumption of social responsibilities.	Academy of Management Journal (J)
13. Eilbert, H. and Parket, I. R.	1973	The current status of corporate social responsibility.	Business Horizons (J)
14. Votaw, D.	1973	Genius becomes rare.	In D. Votaw and S.P. Sethi (Eds) The Corporate dilemma. Englewood Cliffs, NJ: Prentice Hall (B)
15. Eells, R. and Walton, C.	1974	Conceptual foundations of business.	Burr Ridge, IL: Irwin (B)
16. Backman, J.	1975	Social Responsibility and accountability.	New York: New York University Press (B)
17. Sethi, S.P.	1975	Dimensions of corporate social performance: An analytic framework.	California Management Review (J)
18. Preston, L.E. and Post, J.E.	1975	Private management and public policy: The principle of public responsibility.	Englewood Cliffs, NJ: Prentice Hall (B)
19. Bowman, E.H. and Haire, M.	1975	A strategic posture toward corporate social responsibility.	California Management Review (J)
20. Fitch, H.G.	1976	Achieving corporate social responsibility.	Academy of Management Review (J)
21. Holmes, S.L.	1976	Executive perceptions of corporate social responsibility.	Business Horizons (J)
22. Carroll, A. B.	1979	A three-dimensional conceptual model of corporate performance	Academy of Management Review (J)
23. Jones, T.M.	1980	Corporate Social Responsibility revisited, redefined.	California Management Review (J)
24. Carroll, A.B.	1983	Corporate social responsibility: Will industry respond to cutbacks in social program funding?	In Carroll, A.B corporate Social Responsibility: Evolution of a Definitional Construct (J)
25. Murray, K.B and Montanari, J.R.	1986	Strategic Management of the Socially Responsible Firm: Integrating Management and Marketing Theory	The Academy of Management Review (J)
26. Epstein, E.M.	1987	The corporate social policy process: Beyond business ethics, corporate social responsibility, and corporate social responsiveness.	California Management Review (J)
27. Heath, R.L and Ryan, M.R.	1989	Public relations role in defining corporate social responsibility.	Journal of Mass Media Ethics (J)
28. Carroll, A. B.	1991	The pyramid of corporate social responsibility: Towards the moral management of organizational stakeholders.	Business Horizons (J)
29. Frederick, W. Post, J. and Davis, K.E	1992	Business and Society. Corporate Strategy, Public Policy, Ethics.	McGraw-Hill: London (B)
30. Reder, A.	1994	In Pursuit of Principle and Profit: Business Success through Social Responsibility.	Putnam: New York (B)
31. Hopkins, M.	1998	The Planetary Bargain: Corporate Social Responsibility Comes of Age.	Macmillan: London (B)
32. Kilcullen, M. and Kooistra, JO.	1999	At least do no harm: sources on the changing role of business ethics and corporate social responsibility.	Reference Service Review (J)
Continue			
33. World Business Council for	1999	Corporate Social Responsibility: Meeting Changing Expectations.	(A)

	Sustainable Development			
34.	Khoury, G., Rostami, J. and Turnbull JP.	1999	Corporate Social Responsibility: Turning Words into Action	(A)
35.	Woodward-Clyde	1999	Key Opportunities and Risks to New Zealand's Export Trade from Green Market Signals.	(A)
36.	Caroll, Archie B.	1999	Corporate social responsibility-evolution of a definitional construction.	Business and Society (J)
37.	World Business Council for Sustainable Development	2000	Corporate Social Responsibility: Making Good Business Sense.	(A)
38.	Business for Social Responsibility	2000	Introduction to Corporate Social Responsibility.	(A)
39.	Piacentini, MG, MacFadyen, L. and Eadie, DR	2000	Corporate Social Responsibility in Food Retailing.	International Journal of Retail and Distribution Management (J)
40.	UK Government	2001	UK Government Response to European Commission Green Paper on Corporate Social Responsibility	(A)
41.	Pinney, C.	2001	Imagine Speaks Out. How to manage Corporate Social Responsibility and Reputation in a Global Marketplace.	(A)
42.	Commission of the European Communities	2001	Promoting a European Framework for Corporate Social Responsibilities.	(A)
43.	Foran, T.	2001	Corporate Social Responsibility at Nine Multinational Electronics Firms in Thailand: a Preliminary Analysis.	(A)
44.	Jackson, P. and Hawker, B.	2001	Is Corporate Social Responsibility Here to Stay?	(A)
45.	Van Marrewijk, M.	2001	The Concept and Definition of Corporate Social Responsibility.	(A)
46.	Marsden, C.	2001	The Role of Public Authorities in Corporate Social Responsibility.	(A)
47.	McWilliams A. and Siegel, D.	2001	Corporate social responsibility: a theory of the firm perspective.	The Academy of Management Review (J)
48.	Moir, L.	2001	What do we mean by corporate social responsibility?	Corporate Governance (J)
49.	Amnesty Int. Business Group (UK)	2002	<i>CSR Definition</i>	(A)
50.	Commission of the European Communities	2002	Corporate Social Responsibility-A Business Contribution to Sustainable Development.	(A)
51.	Lea, R.	2002	Corporate Social Responsibility.	IoD Survey (A)
52.	Maignan, I. and Ralston, D.	2002	Corporate social responsibility in Europe and the US: insights from businesses' self presentations.	Journal of International Business Studies (J)
53.	Joyner, B.E. and Payne, D.	2002	Evolution and implementation: a study of values, business ethics and corporate social responsibility.	Journal of Business Ethics (J)
54.	Freeman, E.	2002	Unfolding Stakeholder Thinking.	Greenleaf Publishing (B)
55.	Baker	2003	Corporate Social Responsibility – What does it mean?	(A)
56.	Anderson, KI	2003	The Project.	(A)
57.	IndianNGOs.com	2003	Corporate Social Responsibility.	(A)
58.	International Business Leader Forum	2003	Corporate Social Responsibility.	(A)
59.	Commission of the European Communities	2003	What is Corporate Social Responsibility (CSR)?	(A)
60.	CSRwire	2003	About CSRwire.	(A)
61.	Business for Social Responsibility	2003a	Issues in Corporate Social Responsibility.	(A)
Continue				
62.	Business for Social Responsibility	2003b	Overview of Corporate Social Responsibility.	(A)
63.	Hopkins, M.	2003	The Planetary Bargain- CSR Matters.	Earthscan: London (B)
64.	Ethical Performance	2003	Introduction: Defining Corporate Social	(A)

		Responsibility.	
65.	Global Corporate Social Responsibility Policies Project	2003	A Role for the Government- Issues at Hand. (A)
66.	Ethics in Action Awards	2003	What is Corporate Social Responsibility? (A)
67.	Strategies	2003	What is CSR? (A)
68.	Snider, J., Hill, R.P. and Martin, D.	2003	Corporate social responsibility in the 21 st century: a view from the world's most successful firms. Journal of Business Ethics (J)
69.	World Business Council for Sustainable Development	2003	<i>CSR Definition</i> (A)
70.	Organisation for Economic Co-operation and Development	2003	<i>CSR Definition</i> (A)
71.	The Corporate Responsibility Coalition	2003	<i>CSR Definition</i> (A)
72.	Novothic	2003	<i>CSR Definition</i> (A)
73.	Unilever	2003	<i>CSR Definition</i> (A)
74.	Novo Nordisk	2003	<i>CSR Definition</i> (A)
75.	Van Marrewijk, M.	2003	Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion Journal of Business Ethics (J)
76.	Hemingway, C.A. and MacLagan, P.W.	2004	Managers' personal values as drivers of corporate social responsibility. Journal of Business Ethics (J)
77.	Gap	2005	<i>CSR Definition</i> (A)
78.	Dahlsrud, A.	2006	How Corporate Social Responsibility is Defined: An analysis of 37 definitions Corporate Social Responsibility and Environmental Management (J)
79.	Frederick, W.C.	2006	Corporation, be good! The Story of CSR. Dog Ear Publishing (B)
80.	Janggu, T. et al.	2007	The current state of Corporate Social Responsibility among industrial companies in Malaysia Social Responsibility Journal (J)
81.	Silberhorn, D. and Warren, R.C.	2007	Defining corporate social responsibility: A view from big companies in Germany and the UK European Business Review (J)
82.	Turker, D.	2009	Measuring Corporate Social Responsibility: A scale Development Study Journal of Business Ethics (J)
83.	Sirsly, Carol Ann T.	2009	75 years of lessons learned: chief executive officer values and corporate social responsibility Journal of Management History (J)

Note:

A = article; B = book; J = journal; I = interview transcript.

Appendix 5.2 Sources of CSR Definition and Dimensions from Interviewees

Interviewee	Age	Gender	Position	Years in this position	Industry	Duration of interview
A	38	Male	Senior Manager	5	PLC	80 minutes
B	60	Male	CEO	3	PLC	105 minutes
C	45	Female	Home-maker	12	C	30 minutes
D	23	Male	Student	5	C	45 minutes
E	33	Male	Manager	4	PLC	80 minutes
F	45	Male	President	5	NGO	90 minutes
G	34	Female	Engineer	6	PLC	30 minutes
H	27	Female	Executive	4	G	45 minutes
I	29	Male	Senior Executive	2	GLC	45 minutes
J	54	Male	Senior Manager	10	GLC	60 minutes
K	61	Male	President	4	NGO	45 minutes
L	19	Female	Student	1	C	30 minutes
M	35	Female	Manager	5	PLC	80 minutes

N	29	Female	Executive	4	G	60 minutes
O	34	Male	Executive	9	G	55 minutes
P	45	Male	Senior Manager	5		120 minutes
Q	37	Female	Teacher	8	G	50 minutes
R	52	Male	President	3	NGO	95 minutes
S	48	Male	Government Officer	19	G	50 minutes
T	25	Female	Executive	3	PLC	95 minutes
U	21	Female	Clark	1	G	35 minutes
V	43	Female	Professor	3	G	45 minutes
W	39	Male	Lecturer	10	G	65 minutes

Note:

G- Government; PLC- Public listed company; GLC- Government linked company;
C- Consumer (goods/services); NGO- Non-governmental organisation.

Appendix 5.3 Frequency by Number (Literature Search)

LR	Profit	Environment	People	Process	Political	Policy	Personal	Personal
1			✓			✓	✓	
2			✓		✓	✓		
3	✓		✓					
4	✓		✓	✓	✓	✓	✓	
5	✓		✓				✓	
6			✓		✓	✓	✓	
7						✓	✓	
8	✓		✓				✓	
9	✓	✓	✓	✓		✓		
10	✓		✓				✓	
11						✓		
12	✓		✓	✓		✓		
13		✓	✓	✓				
14			✓			✓	✓	
15	✓			✓				
16	✓	✓	✓					
17	✓						✓	
18		✓		✓		✓	✓	
19						✓		
20			✓			✓		
21								
22	✓					✓	✓	
23	✓		✓			✓	✓	
24	✓		✓					
25	✓			✓		✓		
26			✓	✓				✓
27			✓	✓				✓
28						✓	✓	
29	✓		✓				✓	
30	✓	✓	✓					
31					✓		✓	✓
32	✓		✓	✓			✓	
33		✓	✓	✓		✓		
34		✓	✓			✓		✓
35		✓	✓					
36		✓	✓			✓		
37		✓	✓				✓	
38	✓	✓	✓					
39	✓	✓	✓				✓	
40						✓	✓	
41	✓		✓					
42	✓		✓		✓		✓	
43	✓	✓	✓			✓		
44		✓	✓			✓		✓
45		✓		✓				
46			✓	✓			✓	
47		✓					✓	✓

48	✓	✓	✓	✓				
49	✓		✓	✓				
50		✓		✓				✓
51		✓	✓	✓		✓		✓
52		✓	✓	✓				
53		✓	✓			✓		
54	✓		✓			✓		✓
55	✓	✓		✓				
56		✓	✓	✓				
57	✓	✓	✓	✓				
58	✓	✓	✓	✓			✓	
59	✓		✓	✓				
60	✓		✓					
61				✓		✓		
62	✓	✓	✓					
63				✓				
64							✓	
65			✓					
66			✓	✓				
67		✓	✓			✓		
68			✓			✓		
69	✓		✓					✓
70	✓	✓	✓	✓	✓	✓		
71	✓		✓		✓		✓	✓
72			✓				✓	
73	✓		✓			✓		
74	✓	✓	✓		✓	✓		✓
75			✓					✓
76							✓	
77			✓					
78								✓
79		✓	✓		✓		✓	✓
80			✓					✓
81			✓					✓
82		✓	✓		✓			✓
83		✓	✓				✓	✓
Total	42	32	62	30	10	37	29	19

Appendix 5.4 Frequency by Number (Interviewees)

Stakeholders	Profit	Environmental	People	Process	Political	Policy	Personal	Values
A	✓	✓	✓	✓		✓		✓
B	✓	✓	✓	✓	✓	✓	✓	✓
C		✓	✓	✓		✓		✓
D	✓	✓	✓	✓	✓	✓	✓	✓
C	✓	✓	✓	✓			✓	✓
D	✓	✓	✓	✓		✓	✓	
E	✓	✓	✓	✓			✓	✓
F		✓	✓	✓	✓		✓	✓
G	✓	✓	✓	✓	✓		✓	✓
H	✓	✓	✓	✓			✓	✓
I	✓	✓	✓	✓			✓	✓
J	✓	✓	✓	✓		✓	✓	✓
K		✓	✓	✓			✓	
L	✓	✓	✓	✓				✓
M		✓	✓	✓	✓	✓		✓
N		✓	✓	✓	✓		✓	✓
O		✓	✓	✓				✓
P		✓	✓	✓		✓	✓	
Q		✓	✓	✓	✓	✓		✓
R	✓	✓	✓	✓	✓	✓	✓	✓
S	✓	✓	✓	✓		✓		✓
T	✓	✓	✓	✓	✓	✓	✓	
U	✓	✓	✓	✓	✓	✓	✓	✓
V	✓	✓	✓	✓	✓	✓	✓	✓
Total	16	24	24	24	11	14	17	20

Appendix 6.1 Response rate for Question Section One- CSR Definition

Scales	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Response count
1. accurately captures the true meaning of CSR	20.0% (9)	75.6% (34)	4.4% (2)	0.0% (0)	0.0% (0)	45
2. is sufficiently practical	18.2% (8)	77.3% (34)	4.5% (2)	0.0% (0)	0.0% (0)	44
3. is relevant to multi-stakeholder in all places	13.6% (6)	68.2% (30)	15.9% (7)	2.3% (1)	0.0% (0)	44
4. offers a sound theoretical and practical definition of CSR	9.1% (4)	79.5% (35)	11.4% (5)	0.0% (0)	0.0% (0)	44
answered						45
skipped question						1

Appendix 6.2 Response for Question Section Two- CSR Items

Scales	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Response Count
Item number 1	21.7% (10)	56.5% (26)	17.4% (8)	4.3% (2)	0% (0)	46
Item number 2	34.8% (16)	56.5% (26)	8.7% (4)	0 (0)	0 (0)	46
Item number 3	26.1% (12)	60.9% (28)	13.0% (6)	0 (0)	0 (0)	46
Item number 4	22.2% (10)	57.8% (26)	15.6% (7)	4.4% (2)	0 (0)	45
Item number 5	39.1% (18)	45.7% (21)	13.0% (6)	2.2% (1)	0 (0)	46
Item number 6	19.6% (9)	54.3% (25)	23.9% (11)	2.2% (1)	0 (0)	46
Item number 7	33.3% (15)	55.6% (25)	8.9% (4)	2.2% (1)	0 (0)	45
Item number 8	6.5% (3)	45.7% (21)	32.6% (15)	13.0% (6)	2.2% (1)	46
Item number 9	26.1% (12)	56.5% (26)	15.2% (7)	2.2% (1)	0 (0)	46
Item number 10	53.3% (24)	44.4% (20)	2.2% (1)	0 (0)	0 (0)	45
Item number 11	42.2% (19)	35.6% (16)	20.0% (9)	2.2% (1)	0 (0)	45
Item number 12	37.8% (17)	51.1% (23)	11.1% (5)	0 (0)	0 (0)	45
Item number 13	43.5% (20)	50.0% (23)	4.3% (2)	2.2% (1)	0 (0)	46
Item number 14	43.5% (20)	52.2% (24)	4.3% (2)	0 (0)	0 (0)	46
Item number 15	37.0% (17)	43.5% (20)	17.4% (8)	2.2% (1)	0 (0)	46
Item number 16	21.7% (10)	45.7% (21)	26.1% (12)	4.3% (2)	2.2% (1)	46
Item number 17	28.3% (13)	56.5% (26)	15.2% (7)	0 (0)	0 (0)	46
Item number 18	10.9% (5)	23.9% (11)	52.2% (24)	10.9% (5)	2.2% (1)	46
Item number 19	28.3% (13)	50.0% (23)	19.6% (9)	2.2% (1)	0 (0)	46
Item number 20	22.7% (10)	65.9% (29)	6.8% (3)	4.5% (2)	0 (0)	44
Item number 21	22.2% (10)	60.0% (27)	17.8% (8)	0 (0)	0 (0)	45

Item number 22	28.3% (13)	54.3% (25)	13.0% (6)	4.3% (2)	0 (0)	46
Item number 23	32.6% (15)	56.5% (26)	6.5% (3)	4.3% (2)	0 (0)	46
Item number 24	13.3% (6)	53.3% (24)	24.4% (11)	8.9% (4)	0 (0)	45
Item number 25	10.9% (5)	43.5% (20)	41.3% (19)	4.3% (2)	0 (0)	46
Item number 26	17.4% (8)	45.7% (21)	23.9% (11)	13.0% (6)	0 (0)	46
Item number 27	13.0% (6)	54.3% (25)	26.1% (12)	6.5% (3)	0 (0)	46
Item number 28	13.0% (6)	43.5% (20)	34.8% (16)	8.7% (4)	0 (0)	46
Item number 29	15.2% (7)	60.9% (28)	17.4% (8)	6.5% (3)	0 (0)	46
Item number 30	11.1% (5)	46.7% (21)	33.3% (15)	8.9% (4)	0 (0)	45
Item number 31	13.0% (6)	62.2% (28)	20.0% (9)	2.2% (1)	2.2% (1)	45
Item number 32	10.9% (5)	63.0% (29)	17.4% (8)	4.3% (2)	4.3% (2)	46
Item number 33	15.2% (7)	56.5% (26)	23.9% (11)	2.2% (1)	2.2% (1)	46
Item number 34	17.4% (8)	60.9% (28)	15.2% (7)	2.2% (1)	4.3% (2)	46
Item number 35	19.6% (9)	67.4% (31)	13.0% (6)	0 (0)	0 (0)	46
Item number 36	15.2% (7)	71.7% (33)	13.0% (6)	0 (0)	0 (0)	46
Item number 37	19.6% (9)	60.9% (28)	19.6% (9)	0 (0)	0 (0)	46
Item number 38	15.2% (7)	52.2% (24)	30.4% (14)	2.2% (1)	0 (0)	46
Item number 39	17.4% (8)	52.2% (24)	30.4% (14)	0 (0)	0 (0)	46
Item number 40	19.6% (9)	43.5% (20)	30.4% (14)	4.3% (2)	2.2% (1)	46
Item number 41	23.9% (11)	54.3% (25)	17.4% (8)	4.3% (2)	0 (0)	46
Item number 42	26.1% (12)	54.3% (25)	13.0% (6)	6.5% (3)	0 (0)	46
Item number 43	26.7% (12)	57.8% (26)	13.3% (6)	2.2% (1)	0 (0)	45
Item number 44	34.8% (16)	54.3% (25)	6.5% (3)	4.3% (2)	0 (0)	46
Item number 45	13.0% (6)	43.5% (20)	34.8% (16)	8.7% (4)	0 (0)	46
Item number 46	21.7% (10)	54.3% (25)	17.4% (8)	4.3% (2)	2.2% (1)	46
Item number 47	21.7% (10)	47.8% (22)	23.9% (11)	6.5% (3)	0 (0)	46
Item number 48	19.6% (9)	41.3% (19)	32.6% (15)	6.5% (3)	0 (0)	46
Item number 49	10.9% (5)	50.0% (23)	37.0% (17)	2.2% (1)	0 (0)	46
Item number 50	17.8% (8)	62.2% (28)	17.8% (8)	2.2% (1)	0 (0)	45
Item number 51	17.4% (8)	58.7% (27)	19.6% (9)	4.3% (2)	0 (0)	46
Item number 52	26.1% (12)	69.6% (32)	4.3% (2)	0 (0)	0 (0)	46
Item number 53	19.6% (9)	63.0% (29)	13.0% (6)	4.3% (2)	0 (0)	46
Item number 54	21.7% (10)	67.4% (31)	10.9% (5)	0 (0)	0 (0)	46
Item number 55	15.2% (7)	76.1% (35)	8.7% (4)	0 (0)	0 (0)	46
Item number 56	32.6% (15)	58.7% (27)	8.7% (4)	0 (0)	0 (0)	46
Item number 57	10.9% (5)	50.0% (23)	26.1% (12)	13.0% (6)	0 (0)	46

Item number 58	15.2% (7)	67.4% (31)	10.9% (5)	6.5% (3)	0 (0)	46
Item number 59	10.9% (5)	54.3% (25)	32.6% (15)	2.2% (1)	0 (0)	46
Item number 60	21.7% (10)	63.0% (29)	13.0% (6)	2.2% (1)	0 (0)	46
Item number 61	13.0% (6)	65.2% (30)	19.6% (9)	2.2% (1)	0 (0)	46
Item number 62	17.4% (8)	45.7% (21)	28.3% (13)	8.7% (4)	0 (0)	46
Item number 63	17.4% (8)	65.2% (30)	10.9% (5)	6.5% (3)	0 (0)	46
Item number 64	13.0% (6)	60.9% (28)	19.6% (9)	6.5% (3)	0 (0)	46
Item number 65	22.2% (10)	66.7% (30)	11.1% (5)	0 (0)	0 (0)	45
Item number 66	15.2% (7)	58.7% (27)	19.6% (9)	2.2% (1)	4.3% (2)	46
Item number 67	17.4% (8)	58.7% (27)	17.4% (8)	2.2% (1)	4.3% (2)	46
Item number 68	6.5% (3)	41.3% (19)	23.9% (11)	15.2% (7)	13.0% (6)	46
Item number 69	13.0% (6)	67.4% (31)	15.2% (7)	4.3% (2)	0 (0)	46
Item number 70	13.3% (6)	57.8% (26)	24.4% (11)	4.4% (2)	0 (0)	45
Item number 71	17.4% (8)	63.0% (29)	15.2% (7)	4.3% (2)	0 (0)	46
Item number 72	13.0% (6)	54.3% (25)	19.6% (9)	8.7% (4)	4.3% (2)	46
Item number 73	19.6% (9)	50.0% (23)	17.4% (8)	10.9% (5)	2.2% (1)	46
Item number 74	13.0% (6)	34.8% (16)	28.3% (13)	21.7% (10)	2.2% (1)	46
Item number 75	6.7% (3)	60.9% (28)	28.3% (13)	2.2% (1)	2.2% (1)	45
Item number 76	6.5% (3)	60.9% (28)	28.3% (13)	2.2% (1)	2.2% (1)	46
Item number 77	17.4% (8)	43.5% (20)	21.7% (10)	10.9% (5)	6.5% (3)	46
Item number 78	37.8% (17)	55.6% (25)	6.7% (3)	0 (0)	0 (0)	45
Item number 79	13.6% (6)	56.5% (26)	23.9% (11)	4.3% (2)	2.2% (1)	46
Item number 80	20.0% (9)	46.7% (21)	17.8% (8)	13.3% (6)	2.2% (1)	45
answered						46
skipped question						0

Appendix 7.1 Correlation Matrixes of Scale Items –Weights

Items	Weight Loadings for this Research Instrument-PLS Graph							
	Process	Policy	Values	Environment	Personal	Profit	People	Political
Pro1	0.1091							
Pro2	0.0962							
Pro3	0.0728							
Pro4	0.1249							
Pro5	0.1172							
Pro6	0.1309							
Pro7	0.0874							
Pro8	0.1053							
Pro9	0.1050							
Pro10	0.1108							
Pro11	0.1054							
Pro12	0.0926							
Pro13	0.1184							
Pol1		0.1346						
Pol2		0.1342						
Pol3		0.1394						

Pol4		0.1508						
Pol5		0.1327						
Pol6		0.1172						
Pol7		0.1182						
Pol8		0.1409						
Pol9		0.1485						
Pol10		0.1405						
Val1			0.1454					
Val2			0.1137					
Val3			0.1093					
Val4			0.1281					
Val5			0.1228					
Val6			0.1481					
Val7			0.1530					
Val8			0.1518					
Val9			0.1408					
Envi1				0.2369				
Envi2				0.0909				
Envi3				0.2089				
Envi4				0.2099				
Envi5				0.2683				
Envi6				0.2450				
Pers1					0.3735			
Pers2					0.4399			
Pers3					0.3481			
Prof1						0.3584		
Prof 2						0.3803		
Prof 3						0.4198		
Peop1							0.3666	
Peop2							0.3678	
Peop3							0.3540	
Poli1								0.3869
Poli2								0.3331
Poli3								0.4204

Appendix 7.2 Calculation for Variation Inflation Factor (VIF)

$$\begin{aligned}
 & [1/(1-R^2)] \text{ (Mason and Perrenault Jr., 1991).} \\
 & = 1/(1-R^2) \\
 & = 1/(1-0.842) \\
 & = 1.158
 \end{aligned}$$

Appendix 7.3 Variance Inflation Factor for the CSR Indicators

Indicators	R ² value	VIF	Signal harmful collinearity
Process	0.482	1.930	No
Policy	0.635	2.739	No
Value	0.497	1.988	No
Environment	0.528	2.118	No
Personal	0.472	1.893	No
Profit	0.237	1.310	No
People	0.294	1.416	No
Political	0.536	2.155	No

Appendix 7.4 Calculation for internal consistency reliability (ICR)

$$ICR = (\sum \lambda_i)^2 / [(\sum \lambda_i)^2 + \sum (1 - \lambda_i^2)]$$

where

λ_i is the standardised component loading of a manifest indicator on a latent construct (Chin 1998). Internal consistencies (similar to Cronbach's alpha) of 0.70 or higher are considered adequate (Agarwal and Karahanna 2000; Barclay et al. 1995; Compeau et al. 1999). Convergent and discriminant validity for the reflective construct was assessed by applying two criteria:

- 1) The square root of the average variance extracted (AVE) by a construct from its indicators should be at least 0.707 (i.e., $AVE > 0.50$) and should exceed that construct's correlation with other constructs (Barclay et al. 1995, Chin 1998, Fornell and Larcker 1981).
- 2) Standardised item loadings (similar to loadings in principal components) should be at least 0.707, and items should load more highly on constructs they are intended to measure than on other constructs (Agarwal and Karahanna 2000; Compeau et al. 1999).

Appendix 7.5 Convergent validity and reliability

Constructs	Composed/composite reliability (CR)	Average variance extracted (AVE)
<i>Formative</i> ¹⁸		
Corporate Social Responsibility	0.901	0.535
Indicator 1- Process	0.934	0.521
Indicator 2- Policy	0.922	0.541
Indicator 3- Value	0.949	0.673
Indicator 4- Environment	0.914	0.593
Indicator 5- Personal	0.893	0.736
Indicator 6- Profit	0.904	0.757
Indicator 7- People	0.942	0.844
Indicator 8- Political	0.908	0.766
<i>Reflective</i>		
Stakeholder Satisfaction	0.944	0.849
Stakeholder Loyalty	0.960	0.858

¹⁸ The composite reliability and average variance extracted for the formative construct is not useful (Chin, 1998b).

Appendix 7.6 F -test for R^2 in the Constructs

Constructs	R^2	F	$p(F)$
Corporate Social Responsibility	0.842	$\frac{0.842/49}{(1-0.842)/(109-49-1)}$ $= \frac{0.017}{0.001}$ $= 17$	0.001
Stakeholder satisfaction	0.544	$\frac{0.544/3}{(1-0.544)/(109-3-1)}$ $= \frac{0.181}{0.004}$ $= 45.25$	0.001
Stakeholder loyalty	0.722	$\frac{0.722/4}{(1-0.722)/(109-4-1)}$ $= \frac{0.1805}{0.0026}$ $= 69.42$	0.001

Appendix 7.7 Calculation for Sobel test

The Sobel test takes following formula:

$$z\text{-value} = a*b/\text{SQRT}(b^2*s_a^2 + a^2*s_b^2).$$

This formula requires;

a = the raw (unstandardised) regression coefficient for the association between independent variable and mediator,

s_a = the standard error of a (the relationship between the independent variable)

b = the raw coefficient for the association between the mediator and the dependent variable (when the independent variable is also a predictor of the dependent variable), and

s_b = standard error of b (the path from the mediator to the dependent variable).

Therefore,

$$= 0.738*0.564 / \sqrt{(0.564^2*0.0471^2 + 0.738^2*0.1115^2)}$$

$$= 4.813$$

Appendix 7.8 Measurement Model between the Two Types of Measures

Measurement model	Type of measures	
	Formative measures	Reflective measures
Internal consistency	Not useful (Chin, 1998b)	1. Mean 2. Standard deviation 3. Loading 4. t-Stat All reliability measures recommended level .70 (Nunnally, 1978)
Convergent validity		Average Variance Extracted (AVE) of at least .5 (Fornell and Larker, 1981)

Discriminant validity		1. AVE from the construct should be greater than the variance shared between the construct and other constructs in the model (Chin, 1998). 2. Items load highly (loading >.50) on their associated factors.
Multi-collinearity	1. Calculating the Variance Inflation Factor (VIF) 2. Assessing the Condition Index (CI) of Belsley, D. A. et al (1980).	

Appendix 7.9 Construct Reliabilities and Average Variance Extracted

Construct	Composite Reliability	AVE	Cronbach's A
Corporate Social Responsibility	-	-	-
Stakeholder Satisfaction	0.886	0.675	.911
Stakeholder Loyalty	0.960	0.858	.977

Appendix 7.10 Hypotheses Testing Results

Hypotheses	Path Coefficient	t-value	p-value	Outcome
Hypothesis 1: <i>Corporate Social Responsibility is a multidimensional formative construct made up of eight dimensions:</i>				<i>Partial supported</i>
<i>a) process;</i>	0.061	0.6711	0.05	Not supported
<i>b) policy;</i>	0.188	1.9785	0.05	Supported
<i>c) values;</i>	0.215	2.4402	0.05	Supported
<i>d) environment;</i>	0.014	0.1416	0.05	Not supported
<i>e) personal;</i>	0.022	0.2261	0.05	Not supported
<i>f) profit;</i>	0.279	2.3429	0.05	Supported
<i>g) people;</i>	0.147	1.3016	0.05	Not supported
<i>h) political.</i>	0.178	2.2161	0.05	Supported
Hypothesis 2: <i>The greater the level of Corporate Social Responsibility multidimensional formative construct, the stronger is the positive link between stakeholder loyalty.</i>	0.343	2.8933	0.01	<i>Supported</i>
Hypothesis 3: <i>The greater the level of Corporate Social Responsibility multidimensional formative construct, the stronger is the positive link between stakeholder satisfaction.</i>	0.738	15.6776	0.001	<i>Supported</i>
Hypothesis 4: <i>The greater the level of stakeholder satisfaction, the stronger is the positive link between Corporate Social Responsibility and stakeholder loyalty.</i>	0.564	5.0561	0.001	<i>Supported</i>

Table 8.1 Summary on Issues Underlying the Multidimensional CSR Construct

Model	Theoretical Utility	Matching Levels of Abstraction	Relationships Between Construct and Dimensions	Construct Validity	Criterion Validity
Aggregate cause	Information unique to eight CSR dimensions concealed by models with constrained loadings; models with estimated loadings reduced construct to a single dimension	Construct too broad for outcomes for models with constrained loadings; construct narrowed to match outcomes for models with estimated loadings	Relationships between construct and dimensions were moderate for models with constrained loadings but weak and variable for models with estimated loadings	Specificities indicated that construct distorted effects of dimensions on outcomes, particularly for models with constrained loadings	For models with constrained loadings, construct explained little variance, for models with estimated loadings, construct explained moderate variance but not as much as that explained by its dimensions as a set
Aggregate effect	Construct concealed meaningful differences in effects on dimensions	Construct too broad for causes, as indicated by variable effects of causes on dimensions	Relationships between construct and dimensions were moderate but variable	Substantial variation in effects on the dimensions concealed by using the construct	Much less variance explained in the construct than in its dimensions as a set

Table 8.2 Multi Dimension with Measures Items

Dimension	Measure Items
Process (ξ_1)	<ol style="list-style-type: none"> 1. CSR induces products and services innovation 2. CSR smoothes business operations 3. CSR overcomes business problems 4. CSR provides safe and healthy products in the market 5. CSR requires company to provide high-quality products to its customers 6. CSR increases the value of products 7. CSR helps a company to easily market their products and services 8. CSR believes in customer satisfaction 9. CSR helps a company to its achieve targets 10. CSR leads to company innovation 11. CSR ensures consumers are not cheated 12. CSR helps ensures employees are offered a reasonable salary 13. CSR increases the value of the intangible products
Policy (ξ_2)	<ol style="list-style-type: none"> 1. CSR concerns fair layoffs 2. CSR concerns fair compensation 3. CSR positions products profitably 4. CSR increases product safety and health 5. CSR helps companies manages their procurement 6. CSR supports a firms' infrastructure 7. CSR protects local certified food 8. CSR concerns better labour relation 9. CSR concerns diversity and non-discrimination 10. CSR promotes a firms' technology development
Value (ξ_3)	<ol style="list-style-type: none"> 1. CSR provides social values to the company 2. CSR creates a good company portfolio 3. CSR makes a company outstanding 4. CSR creates a sense of belonging 5. CSR encourages a company to be more creative 6. CSR increases the values of the company 7. CSR creates a good culture in society 8. CSR helps social-awareness amongst public 9. CSR creates honest, responsible, ethical and generous people
Environment (ξ_4)	<ol style="list-style-type: none"> 1. CSR helps shape human behaviour 2. CSR is against child abuse 3. CSR protects natural resources 4. CSR overcomes social problems 5. CSR provides a healthy working environment 6. CSR supports recycling
Personal (ξ_5)	<ol style="list-style-type: none"> 1. CSR promotes a company paying its taxes on a regular and continuing basis 2. CSR encourages companies to follow government regulations 3. CSR helps people changes their attitudes

Profit (ξ_6)	1. CSR contributes to company profits 2. CSR is an activity that attracts customers 3. CSR helps the management with competitive strategies
People (ξ_7)	1. CSR encourages its employees to become involved in social activities voluntarily 2. CSR gives back to society to improve quality of life 3. CSR improves the quality of employees' lives
Political (ξ_8)	1. CSR encourages its employees to develop their skills and careers 2. CSR provides accurate information to all 3. CSR is a contribution to talent according to the needs of society
Stakeholder Satisfaction (ξ_9)	1. if I had to choose all over again I would not feel differently about choosing a CSR-based company 2. I did the right thing when I decided to use products and services from CSR-based company 3. purchasing services and products from a CSR-based company is usually a satisfying experience
Stakeholder Loyalty (ξ_{10})	1. I say positive things about CSR-based companies to other people 2. I intended to continue being a customer of CSR-based companies for a long time to come 3. I will encourage friends and relatives to use the product or services offered by CSR-based companies