



**Department of Management**

**Examining the Links between CSR and IHRM Strategy:  
A Comparative Study of the UK and Korea**

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**Submitted in fulfilment of the requirements for  
the degree of Doctor of Philosophy (PhD)**

**Glasgow, 2009**

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## Acknowledgements

To complete this thesis, there have been a number of unforgettable individuals who have accompanied me during this long but enjoyable journey. Without their support and feedback, it would not have been possible to accomplish this challenging goal.

Above all, I am greatly indebted to my primary supervisor, Professor Sharon Bolton, for her invaluable guidance and encouragement through this journey. She has been a great teacher. Her insightful advice and suggested direction have led my research to a more critical and accurate approach. I would also like to thank my second supervisor, Dr. Shenxue Li, in particular for her advice on Asian perspectives and changing dynamics of HRM which have helped my elaboration on institutional perspectives. My appreciation for both of my supervisors knows no bounds.

I would like to thank Professor Nada Kakabadse of Northampton Business School and Professor Sara McGaughey of Strathclyde Business School for acting as examiners of the thesis. Their incredible and constructive comments are insightful in reinforcing findings, refining the thesis and designing future research directions.

Extensive thanks as well to Professor Hugh Scullion (University of Galway) and Dr. Simon Harris (University of Edinburgh), who initially suggested this comparative international business research and broadened my views on crafting and shaping the new ideas at the first stage of my thesis. Also, there have been three beacons for my research: Dr. Colin McClune (former country chairman of Shell Korea, UK), Mr. Jim Moore (former consultant of Scottish Business in the Community, UK) and Professor Yong-hee Yang (Hoseo University, Korea). Their critical eye for the research and unfailing support has contributed significantly to making this thesis portray the real voices and pictures within the UK and Korean contexts.

I want to also express my special appreciation to my colleagues in the Department of Management and SIBU (Strathclyde International Business Unit) in Strathclyde Business School. The excellent research environment and generous financial contributions of the department, and professional advice from the great and friendly scholars, have aided the dynamic pursuit of my studies. They include Professor Chris Huxham, Dr. Barbara Simpson, Dr. Tim Andrews, Professor Robert Chia, Professor John Sillance, Dr. Thomas Diefenbach, Dr. Paul Hibbert, Professor Ian Thomson (from the Accounting Department), Dr. George Burt, Dr. Ying Zhang, Zaleha Yazid, Julie Kui-lin Liu and Vicky McConnellogue.

Both the British and Korean scholars have supported this brave trial and expressed their support in various ways. The scholars in the UK include Professor Steve Young (University of Glasgow), the late-Professor John Dunning (University of Reading), Professor Peter Buckley (University of Leeds), Dr. Wayne Visser (University of Cambridge), Dr. Michael Pollitt (University of Cambridge), Dr. Yee Kwan Tang (University of Glasgow), Paul McKelvie OBE (former CR Director of ScottishPower) and Shona Ha (London School of Economics). The books, e-mails, faxes and the collection of newspaper articles on CSR which were generously provided by them, along with their suggestions, are woven into the thesis. Also, the critical comments of prominent scholars during my presentations at EIBA, EBEN and AIB conferences have contributed to a more rigorous thesis. Thanks to them all.

Without intellectual support from the Korean academic community, this tough and challenging comparative study could not have been accomplished. Heartfelt thanks to Professor Hyoung-koo Moon (Korea University), Professor Young-ho Kim (Yuhan College), Professor Woon-ho Kim (Kyung Hee University), Professor Moo-sung Chung (Soongsil University), Professor Han-kyun Roh (Kookmin University), Professor Chang-jin Suh (Hanyang University), Professor Yong-ki Kim (Sejong University), Dae-suk Kwak (Director of Community Relations Centre), Professor Seungkwon Jang (Sungkonghoe University) and Dr. Myongshin Lee (Kyunghee University).

Extensive thanks are also due to all the interviewees from both the business and stakeholder sectors in the UK, Korea and the Netherlands. Their expertise and practical voices have made this thesis a lively one, as they have played a crucial role in bridging practice and academia. They are acknowledged here even though for reasons of ensured confidentiality they remain anonymous.

Last, but not least, the greatest contributions have been from my lovely family: my husband Myoungyeon, my son Albert Intae, and my mother and father, who are always next to me at heart, with unconditional love and patience (even though they are around the world – in Korea, Hong Kong and UK). Hopefully I will return their gifts during the whole of my life.

Chung-hee Kim, June 2009

## Abstract

This study examines an overlooked phenomenon of the link between CSR (Corporate Social Responsibility) and IHRM (International Human Resource Management) and considers how its practice may vary in different institutional circumstances. The research on CSR has predominantly focused on the external stakeholder views and hence the notion of the employee as related to IHRM issues is conspicuously absent from the contemporary CSR discussion. This study first explores the CSR issues by employing *stakeholder theory* and goes on to discuss its connection with the IHRM dimensions while drawing on a *resource-based view of the firm (RBV)*. The research then investigates the dynamics of CSR/IHRM in international business, drawing on the approach of *institutional theory*.

Employing two methods (case study and extensive interview), an empirical analysis is carried out in order to gain a comprehensive illumination and comparison of people's experiences of, and outlook on, the relationship between CSR and IHRM in the two countries – the UK and Korea. The research presents two key findings. First, CSR's linkage with IHRM can be explained out of necessity throughout the CSR evolving process (initiation → implementation → maturation → competition). From very few links in the CSR initiation stage, the necessity of involving employees has emerged as an important theme. Secondly, there appear to be a complex variety of dynamics of CSR and CSR/HRM profiles between countries which cannot be explained by a simple dichotomy of the institutional convergence-divergence idea. Therefore, although established institutional settings are an important consideration, the complex institutional contexts and the possibility of their modification have to be considered.

The study is expected to contribute to, at first, the call for further expansion and deepening interpretation of CSR (*inter alia*, through the employee) and hence, enhance more constructive dialogue related to CSR among management scholars. And, second, the result of the different patterns of CSR/IHRM dynamics in the two regions will provide implications for business in employing a more strategic approach towards CSR and management of local people.

## **Chapter 1: Introduction**

The aim of this study is to explore how, and to what extent, theoretically derived and empirically evaluated notions of CSR (Corporate Social Responsibility) are correlated with HRM (Human Resource Management) strategy in different nations. The research seeks, as far as possible, to explore dimensions of CSR (which are the prime focus of the thesis) in relation to (I)HRM strategies such as recruitment, retention and education in different institutional settings. It is expected that this examination may contribute to contemporary CSR research, which has recently tended to investigate the possibility of reconciliation with other management themes, and tried to narrow the gap between theoretical research and practical business application. Moreover, it will suggest new venues for future research based on the integration of CSR and IHRM strategy.

This chapter presents an overview of the research in order to orientate readers with the main argument, arrangement of materials, and the background of the thesis. The chapter begins with an explication of the motivation for this research and the gaps in literature that suggest it as a useful route of inquiry. The background and rationale for this research focus are explained in the following section. This chapter also includes an elaboration of the theoretical underpinnings of this work, the research questions, the expected contribution to the literature, and finally an outline of the structure of the study.

### **The motivation and literature gaps**

The intellectual seeds from which the “CSR-IHRM link” question grew were sown in the beginning of 2000s. During this period, as a consultant in the field of CSR in Korea, the author was concerned with the CSR identity in the Korean context and tried to raise awareness and find a workable approach for practitioners to become involved with CSR initiatives. In particular, it was interesting to see how the language of CSR was used in business practices. However, there was a big gap between the rhetoric of CSR and the actual practices that were in place. This troubled the author. Even though a variety of Western CSR and business ethics ideas were introduced, they were not applicable in the Korea market due to a range of cultural

and institutional factors. To discover ‘why is there a gap?’ and ‘how is it tackled?’ was the primary concern for the author at that time as a practitioner.

During 2004-5, the question was academically investigated in-depth during the author’s Master study period (Master of International Management, Strathclyde Business School) under the dissertation title, “*Corporate Social Responsibility (CSR) – A Source of Competitive Advantage?: Implications for Korea from UK Best Practices*”. During the extensive interviews with UK practitioners, the author was surprised to find a strategic approach towards CSR in UK businesses and, also, that many senior managers mentioned CSR in conjunction with IHRM perspectives (such as motivation, organisational culture and retention strategy). And even more surprising was that they advocated CSR and employee involvement despite a perception that there was a weak business case to be made for investment in this area. In this regard, the author decided to investigate this phenomenon holistically and then find out why and how it differs with the Korean context.

To reiterate, the aim of this thesis is to examine the CSR-HRM link in an international context. There are two central reasons why the present research tries to investigate the hypothesised link between CSR and IHRM strategy. First, it is expected to help the endeavour of ‘searching for CSR identity’ in current management paradigms, particularly those being put forward in this time of economic crisis. Currently, many commentators raise the issue of the superfluous nature of CSR, and are pushing the business sector to cut the budget of CSR (e.g., philanthropy and environment) by arguing that it is little more than a luxury and not helpful to the primary motivations of the business sector. Conversely, some commentators insist that this is the right time for business to pursue a genuine and extraordinary approach towards CSR for the sustainability of the business. The present study seeks to add to and partake in this provocative dialogue.

To elaborate slightly, this study seeks to delve into CSR identity through its interaction with humans – more specifically, through the idea of human resource management (for international business, international human resource management). Although both researchers and practitioners mention CSR’s rationale in relation to various employee dimensions, their interactions are conceptualised in a rather broad and vague sense. Additionally, these arguments may be worthwhile, but it has to be

admitted that there is insufficient attention paid to these factors in comparison with CSR's relationship with external affairs (e.g., PR, reputation, external stakeholders such as NGOs, philanthropy, risk management). Strong arguments can be made, however, that true CSR needs to be adopted in a more holistic way throughout the members of an organisation. CSR is a theme related to stakeholder management, and much contemporary research insists that one of the most important stakeholders is the employee (Jones, 1995; Redington, 2005). If employees are not engaged with their employer's CSR activities, the projects become in danger of being simply an exercise of public relations (PR) (Mees and Bonham, 2004), and as a result cannot create sustainability. Likewise, the absence of employee roles for pursuing CSR is completely arbitrary. That is why, while there are many other aspects of CSR, this thesis brings the IHRM aspect into focus.

In addition, the possible link between the two paradigms will add new subtleties to the contemporary debate on the 'competitive advantage' of the firm in international business. It is interesting to note that recent academic attention has been directed toward identifying how CSR may be linked with certain competitive advantages of business (Porter and Kramer, 2006). If the better part of previous approaches to the study of CSR has neglected the role and impacts of employees, this approach, on the contrary, suggests that employees could be important enablers of corporate strategy, by behaving as a supporter and enactment of CSR initiatives. Therefore, developing a focus on this interplay (CSR and employee, more specifically, IHRM strategy) is critical and influential to the argument for competitive reasons of the bottom line.

In this regard, the development of a CSR process (initiation → implementation → maturation → competition) emerged from the case study data as managers talked of the way they thought about and practiced CSR programmes, and what the outcomes of these programmes were. From immersion in the data, through initially reading and re-reading, it became clear that there was a pattern and sequence across the two case studies, to the way managers talked of CSR and their company's approach to it. Some of the issues they mentioned also tied into the literature and debates on CSR and HRM previously reviewed. Insights drawn from the initial immersion and the literature review contributed to the development of what is called here 'a CSR

process'. The CSR process was then used as an organising and analytical device for the case study and interview data, in order to be able to explore in depth each step of the process and the emergence of IHRM factors. The aim was to offer a holistic analysis of the CSR process and its linkages with HRM issues. At the final stage of CSR, how the interaction of these two factors work for the competitive advantage of the firm is clearly identified as one of the key findings of the thesis.

By investigating how CSR plays a crucial role for business performance by creating the internal dynamics of the organisation, the present research aims to find CSR's ultimate contribution to the overall business strategy. Moreover, the different approach towards CSR and IHRM dynamics that reflect the circumstances of complex institutions will be illustrated with reference to the cases of the UK and Korea. It is expected that the actual application of this provocative argument by both theoretical and empirical analysis will present a picture of the mutually constitutive interplay of CSR and IHRM in the contemporary global environment.

To summarise, the investigation of the link between CSR and IHRM strategy is encouraged by the fact that CSR needs a rationale for its identity and competitive advantage of the firm. From this, there is a potential, though often neglected, critical hypothesis that CSR and IHRM entertain a link in their approaches and aims. It is acknowledged that the theoretical and empirical developments concerning the interactions between the two areas have been lacking. The argument which will be made at the final stage of the study can help to narrow this gap by explaining the potential reciprocal and synergistic effects of the two concepts, and their contribution to business goals of developing competitive advantage in international business. Additionally, it is expected that this new approach provides a turning point to the strategic angle of CSR insofar as focusing on human resources not only as an important stakeholder but also as a major driver of the CSR competitiveness, hence creating a competitive advantage of the firm.

### **The research focus**

It would be a useful exercise to find the link between CSR and IHRM in one country. This research, however, intends to go further and highlights the extent to which the application of both CSR and IHRM (and their interaction, by proxy) is dependant on institutional factors unique to each country. In searching for the link between CSR



and international HRM strategy one particular phenomenon becomes important: that is, the issue of a globalised approach to CSR and its application towards different people – the phenomenon of complex globalisation and localisation. Relatively speaking, most research and literature on CSR has been for national companies, and a corresponding literature for MNCs has only emerged recently (Gnyawali, 1996; Meyer, 2004). In addition, most of the discussion on CSR has been focused on the Anglo-American corporate system (Maignan and Ralston, 2002). Yet every country has a unique institutional background, and given that CSR is evidently closely bound to institutional factors, there must be a reconsideration of CSR according to the nations in which it is instigated. Even though the debates of CSR in Asia tend to follow the development of the West (Mohan, 2001; Moon, 2002), there are very different priorities in nations where norms, values and economic development differ (Welford, 2005). Therefore, the comparative investigation between two countries and the examination of the international dynamics are more useful for the contemporary research and practical arena in order for reflexive understanding and actual application of the idea of CSR and IHRM's interplay in international business.

In this regard, the UK and Korea are specifically focused on comparative investigation. Their CSR and its relationship with IHRM strategy is investigated in detail and compared to that of one another. These distinct nations, which are located in Western Europe and East Asia respectively, have their own histories, cultures, institutions, economic backgrounds, and distinctive peoples. Therefore, it is suggested that the investigation of the two countries' CSR and its relationship with HRM will provide crucial points through which to understand the different processes and interpretation on the present research issues.

The UK has a long history of CSR and leads various initiations of CSR related issues such as climate change, social enterprise, and SRI (sustainable responsible investment), and hence leads the global CSR market. To investigate CSR in the UK can support an effort to gain a representative glimpse of pan-European practice, and hence provide a foundation by which further comparison with other regions can be carried out. Whereas, South Korea, which is regarded as one of the major economic powers in Asia, has a relatively short history of CSR, but society's debates on CSR is severe. It is neighboured by China and Japan, and shares similar cultural norms and

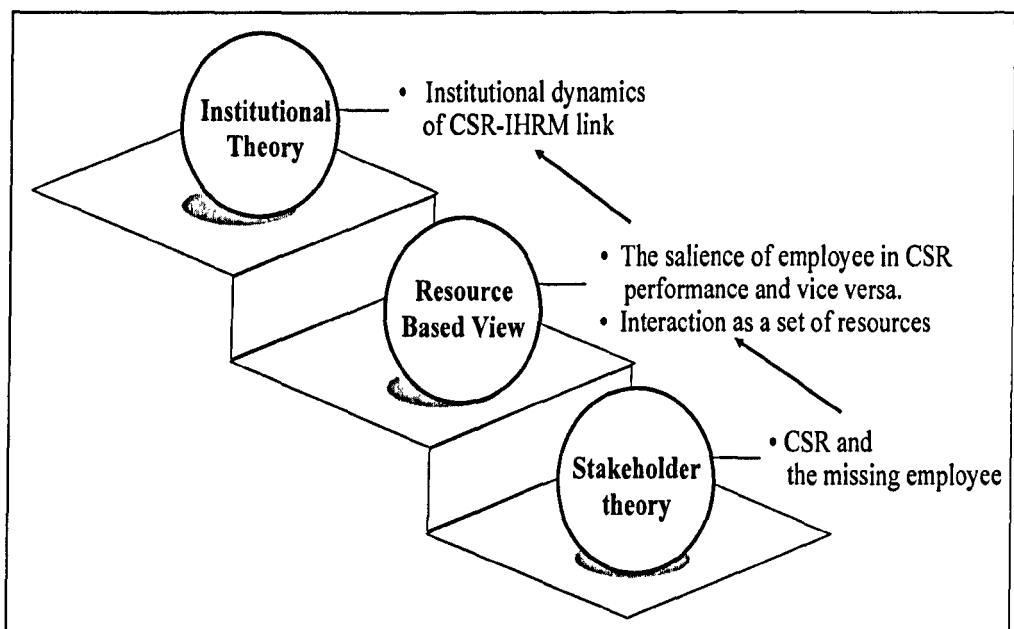
expectations with these countries. Therefore, it is expected that an examination of Korea's approach can reveal the situation of CSR in East Asian countries which have a long history of Confucianism, a large economic scale, but where the concept of CSR is relatively new and demanding.

In conclusion, the comparison of these two countries can contribute to the academic and practical fields in understanding the dynamics of CSR, and further expansion of understanding CSR in relation to HRM in the global context. Additionally, research on Asia helps researchers to extend and revise theories through the consideration of the new institutional context-specific conditions (Bruton and Lau, 2008) as the unique nature of management in Asia offers the potential to shift many of the current paradigms in management research (Lau, 2007; Leung, 2007).

### Theoretical underpinnings

There is a theoretical flow in this research as presented in figure 1-1. To investigate the link between CSR and IHRM strategy in different nations, the study explores the coalescence of three different themes: CSR, IHRM and institutional theory.

Figure 1-1: Theoretical flow of the thesis



As a first step, the study explores CSR issues by employing '*Stakeholder Theory*' as related to various important employment management issues, and finally concludes with the argument that the 'employee' is the 'missing factor' in the contemporary CSR argument. In the paradigm suggested by this conclusion, the coupling of CSR with IHRM becomes not a theoretical connection, but an interaction borne from necessity. The reason for the absence of discussions concerning the significance of the employee in the CSR process is discussed. Then, the research recognises the missing employee in CSR and, therefore seeks to explore the missing points and argues the importance of placing employees within the CSR frame.

As a second step, to develop a focus on this display, the study highlights CSR's influence on the strategies of IHRM, and vice-versa, drawing on the '*RBV (Resource-based View)*' of strategy. It is acknowledged that there is a gap in current CSR-IHRM study which is centred on a rather anecdotal and micro-approach. The current approach is not sufficient to explain the true relationship between IHRM and CSR, which is embedded in a firm's overall performance and process of growth. Moreover, there is a lack of investigation on the fact that how the employee is salient in CSR performance and vice versa. In this regard, as HRM-CSR variables are systematically inter-related to each other as a set of resources, not as an independent single resource, it is recommendable to investigate the complex exchange of each resource in association with CSR and HRM for a positive outcome for the firm. In other words, cooperative work between CSR and IHRM may not be an isolated ad-hoc event but needs to be considered in a more comprehensive manner which takes account of the interactive behaviours of the two resources.

Among the variables of the link which are investigated throughout the RBV analysis, this research suggests that the first and foremost driving force that can illustrate the linkage between CSR and employee dimensions are 'motivation' and 'organisational culture', which are contextual and serve to mutually complement each other. That is, a clear CSR approach helps to shape an organisation's culture and hence the attitude of employees, which in turn affects the motivation and commitment of workers (Collier and Esteban, 2007). By exploring the interaction of these two components, the study discusses their contribution to an employer's HRM strategy (e.g., recruitment, retention and development) and examines the potential of

further pursuing how the combination of CSR and HRM can be effective and ultimately create competitive advantage of a firm in the international business arena.

As a final theoretical prop, the study explores '*Institutional Theory*' as a conceptual device to evaluate how such a relationship may play out in different institutional contexts. It is proposed that institutional theory may contribute to the embracing of all the scattered institutional characteristics surrounding organisations in different nations that employ CSR and IHRM since every country and region has a unique institutional background. Also, it is suggested that incorporating a range of aspects of institutional environments into the analysis, rather than relying on political, economical, or cultural aspects alone, helps to explore the dynamics of the investigated themes more fully.

Consequently, a detailed illustration of CSR and its link with HRM dimensions in different institutional dynamics is discussed within a framework of Scott's three institutional perspectives, with specific reference to the UK and Korea. It is argued that institutional pressures – the regulative, normative, and cognitive cultural – of certain nations push CSR and people towards more convergence, or a more complex mode of divergence. It is revealed that there are complex institutional pressures on businesses in practicing CSR and IHRM strategy and thus each pillar contributes and reciprocally supports the others in shaping the dynamics of the research themes across international boundaries. In this regard, this analysis illustrates the usefulness of the new approach to CSR-IHRM dynamics in the international context.

### **Research questions and contributions**

In correspondence with the above theoretical discussions, the study creates two research questions. The first question is:

#### ***1) How and to what extent do CSR and IHRM link?***

This question seeks to delve into the facts and understand the workplace realities with regards to the link between CSR and IHRM. The contextual situation of the emergence of employee issues is explored along with the CSR growth process (initiation → implementation → maturation → competition). It is expected that CSR's link with employee issues may be dynamic and vary according to each CSR

stage (i.e., from virtually no discussion to active debate out of necessity) and hence the investigated themes can be gleaned from this potential dynamics and variance. For example, when businesses initiate CSR, there may be little relevance related to employees as suggested in the theoretical finding. However, when they implement, evaluate and compete with the CSR paradigm, there may be emerging issues that spark debate related to human resource management, which are overlooked in the theoretical discussion. In this regard, for instance, simply to say CSR is linked to recruitment or retention strategy (linear and static link) is excessively restrictive in its reasoning. It is recommendable to reveal 'how', 'with which perspectives' and 'in which process' through the holistic investigation for rigorous argumentation. On this point, how the reciprocal work of CSR and IHRM dimensions can be transformed to competitive advantage for the firm, are fully examined during this analysis process.

By this extensive and holistic investigation of the practical phenomenon, it is expected that it may contribute to generate an understanding of the emerging issues, and hence set the scene in terms of the linkage between CSR and IHRM dimensions according to the evolving CSR process. Also, it may critically suggest a new approach towards CSR and overcome the gaps of the current, limited, approaches towards CSR, which mainly focus on external affairs in its engagement. By answering only question 1, CSR and CSR/HRM dynamics in the international area cannot be fully explained, however, as the issues and applications are not the same between countries or regions. Accordingly, the second question is:

***2) Can we identify the pressures of divergence and convergence of CSR in relation to IHRM based on institutional theory?***

This question seeks to discover CSR and IHRM's convergent and divergent dynamics in the international arena. There is no one-size-fits-all approach to CSR, nor is there for HRM. As it is assumed that different countries have different approaches to CSR and HRM dependent on their institutional contexts, discovery of the critical differences (perception and process) of these two dimensions, and more importantly the linkage between the two which have been embedded in an organisation, is a critical issue for the research. In this regard, the second question concerns determining how the phenomenon can be explained in a more systematic

way. Drawing on an 'institutional perspective', exploration is carried out for a more rich and detailed illustration of different institutional pillars, regulative, normative, and cultural-cognitive, in an effort to try to understand institutional dynamics of CSR and its relationship with employee matters with reference to the UK and Korea.

Institutional perspective-based analysis has not yet been widely used in the study of CSR (Walsh *et al.*, 2003). It is therefore anticipated that the present institutional approach may contribute to the analysis of CSR dynamics in more holistic ways in future studies. It derives certain contextual findings to analyse actual situations and hence to rationalise and enrich existing knowledge of CSR and IHRM in international management.

Moreover, in seeking answers to research question 2, this study contributes to theoretical and empirical knowledge as follows: it contributes to practitioners by providing valuable implications to use CSR as corporate strategy in relation to management of local employees in host countries, and conversely to academia by providing a theoretical, integrative conceptual framework of CSR in international comparative research. Visser *et al.* (2007) highlights significant problems with the current single globalised approach to CSR which cannot truly help MNCs in their differentiation and attainment of legitimacy in different host countries. Miles (2006), for example, argues that Anglo-American values and corporate systems often conflict for employing CSR behaviour within Asian Confucian societies where the business environment is highly involved in collectivism, informal virtue, and morality (rather than formal law and regulation). Therefore, the study demonstrates practical implications for applying different strategies of CSR in different countries, how UK MNCs' differ in CSR strategy in the Korean market and vice versa, for example. Also, this approach contributes to academic criticism, especially in international business research as there is a relative lack of comparative research on an international scale in terms of CSR.

## **Research methodology and structure**

### ***Methodology***

This study adopts a mixed qualitative research methodology of case study and extensive interviews as a way of accomplishing the research aims and addressing the two research questions. It is revealed that previous examples of empirical research on CSR have been overwhelmingly of a quantitative nature. The qualitative approach is selected for this study, however, as the central purpose is to pursue a sophisticated understanding of the complex contents and contexts of the issues and check the possibility of transferability, not to test and generalise certain rigorous phenomenon.

The research is conducted in two major methodological phases. The preliminary, explanatory case study is carried out to examine the reality and set the scene for the rest of the work. A single case study company is selected in each nation (in the UK, the Shell Group; in Korea, Kyobo Life Insurance Co.), and investigation of the true situation is undertaken through various means. Through this process, the author can find the hidden but vital factors of the two issues and their interactive relationship within the workplace.

In phase two, at the major exploratory stage, 53 extensive interviews (UK – 25, Korea – 28) are carried out with the aim of presenting a comprehensive comparison of the relationship between CSR and HRM in the two countries. The data is analysed according to the CSR development process and the author attempts to discover the issues as related to employees in this ongoing process. And then, with the application of institutional perspectives, the data is investigated with attention being focused on distinguishing between the pressures of divergence and convergence of CSR and its relationship with employees. A refinement of the conceptual model is then suggested, and some implications are then posited based upon the results. It is believed that the inclusion of the two empirical methods is essential to increase the richness and robustness of the present research, and to support the plausibility of the result.

### ***The content structure***

In Chapter 2, overall CSR themes are critically reviewed by delving into three specific questions: What is CSR? Why do companies engage with CSR? Why is it particularly relevant now? The theoretical neglect of employees in contemporary

CSR research is explored in depth based on stakeholder theory later in the chapter. In Chapter 3, a search for the CSR and IHRM link is carried out, drawing on the RBV (Resource-based View) of strategy. For the comparative study between the UK and Korea, the overall scope of institutional theory is revealed in detail in Chapter 4. Analysis of CSR according to institutional perspectives is then accomplished. The incorporation of the theoretical findings and exploration of a holistic understanding of the institutional dynamics of CSR's relationship with an IHRM dimension is accomplished at the final stage. As a result, the two specific research questions are generated.

After elaboration of the methodological stance and background in Chapter 5, the empirical findings are presented in Chapter 6. An examination of the case companies of the UK and Korea is performed in order to understand the practical reality of the situation of the link between CSR and HRM in the contemporary workplace. Chapter 7 explores in detail the phenomenon of CSR in the workplace and pursues the comparative analysis of institutional dynamics of CSR between the UK and Korea. The investigation of CSR's relationship with IHRM is then carried out in Chapter 8. The comprehensive comparative analysis of the link between CSR and IHRM based upon the institutional theory is accomplished accordingly. Consequently, in Chapter 9, the two research questions which were generated at the later stage of theoretical analysis are fully discussed based upon the gaps found between theory and practice. The suggested model of the link between CSR and IHRM strategy in an international context is conceptualised, and the limitations and contributions of the present research are summarised together with suggested direction for further research.



## Chapter 2: Corporate Social Responsibility (CSR)

The recent concern about Corporate Social Responsibility (CSR) in academic and practitioner debates is welcome. This current stream has spawned numerous research studies related to CSR in economic, legal, institutional, cultural, environmental and political fields. In this chapter, the present research discusses CSR and critically reviews the relevant literature. In doing so, it raises three challenging questions: (1) what is CSR? (2) Why do companies engage with CSR? (3) Why is it particularly relevant now? In addressing the questions what emerges from a review of the literature is the absence of a focus on employees in contemporary CSR rhetoric; an issue that will be explored later in the chapter.

### What is CSR?

CSR, along with corporate governance, is now a hotly debated topic by a variety of stakeholders in global capitalism (Dunning, 2003). The CSR literature has currently reached the point of acknowledging the importance of linking it both to competitive advantage for a firm and to communicate it in the language of the business.

The concept of CSR has a long history, perhaps as long as the history of business itself (Asongu, 2007). Adam Smith's "*Invisible Hand*" is considered as a first step (though indirect one) in the CSR journey. Smith introduced the issues of the relationship among self-interest, market and society (Stovall *et al.*, 2004): which has been interpreted as the mix of self- and we-interest (Lynne, 1999: 268; Szwajkowski, 2000: 385). The pursuit of self-interest is embedded in and also constrained by the social situation (Granovetter, 1985: 506), and thus the moral-dimension (Lynne, 1999). In other words, the invisible hand means society's inherent, self-sustaining process for controlling those companies that act solely out of self-interest when such a position is at odds with society's overall welfare (Szwajkowski, 2000). The invisible hand emphasises the criticality of considering the moral implications of a free market place (Taylor, 2002) and thus the potential impacts on various kinds of stakeholder (Szwajkowski, 2000), as can be witnessed from a number of cases such as the Enron and WorldCom scandals (Carson, 2003) and the Asian financial crisis of 1997 (Euh and Rhee, 2007). Cases also display the power of big business and society's limited role in influencing its behaviour.

Since Adam Smith, there have been continuous and various endeavours to transfer CSR from philosophy to action in the market place depending on the typical institutional situation of the time and the place. The complex ideas about CSR were comprehensively developed by Carroll (1979) who suggests that the social responsibility of business encompasses economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organisations at a given point in time. To elaborate with more practical and managerial terms, business has to (1) make a profit, (2) obey the law, (3) be ethical, and (4) be a good corporate citizen (Carroll and Bucholtz, 2003). Much of the debate has been focused on how to balance these competing demands and though it is not precisely divisible, there are two main perspectives that encompass the CSR debate: the *shareholder focused view* (e.g., SRI [socially responsible investment], CRM [cause-related marketing], CSR and financial performance [Balabanis *et al.*, 1998; Vogel, 2005]), and the *stakeholder focused view* (e.g., stakeholder theory [Freeman, 1984], corporate citizenship [Giddens, 1984], responsible global capitalism [Dunning, 2003]). The research presented in this thesis critically explores the latter perspective — the stakeholder focused view, as it is believed that adopting a stakeholder perspective as the theoretical foundation of this study is conducive to forging the link between CSR and IHRM and efficiently exploring the notion of the missing employee in CSR.

### ***CSR's origins in Stakeholder Theory***

The idea that corporations have stakeholders has now become commonplace in management literature, both academic and professional (Donaldson and Preston, 1995). A stakeholder view offers a way of understanding recent challenges to traditional market economics (Clulow, 2005), and has become one of the most popular trends in business and society literature (Rowley, 1997; Clulow, 2005). Further, the idea of stakeholders is now adopted beyond the firm, and is commonly applied to regional, national and global issues (Clulow, 2005).

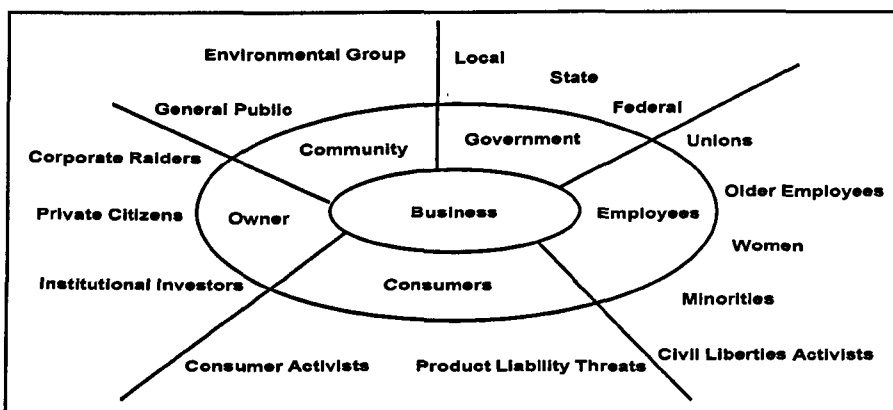
As we are living in a time of decentralisation and diversity, power is not concentrated only in one factor (such as government, business, labour, military or NGOs). The stakeholder view, therefore, proposes that there must be appropriate power sharing through dialogue and networking with other members of the

community — they are the stakeholders. The term stakeholder has become an ‘idea of currency’ (Freeman and Phillips 2002) and is now used as almost everyday terminology in business (Pinnington *et al.*, 2007: 122).

As firms grow, they inevitably become characterised by complex patterns of teamwork and coordination, both inside and outside the firm. The firm is a network of stakeholders (Boxall and Purcell, 2003). Hence, Wheeler and Sillanpa’s argument has materialised, as they insist that ‘stakeholder inclusion’ will be the key to company success in the 21<sup>st</sup> century (Wheeler and Sillanpa, 1997). It could also be a winning plan for driving corporate growth, so called ‘stakeholder power’ (Walker and Marr, 2001).

Freeman's definition of a stakeholder as "any group or individual who can affect or is affected by the achievement of the organisation's objectives" (1984: 46) is widely cited, but it offers an extremely wide field of possibilities as to who or what really is a stakeholder (Agle *et al.*, 1999). The term ‘stakeholder’ is a variant of the more familiar and traditional ideas of stockholders – the investors in or owners of a business. Moreover, in today’s competitive global business environment, there are many individuals and groups who are business stakeholders as shown in figure 2-1 (Carroll and Buchholtz, 2003).

Figure 2-1: Business and selected stakeholder relationships



Source: Carroll and Buchholtz (2003: 9)

From this figure, the complex environment of the business becomes clearer. Conceptually, the need for business to develop greater stakeholder awareness is relevant and intuitively attractive. However, because of the complexity of

identification of a wide range of stakeholders (Clulow, 2005), putting the rhetoric of stakeholder theory into practice is often far more difficult.

In the two decades since Freeman's (1984) seminal work on stakeholder theory, the concept has been integrated into various strands of academic business research (Clulow, 2005). Freeman calls on the fundamental issues for management in that he challenges the principle of whom, or what, really counts and how the company might be described (Brenner and Cochran, 1991). He also offers a way of understanding the current challenge to traditional market economics (Clulow, 2005). He initially argues that the stakeholder idea was built on *instrumental* premises not a *normative* approach (Freeman, 1984) as noted in the following quotation.

“If organisations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organisation's purpose. That is, stakeholder management is fundamentally a pragmatic concept.”  
(Freeman, 1984: 91-99)

However, in his following work (1994: 413), he tries to justify stakeholder theory on *normative* grounds and proposes that there is no right or wrong approach to stakeholders. Whilst this represents a much needed reflective stance, it does little to help stakeholder theory to be put into practice. In other words, without a tried and tested approach how can stakeholder theory be applied efficiently as a management tool?

Donaldson and Preston (1995) explore stakeholder theory more precisely within three aspects: descriptive/empirical; instrumental; and normative. They elaborate the importance of each factor and justify the inter-relation. The *descriptive* stakeholder theory means to explain specific corporate characteristics and behaviours. It identifies specific stakeholders likely to become more or less important as an organisation evolves from one stage to the next (Jawahar and McLaughlin, 2001) and stakeholder salience will be positively related to the cumulative number of stakeholder attributes of power, legitimacy and urgency (Mitchell *et al.*, 1997). The *instrumental* theory links ‘means and ends’ (Jawahar and McLaughlin, 2001) and is used to identify the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives (*e.g.*, profitability and growth).

The *normative* theory is used to interpret the function of the corporation, including the identification of moral and philosophical guidelines for management. The idea of a moral community or of a moral discourse cannot be divorced from the idea of the value-creation activity of business (Freeman, 1994). In this idea, firms should attend to the interests of all their stakeholders – not just their stockholders and stakeholders who have to be treated as their ‘end’ or ultimate purpose (Goodpaster, 1991). The limit of the normative approach is that it is too vague to follow in the business practice. That is, the idea of normative stakeholder theory seems to have a narrow focus; it has a tendency to place too heavy emphasis on moral or philosophical perspectives, and hence, it tends not to be accepted as a realistic approach in analysing today’s workplaces. The normative perspective is no doubt an important part of the stakeholder argument, but not the totality.

The synthesis of dispersed stakeholder arguments according to the above three types — descriptive, instrumental, normative — is useful to examine the stream of contemporary research on CSR. That is, it reveals the limit of it. In this respect, the author attempts to find recent examples of relevant research (from 1995 to the present day) and analyse how it is reflectively applied in the actual management system by applying Donaldson and Preston’s (1995) ideas (see Table 2-1).

Table 2-1: Three aspects of stakeholder theory and example research

Aspects	Key argument	Value	Examples of stakeholder theory research since 1995
<b>Descriptive</b>	<p>It describes:</p> <ul style="list-style-type: none"> <li>• What the corporation is. (Brenner and Cochran, 1991)</li> <li>• The way managers think about managing. (Brenner and Molander, 1997)</li> <li>• How board members think about the interests of firm constituencies. (Wang and Dewhirst, 1992)</li> <li>• How some corporations are actually managed. (Kreiner and Bhambri, 1991)</li> </ul>	To generate explanatory and predictive proposition	<ul style="list-style-type: none"> <li>• Jawahar and McLaughlin (2001) <ul style="list-style-type: none"> <li>- Toward a descriptive stakeholder theory: An organisational life cycle approach</li> </ul> </li> <li>• Berman <i>et al.</i> (1999) <ul style="list-style-type: none"> <li>- Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance</li> </ul> </li> </ul>
<b>Instrumental</b>	<ul style="list-style-type: none"> <li>• It establishes a framework for examining the connections between the practices of stakeholder management and the achievement of various corporate performance goals.</li> <li>• It affects many instrumental studies of CSR which use: <ol style="list-style-type: none"> <li>1) conventional statistical methodology (e.g., Cornell and Shapiro, 1987)</li> <li>2) direct observation and interviews (e.g., O'Toole, 1991)</li> </ol> </li> </ul>	To induce constructive contributions to accomplish desired results (e.g., profitability, stability, growth)	<p>Survey</p> <ul style="list-style-type: none"> <li>• Agle <i>et al.</i> (1991) <ul style="list-style-type: none"> <li>- Who matters to CEOs? An investigation of stakeholder attributes and salience firm performance and CEO value</li> </ul> </li> </ul> <p>Case study</p> <ul style="list-style-type: none"> <li>• Lee (2007) <ul style="list-style-type: none"> <li>- CSR in the Korean electronics industry</li> </ul> </li> <li>• Madariaga and Valor (2007) <ul style="list-style-type: none"> <li>- Stakeholders Management Systems: Empirical Insights from Relationship Marketing and Market Orientation Perspectives</li> </ul> </li> </ul>
<b>Normative</b>	<ul style="list-style-type: none"> <li>• Although descriptive and normative perspective are significant, its fundamental basis is a normative one as 1) stakeholders are identified by their interests in the firm, whether the firm has any corresponding functional interest in them, 2) the interests of all stakeholders are of intrinsic value (Dodd, 1932).</li> </ul>	To offer some underlying moral or philosophical principles	<ul style="list-style-type: none"> <li>• Reynolds <i>et al.</i> (2006) <ul style="list-style-type: none"> <li>- Stakeholder theory and managerial decision-making: constraints and implications of balancing stakeholder interests (Normative + Instrumental approach)</li> </ul> </li> <li>• Zsolnai (2006) <ul style="list-style-type: none"> <li>- Proposes a normative reinterpretation of the stakeholder concept</li> </ul> </li> </ul>

Source: Derived from Donaldson and Preston (1995).

Donaldson and Preston (1995) argue that much of the stakeholder literature is clearly normative and diverse theoretical approaches are often combined without acknowledgment; whereas Agle and his co-authors (1999) argue from another view, that over 30 years of attention to the stakeholder concept is unlikely to produce either descriptive or instrumental disclosure. They add suggestions that normative discourse must continue to be endemic to stakeholder theory and research if scholars want this theory to flourish and fulfil its aims as a theory of the firm – not the least of which is attending to the long-term interests of both the business corporation and society (Agle *et al.*, 1999).

To generalise, it appears that the approach towards stakeholder theory varies according to the management necessity and purpose of the research. This tendency seems to increase as time goes on. Therefore, comprehensively, the main approach to stakeholder theory *has been* (Freeman, 1999), and *has to be* related to strategic management. That is, stakeholder approach should not be an isolated subject. It is a part of business strategy. Therefore, the drive towards an appreciation of the stakeholder needs a more deliberate attitude on behalf of business rather than merely rhetorical commitment. To be taken seriously a consideration of different stakeholders has to be integrated into corporate strategy.

The identity, rationale and progress of stakeholder theory has been continuously discussed in various ways by scholars. It parallels the evolution of the business enterprise and manager's responsibility (Carroll and Buchholtz, 2003). It has been transformed from: (1) *the traditional production view of the firm* in which the owners thought of stakeholders as only those individuals or groups that supplied resources or brought products of the service; (2) *the managerial view of the firm* in which we have witnessed the growth of corporations and the resulting separation of ownership from control, business firms began to see the need for interaction with major constituent groups. Finally, (3) *the stakeholder view of the firm* has been created for managers who were required to undergo a revolutionary concept shift in how they perceive the firm and its multinational relationship with constituent or various stakeholders (Freedman, 1984).

When the stakeholder environment has become as turbulent and rapidly changing as it now is, the manager's responsibility becomes to establish the firm's overall

direction (its strategy, goals and policies) for a long-term perspective (Carroll and Buchholtz, 2003), and they must now induce constructive contributions from their stakeholders to accomplish their own desired results (Donaldson and Preston, 1995). It has been transformed from a traditional managerial job set in a period when managerial tasks were straightforward and the external environment was stable (Carroll and Buchholtz, 2003). However, because of this very volatile and complex context of global capital it is not always the case that aspiration to integrate a consideration of stakeholders in business strategy actually meets the reality of how that strategy is played out.

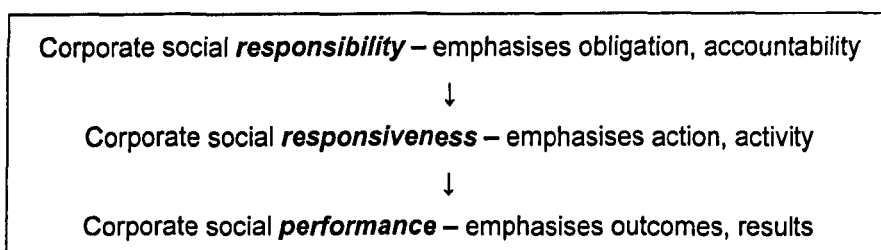
### ***Corporate citizenship***

“Like citizens in the classical sense, corporate citizens search for ways to align self-interest with the larger good of society.”

(Smith, 1994: 107)

Some scholars and practitioners today prefer the phrase ‘corporate citizenship’ as it collectively embraces the host of concepts and the ideas related with CSR which are being developed. It has developed from responsibility to responsiveness (Sethi, 1975; Frederick, 1978, 1986). Based on the responsibility and responsiveness approach, the corporate social performance (CSP) model has evolved as shown in figure 2-2.

Figure 2-2: Corporate citizenship concepts



Source: Adapted from Carroll and Buchholtz (2003).

Wartick and Cochran (1985) underline the interactions among the principles of social responsibility, the processes of social responsiveness, and the policies developed to address social issues. Woods (1991) defines CSP as an organisation’s configuration



of principles of social responsibility, the process of social responsiveness and observable outcomes as they relate to the firm's social relationship. In recent years, the integration of CSP with the stakeholder concept has been welcomed by scholars as it can lead to a better understanding of the relationship between business and society (Brenner and Cochran, 1991; Clarkson, 1995).

However, it is also admitted that there have been potential tensions between corporate performance and CSR within a CSP approach. For example, when firms regard CSR as only an additional cost - such as extensive charitable contributions - these costs might create an economic disadvantage for a firm compared to other less socially responsible firms (McGuire *et al.*, 1988: 855). Such observations are closely related with the ambiguity of measurement of CSR (Ullmann, 1985).

As elaborated above, the two major concepts on CSR: stakeholder theory and CSP has the potential to act as an explanatory device to understand the relationship between business and society. However, there are limits to argue for CSR with a market perspective in a holistic way. To explain these limits, the research investigates in depth current claims on CSR. It will then go on to suggest possible future approaches to CSR displaying an appreciation of the limitations of contemporary practice.

### ***What does (and should) CSR claim to do?***

An extensive exploration of the contemporary debates on CSR reveals that existing discussions of CSR in the majority of the research tend to be based upon two claims: (1) CSR is about stakeholder management; and (2) The approach to CSR has to be strategic and fundamentally related to business performance. However, a focus on this approach has its limits and it is questionable that it is able to explain the true situation of a stakeholder perspective in management practice and CSR's relationship with a firm's performance and strategy. It is, therefore, expected that to explore future suggestions towards CSR, through interrogation of the two major arguments (as outlined above) and their limits, is an essential and noteworthy attempt.

The first claim is that CSR is about stakeholder management. However, widespread stakeholder approaches display unbalanced and limited views. To elaborate, most research on stakeholders has focused on the external stakeholder

view – such as society or philanthropy describing its drivers, or analysing mainly the outside-in influence of competitive advantage. It, therefore, overlooks the internal stakeholder, such as the employee, even though many scholars vigorously argue that they are one of the most important stakeholders (Jones, 1995; Redington, 2005). The analysis of a firm's inside-out influence also falls behind; creating what looks to be an unbalanced stakeholder approach.

Additionally, strong arguments could be made from such an unbalanced stakeholder approach that true CSR needs to be adopted in a more holistic way throughout the organisation. If employees are not engaged, CSR merely becomes an exercise of public relations (PR) rather than a genuine attempt at stakeholder engagement. In confirmation of this observation, Hillman and Keim (2001) insist that while different sources of CSR are very important in international business, it is worth injecting a note of caution about the right selection of 'true' stakeholder issues of the time, as the tendency of authors have been focused mainly on external affairs, thus exaggerating PR and social contribution dimensions.

The second argument regarding CSR is that it has to be connected with business strategy and performance. However, the prevailing approaches to CSR are fragmented and so disconnected from business and strategy (Porter and Kramer, 2006). It is admitted that corporate responsibility used to be mainly in the public-affairs arena, but its stream is about to change to a holistic management approach (Alsop, 2007). It is perhaps surprising that currently, so many studies regarding CSR and its connection with certain competitive advantages of the firm have been emerging. Therein lays the distinction between how CSR should be and how it sometimes is – between CSR as a structured part of a company's constitution and CSR as the occasional philanthropic gesture.

There are, however, practical guidelines for CSR which are often unclear (Porter and Kramer, 2006). Part of the problem has been the lack of case studies such as the research on finance, organisational behaviour and strategy. The London Business School found from an audit that there are about 1,000 cases which deal with something concerning CSR, but many are not usable because they are dated or because CSR is only tangential to the case, and not integrated with mainstream business (Alsop, 2007). Although the problem of management issues arises from the

strategy literature, the solutions are drawn from the organisational behaviour, human resource management, human capital, and professional literatures (Coff, 1997).

As elaborated above, it is debatable whether the two current existing claims describe CSR in a tangible way: what CSR means (purposiveness of behaviour) and what drivers and impacts are (purposes). Penrose (1959) argues that the purposiveness of behaviour cannot be understood if one does not know what the purpose is. Therefore, there must be a critical attempt to understand the purpose of CSR – “Why CSR?” which is elaborated in the next section.

## **Why CSR?**

This section explores in detail why CSR has been emerging as an increasing topic of concern, and why there are related debates enjoying increasing popularity in the field of management and economics, and, consequently, how we may interpret this stream.

### *The various claims*

Economic and management gurus emphasise the necessity and emergence of CSR, which are described in Table 2-2. For Porter (2002, 2006), CSR is an unavoidable trend to gain social legitimacy and may be linked to the creation of competitive advantage. Dunning (2003) advocates CSR in the view of globalisation and responsible global capitalism. For Carroll (1979), CSR holistically encompasses four expectations from society to organisations: economic, legal, ethical and discretionary (philanthropic). Alfred Chandler (1977) questions Adam Smith's emphasis on the “*Invisible Hand*” and argues in his “*Visible Hand*” philosophy that, from the late 19th century onwards, the role of coordinating economic activities passed from the marketplace to the visible hand of managers. Their ideas comprehensively show that CSR has emerged from the notion that corporate action is not isolated but is an integrated and complex behaviour which links to the relationship between business and community.

Table 2-2: The derivation and emergence of CSR

<b>Representative articles</b>	<b>Key arguments</b>	<b>Locus issue and major theory</b>
Porter and Kramer (2006: 78)	<ul style="list-style-type: none"> <li>Government, activists and the media have become adept at holding companies to account for the social consequences of their actions.</li> <li>Myriad organisations rank companies on the performance of their CSR and their ranking attracts considerable publicity.</li> </ul>	<ul style="list-style-type: none"> <li><b>Public response</b></li> <li><b>Gaining social legitimacy</b></li> </ul>
Dunning (2003: 11-14)	<ul style="list-style-type: none"> <li>Globalisation – and all the futures associated with it – create a huge income gap both between countries and within countries.</li> <li>There is currently no supranational form of governance, which can correct or lessen intra-country social injustice.</li> </ul>	<ul style="list-style-type: none"> <li><b>Globalisation</b></li> <li><b>Responsible Global Capitalism (RGC)</b></li> </ul>
Carroll and Buchholtz (2003: 39-42)	<ul style="list-style-type: none"> <li>CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organisations at a given time.</li> </ul>	<ul style="list-style-type: none"> <li><b>Four-Part Definition of CSR</b></li> </ul>
Chandler (1977)	<ul style="list-style-type: none"> <li>From the late 19th century onwards, the role of co-ordinating economic activities passed from the marketplace to the visible hand of managers.</li> <li>The world of enterprise is full of variants, of diverse responses to the tensions and conflicts implicit in entrepreneurial strategy and in the personal circumstances and histories of business endeavours.</li> </ul>	<ul style="list-style-type: none"> <li><b>Visible Hand</b></li> </ul>

It should be also acknowledged that academics are not the only ones who are interested in, and seriously debate, this topic. Myriad organisations and periodicals report, and work, on corporate social performance (Carroll and Buchholtz, 2003) (e.g., *Fortune*'s ranking of "Most Admired" companies, "Awards for Excellence" by *Business in the Community*, *The Council on Economic Priorities*' (CEP) "Corporate Conscience Awards", *Business Ethics Magazine*'s "Annual Business Awards", and so on). Also, every company in the *FTSE* 100 now produces a corporate responsibility report (Armstrong, 2006). In 2005, about 64% of the 250 multinational corporations publishing CSR reports support a new cottage industry of report writers (Porter and Kramer, 2006).

Currently, international organisations actively work to measure and control MNCs' CSR (e.g., the *UN Global Compact* and the *Global Reporting Initiative [GRI]*) (Kakabadse *et al.*, 2007:23) and to make standardisation (e.g., the *International Organisation for Standardisation [ISO]*) by 2010 — in hindsight this seems a little optimistic. Nevertheless, all these movements show CSR's role as a must for gaining legitimacy in the global market (Gooderham and Nordhaug, 2003) and in their potential new role as society leaders (Bakan, 2004).

With regard to the above elaborated arguments related to CSR in academic and practitioners' areas, it is realised that one of the most emerging and vigorous approaches towards CSR is the possibility of a link with competitive advantage of the firm. This issue, therefore, will be investigated in detail in the next section, as it seems necessary and timely in order to find out the true situation of CSR.

### ***Competitive advantage debates***

There is an undeniable fact that firms engage in CSR because they consider that some kind of competitive advantage accrues to them (Branco and Rodrigues, 2006; Porter and Kramer, 2006). CSR has been promoted as having strategic value for firms (Branco and Rodrigues, 2006; Porter and Kramer, 2006; Molteni, 2006), and a case for incorporating an awareness of social and political trends into corporate strategy has become overwhelming. It is argued that CSR goes beyond good corporate citizenship behaviours and mitigating harmful value chain impacts, but includes opportunities for shared value. There is also a conviction that CSR will become important to competitive success (Porter and Kramer, 2006), and thus, it should be considered as a form of strategic investment (McWilliams *et al.*, 2006).

One of the most influential studies that have attempted to find the fundamental reasons for CSR initiatives and their link with competitive advantage has been conducted by Michael Porter over two decades. As a management guru, he has been trying to find the link between competitive advantage and various management fields of the time, such as information (with Miller, 1985), environment (with van der Linder, 1995), foundations' philanthropy (1999), internet (2001), corporate philanthropy (2002), and CSR (2006). His major views on competitive advantage are analysed according to his key argument and rationale in Table 2-3. The research

finds that Porter's arguments on CSR as a contributor to competitive advantage focuses on the relationship with society and external stakeholders of the firm: an outside-in influence of competitive advantage.

Table 2-3: Michael Porter's competitive advantage since 1985

Competitive Advantage Focus	Key Arguments	Rationale
Information (1985)	The information revolution is affecting competition in 3 ways by: 1) changing industry structure, 2) creating competitive advantages by lower costs or enhancing information revolution, and 3) spawning new business.	<ul style="list-style-type: none"> <li>The information revolution is changing the nature of business and can create competitive advantages for those managers who understand its effects.</li> </ul>
Nations (1990)	There are 4 broad attributes of a nation that individually and as a system constitute the diamond of national advantage: 1) factor conditions, 2) demand conditions, 3) related and supporting industries, and 4) from strategy, structure, and rivalry.	<ul style="list-style-type: none"> <li>Today's competitive realities demand leadership.</li> <li>Leaders recognise the importance of their home country as integral to their competitive success and work to upgrade it.</li> </ul>
Inner city (1995)	A sustainable economic base can be created in the inner city only through private, for-profit initiatives and investment based on economic self-interest and genuine competitive advantage.	<ul style="list-style-type: none"> <li>The economic distress of America's inner cities may be the most pressing issue facing the nation.</li> </ul>
Environment (1995)	Managers must start to recognise environment as an economic and competitive opportunity, not as an annoying cost or inevitable threat.	<ul style="list-style-type: none"> <li>The research highlights the role that outside pressure plays in motivating companies to innovate in conjunction with an environmental approach.</li> </ul>
Clusters (1998)	The enduring competitive advantages in a global economy lie increasingly in local things – knowledge, relationship, and motivation – that distant rivals cannot match.	<ul style="list-style-type: none"> <li>Untangling the paradox of location in a global economy reveals insights about how companies continually create competitive advantage.</li> </ul>
Philanthropy (1999)	Foundations create value in 4 ways: 1) selecting the best guarantees, 2) signalling other funders, 3) improving the performance of grant recipients, and 4) advancing the state of knowledge and practice.	<ul style="list-style-type: none"> <li>Not enough foundations think strategically about how they can create the most value of society with the resources.</li> <li>Little effort is devoted to measuring it.</li> </ul>
Internet (2001)	Gaining competitive advantage does not require a radically new approach to business; it requires building on the proven principles of effective strategy.	<ul style="list-style-type: none"> <li>Many of the pioneers of Internet business have competed in ways that violate nearly every precept of good strategy.</li> </ul>
Corporate philanthropy (2002)	<ul style="list-style-type: none"> <li>Corporations can use their charitable efforts to improve their competitive context – the quality of business environment in the location where they operate.</li> <li>Using philanthropy to enhance competitive context aligns social and economic goals and improves a company's long-term business prospects.</li> </ul>	<ul style="list-style-type: none"> <li>As long as companies remain focused on the PR benefits of their contributions, they will sacrifice opportunities to create social value.</li> <li>There is no inherent contradiction between improving competitive context and making a sincere commitment to better society.</li> </ul>
Corporate Social Responsibility (2006)	<ul style="list-style-type: none"> <li>To advance CSR, we must root it in a broad understanding of the interrelationship between a corporation and society.</li> </ul>	<ul style="list-style-type: none"> <li>An affirmative corporate social agenda moves from mitigating harm to reinforcing corporate strategy through social progress.</li> </ul>

Current arguments between Porter and Kramer (2006) and Reich (2007) are an informative and interesting example of the CSR debate and how it is closely related with competitive advantage. The argument of Porter and Kramer is that CSR can create competitive advantage for the firm, whereas Reich insists CSR is about virtue and generosity rather than social impact and competitive advantage. On the other hand, Friedman, based on his well-known *shareholder primacy perspective* (1962), argues that the social responsibility of a business is just to increase its profit (Friedman, 1970):

“What does it mean to say that ‘business’ has responsibilities? Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but ‘business’ as a whole cannot be said to have responsibilities, even in this vague sense. The business CEO has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.”

(Friedman, 1970)

While Friedman’s arguments may have been accepted in earlier days of industry, they are a little more contentious as today’s organisations are more closely scrutinised, and people are more aware of business’ role in society and hence more prepared to question its contribution to the wellbeing of society. Taking a more contemporary management stance, Porter (2002) argues that when CSR is looked at to improve a firm’s *competitive context* — the quality of business environment in the location or locations where they operate — Friedman’s assumption is wrong. Porter appears to assume a little naively that the focus on competitive advantage will dissolve the tensions inherent in the acceptance and implementation of activities in the business community.

CSR’s competitive advantage argument is closely related with the corporate dilemma between a *moral and business case* for CSR, as this involves major challenges with respect to the formulation and implementation of CSR strategy (Smith, 2003). Admittedly, the business case for CSR is weak, even though prevailing literature on CSR is packed with attempts to uncover it (Kakabadse *et al.*, 2007: 37, Vogel, 2005; Windsor, 2001). It is mainly because of the way corporations overlook the heterogeneity of the business landscape and wide variety of CSR

motivation, and scholars' long-lasting search for a strict division in CSR of two camps between an ethical model (e.g., Carroll, 2003; Windsor, 2001) and an economic model (e.g., Friedman, 1970). It also contributes to the absence of a universally accepted definition of CSR, and in turn, hampers implementation of CSR in practice (Smith, 2003).

Companies are caught in a moral trap in a vigorous global market economy, such as, customers want companies to be responsible, but don't want to pay premiums; hence, scholars are struggling with the two different agendas. Therefore, it is needed, for both parts, to not only differentiate between the business and the normative relevance for CSR, but also reconcile the two initiatives, as they are not perspectives of opposition but interdependence (Smith, 2003/2005).

### **Why Now?**

Is it a necessary question to discuss whether “society grants legitimacy to business leaders, shareholders, employees, and customers?” (Agle *et al.*, 1999). The answer is “Yes”. To explain the answer, in this section the research investigates the issue with the theme of trust and globalisation — an especially important focus given the recent economic downturn on a global scale and the perceived role that ‘irresponsible’ corporations played in the current crisis. The discussion then goes on to look at other current issues of the time — sustainability management and the war for talent and staff. These topics are elaborated in relation to the argument for the necessity for CSR.

### ***Social legitimacy I: trust***

“The pressure on corporations to become more socially responsible comes from the fact that they are worried about their legitimacy.” (Bakan, 2004: 182)

CSR is emerging as a key global branding theme of the time (Bakan, 2004; Werther and Chandler, 2005). The firm must satisfy investors and regulators that they can behave responsibly, because without these baseline features, firms lack legitimacy and recognition in wider society (Boxall and Purcell, 2003). This has always been the case but now the eyes of nation states and their people are on corporations; they are



seeking explanation and some sort of rescue from the current global economic crisis. For the first time in many years, the right of business simply to do business is being widely questioned. Corporations are going to need to work harder than ever to display that they are responsible corporate citizens. After all, the notion of license-to-operate derives from the fact that every company needs tacit or explicit permission from governments, communities and numerous other stakeholders to do business (Porter, 2006).

At the centre of social legitimacy and social licence, there is a critical issue underpinning the capacity to do business – trust. As a result of certain businesses bankruptcy due to their legal and ethical misconduct, CSR gains further recognition in relation to the trustworthiness and responsible attitude of businesses (Kakabadse *et al.*, 2007: 9). The *Enron* scandal is a relevant business case to elaborate this issue as it highlights weaknesses in the system serving to make people more aware of corporate greed. Previously one of the most admired companies, *Enron* has become a shattered wreck and a much cited example of how not to do business, because of the allegation of huge accounting fraud. It was an accumulation of disasters in a world where, in the end, everything depends on trust (Berube, 2002). It has awakened business and the community from the narrow concept of management and has posed serious questions concerning “what is CSR all about and why?” Unfortunately, *Enron* is not an isolated incident related to the discharge of accountability, but rather a symptom of a combined phenomenon of the corporation’s various institutional characters (Bakan, 2004), which raises questions concerning the fundamental nature of business competition and global capitalism (Choi and Kim, 2007; Owen, 2005).

Trust building is a systematic process. Throughout history, without trust, business could not survive. Most attention has recently focused on the role of trust as a mechanism for enhancing contractual security and facilitating long-term cooperation (Jones and Pollitt, 1998). Business has been trying to restore its status as good corporate citizens through CSR-related activities. For example, during the period of the Great Depression (1930s) in America, when many people believed that corporate greed and mismanagement had created the economic collapse of that period business leaders embraced CSR, they believed, as the best strategy to restore people’s faith in corporations and reverse their growing fascination with big government (Bakan,

2004). It is now a case of history repeating itself as the first 'depression' of the new millennium takes hold.

It is little wonder, then, that corporations try to overcome a legitimacy crisis through CSR engagement. However, some commentators worry that this is not enough (Kristol and Bell, 1971) and warn of a myopic view towards capitalism, which mainly praises the free market for its contribution to material benefit and enhanced human freedom. They warn that society needs to continuously present challenges to business. Recent economic events (e.g., corporate defaults and financial meltdown) prove this view. They tell of the significance of understanding business legitimacy issues in relation to uneasy integration with various realms, such as social structure, polity and culture. These cases show that a discretionary approach towards the role of business in society – without a holistic corporate strategic radar but with only monetary logic – cannot work in the contemporary market. To acknowledge the needs, across all aspects of business, is the key for business to successfully gain the trust and licence to operate in the market. Current financial institutions have disregarded this warning sign to the peril of business and society. To reiterate, the view of this research is that business is not an isolated institution whose responsibility is only to make profit; it is, of course, an imperative of business but not the totality.

Pursuing trust is one of the major reasons for the growth in CSR's significance, and this will continue to lead to an increase in its importance – especially in light of the recent global downturn and the part irresponsible organisations have played in recent events. Therefore, the highly regarded organisation will be the one that addresses the needs and concerns of both society and the market, and makes use of this in its corporate strategy in various ways: as a PR campaign (Frankental, 2001; Reich, 2007: 170, Tilson and Donald, 1985); as a means of risk management (Husted, 2005; Orlitzky and Benjamin, 2001; Story and Price, 2006); and as a way of gaining the stage for market and social legitimacy.

### ***Social legitimacy II: globalisation***

There is another critical reason for business to employ CSR in terms of social legitimacy – globalisation. Globalisation has given corporations unprecedented

power and influence (Bakan, 2004). Meanwhile, attitudes towards the phenomenon of globalisation have also vigorously changed: from nothing but praise in the late 1980s to serious concerns being voiced in the late-1990s, to loud cries for its close control in the first decade of the 21<sup>st</sup> century. There is now more concern than ever about the side-effects of globalisation (e.g., human rights, global warming and the serious gap between the rich and the poor) and it is widely debated in the academic and practical arena. To elaborate, global order has revealed instability and the legitimacy of corporate-led globalisation has been more severely challenged than ever before. The recent economic downturn of the global community shows well how corporations — the dominant power in this globalisation era — misled the world and the impact this has had on society.

It is assumed that there is little disagreement that the main/primary beneficiary of globalisation is business; for its expansion of market, opportunity and power. Specifically, this applies to MNCs who continually explore low-income markets across the world as they face problems in searching for new growth opportunities and legitimacy. They recognise, strategically, that boosting social and economic conditions in developing countries can create more productive locations for a company's operation as well as new markets for its products (Porter, 2002). A genuine commitment to CSR can be an important source of gaining legitimacy in the international market. However, some companies have damaged their reputation brought about by a lack of integrity in seeking new products and market opportunities in developing countries (Hooijberg, 2005); with the result that they are seen as exploitative rather than contributing to the health and wealth of developing nations — e.g., the case of Nike and Gap concerning using of child labour in Indonesia factories (van Tulder and Kolk, 2001), Nestlé and Coca Cola regarding unethical behaviour and marketing of baby formula and Coke in developing markets (e.g. *Nestlé*: unethical marketing against breast-feeding and its operation in Africa; *Coca-Cola*: environmental abuses in Nigeria, over permitted levels of pesticides in India, labour abuse in Colombia, union-busting in Pakistan) (Teather, 2006; Baker, 1985).

In following the ideology of economic growth, economic capital has been affluent and, it might be argued, so-called social, cultural and human capital has been

exhausted. As a result, business executives of MNCs are beginning to recognise that a focus on economic capital does not guarantee business success. In other words, in an interdependent world in which new institutional forms that exist beyond nations are beginning to emerge, it is now argued that to run a successful global business, corporations must become actively involved with social and human capital. Therefore, in effect, Friedman's classic argument is also limited in its capacity to explain the current market, as many commentators strongly argue that CSR does make business sense and it is in the long-term interests of the company to care about other things beyond a narrow focus on the bottom line.

### ***Sustainability management***

*Sustainability* is one of the most frequently used but least understood terms of our time and it is also applicable to business and society. (Hart, 2007: 57-58). A very current issue in the global market is about how companies continue to survive and thrive — *sustainability management*. It is highly interconnected with the notion of transformation of capitalism from a profit-driven motivation to a value-driven one.

It is reasonable to assume that there may be no doubt that businesses, like human beings, would like to live as long as they possibly can. Senge (1993) insists in his book *the Fifth Discipline* that few large organisations live even half as long as a person. According to a Royal Dutch/Shell survey, one-third of the firms in the *Fortune* 500 in 1970 had vanished by 1983. From this data, it is also argued that the average lifetime of the largest industrial enterprises is less than forty years, roughly half the lifetime of a human being, and companies die because their managers focus on only the economic activity of producing goods and services, forgetting that their organisations' true nature is that of a community of humans.

A critical point emerges that the sustainable survival of a business is dependent upon a wise balance of desire between making profits and growth for the long term. That is why growth and profits become equivalent as the criteria for the selection of an investment programme (Penrose, 1980). Therefore, to see which companies will be successful in the next century, we need to look away from a projection of today's terms only. It is a frequent mistake in looking forward to think that current performance and above all current size are the most important elements in future

success (Kay, 1993). Short-termism is particularly a weakness of Anglo-American corporations and supporting institutions (government, banking etc.)

One of the most crucial advancements in the CSR arena is the realisation of the nature of business and that its performance cannot be assessed with a single yardstick (Pava, 2008: 808). In this respect, the abundance of CSR research on corporate sustainability is related to the triple bottom line approach (Elkington, 1997), in which corporate performance is associated with the economic viability of firms, minimisation of negative environmental impacts and action in conformity with social expectations (e.g., Carroll, 1991; Branco and Rodrigues, 2006). For instance, almost 70% of the top businesses in the world publish triple bottom-line reports (KPMG, 2005) revealing the importance of this stream of thought and the active approach of businesses to this. However, the 'bottom line' for organisations is more complex than at first appears, as a good performance is multidimensional (Boxall and Purcell, 2003).

Corporate sustainability is also closely related to the issues of people. The employee, related to both CSR and HRM activities can make major contributions to creating long-term success in organisations (Redington, 2005; Boudreau and Ramstrad, 2007). Taylor and Napier (2002) argue that as the focus on sustainability grows, companies must examine the balance between work (employee), family and community sustainability, and recognise that communities where employees work and live are important sustainers of the ongoing vitality of the firm's resources. Therefore, a company's effort to integrate employees into the management strategy is essential for sustainability management, which is elaborated in detail in the next section.

### ***Employer branding to attract and retain talent***

CSR has become an instrument for helping organisations recruit, retain and motivate the people they want (Cowe *et al.*, 2002, Redington, 2005; Turban and Greeing, 1997). CSR can be used as a strategy of employment in the present era of '*the war for talent*', where a shortage of international management talent is becoming a greater problem for international firms, since shortages of talent can constrain the implementation of internationalisation strategies. Heinen and O'Neill (2004) argue

that sustained competitive advantage comes from talent management practices – how the organisation attracts, develops, motivates, manages and rewards its talent.

In other words, the employee is becoming a significant issue in terms of the achievement of organisational strategy (Lundy and Cowling, 1996) as people, and how we manage them, are becoming more critical because many other sources of competitive success are less powerful than they once were (Pfeffer, 1994). Developing future global leaders is a key priority in the management of human resources in the global firm (Gregerson *et al.*, 1998; Scullion and Starkey, 2000). Prospective employees increasingly view the company as a way to improve society beyond production (Lawrence, 1973). Related with that, a current KPMG survey reveals that the world's big company leaders make use of CSR to motivate employees and attract new recruits (KPMG, 2005).

However, it is surprising to find that there have been very few attempts to investigate – sometimes completely overlooking – employees in relation to CSR. This issue will be investigated in detail in the next section.

### **CSR and the missing employee**

The notion of the significance of the employee as a stakeholder is conspicuously absent from management discussion and has been raised only recently and briefly (De Cieri *et al.*, 2005: 99; Matten *et al.*, 2003; Pinnington *et al.*, 2007; Winstanley and Woodall, 2000). On the contrary, there has been vigorous research on external stakeholder values: for example, in the views of social contribution (Brammer and Millington, 2004; Korhonen, 2003), PR (Frankental, 2001, Reich, 2007: 170), tax benefit (Webb, 1996) or reputation and risk management (Story and Price, 2006). This research recognises the missing employee in CSR and, therefore, seeks to explore the missing points and argues the importance of placing employees within the CSR frame.

### ***CSR and employee's power***

Stakeholder theory contends that various stakeholders have power to influence the firm's behaviour and strategy (e.g., Mendelow's power/interest matrix) (Johnson *et al.*, 2008; Mendelow, 1991; Mitchell *et al.*, 1997). From this perspective, the

employee can be seen as one of the key actors for drawing on power resources not only in decision-making processes but also in a firm's strategy. And such an approach has been recognised in practice; for example, *John Lewis* in the UK introduced its so-called 'employee partnership system' and *Samsung* in Korea announced its mission for 'people and talent management'. Since the quality of management depends on the quality of the people to be managed (Hofstede, 1980), effective management of human resources internationally is a major determinant of success or failure in international business (Schuler *et al.*, 2002; Stroh and Caligiuri, 1998; Scullion and Starkey, 2000).

Macleod (1983/1984) argues that most employees want to do a good job, yet feel they are somehow kept from being as productive as they can be and there is a problem of power sharing. Many managers are afraid that giving power to employees reduces their own power. However, without empowerment, it is difficult to generate people's motivation; thus, the result of a firm's performance cannot be guaranteed. The employee needs to have a sense of power over their own life, such as being involved in decision making processes and being a part of collective action (*e.g.*, a labour union [Northrup *et al.*, 1981; Wynn-Evans, 2007] and collective bargaining [Millsbaugh, 1990]). This is an important, but often neglected, part of CSR.

### ***CSR and employee's legitimacy***

Mitchell and his colleagues argue that an emphasis on the legitimacy of a claim on a firm, based upon, for example, contract, exchange, legal title, legal right, moral right, at-risk status, or moral interest in the harms and benefits generated by company actions, is required in order to narrow the definition of the stakeholder (Mitchell *et al.*, 1997). Stakeholder legitimacy is a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Agle *et al.*, 1999; Suchman, 1995).

Given such an emphasis the employee can be presented as a legitimate and important stakeholder and attention should be given to their status, their treatment, their rights and their satisfaction (Carroll and Buchholtz, 2003). Beyond the traditional employment issues (such as the bread and butter concerns of higher pay,

shorter hours and more job security), today's workplace issues are more complex demanding integration into the strategic thinking of the organisation — just as with CSR. The traditional social contact between employer and employee and business and society has been reshaping because of three major forces: global competition; technology advances; and deregulation (Chilton and Weiddenbaum, 1994). Accordingly, the changes impacting the workplace are so fundamental and pervasive that people and society are affected (Chilton and Orlando, 1996).

Related with this, recent international HRM-related issues are at the centre of the CSR and business ethics debate and they are closely related with the legitimacy of employees. Myriad scholars attempt to connect these two issues for seeking a management solution and/or creating competitive advantage; there are, for example, labour union and relations issues (Hemphill, 2004; Scott, 1995), human rights in international business (White, 2004; Simon, 1993; Simons, 2004; Park, 2004), discrimination (Point and Singh, 2003; Bruce, 1993), freedom of association and collective bargaining (Barnard and Deakin, 2002) whistle-blowing (Nancy, 1986; Mesmer-Magnus and Viswesvaran, 2005), workplace bullying (McCarthy *et al.*, 2003; Sheehan *et al.*, 2004), human resource development (HRD) (Wilcox, 2006; Packer and Sharrar, 2003), and so on.

### ***Further suggestion: CSR and IHRM link?***

Throughout this chapter, a variety of CSR theories and arguments are comprehensively reviewed. As a result, it is revealed that widespread CSR approaches display unbalanced and limited views. That is, research on CSR has predominantly focused on external stakeholder views (*e.g.*, NGOs, philanthropy, PR, tax benefit and risk and reputation management) and hence the notion of the 'employee' is conspicuously absent from contemporary CSR rhetoric. To illustrate this in a more holistic way, this chapter explored CSR issues by employing *stakeholder theory* as related to various important employment management issues, and finally concluding with the suggestion that the 'employee' is the 'missing factor' in the contemporary CSR argument; it is noteworthy to identify that the coupling of CSR with IHRM is as timely as it is necessary.

Based on the argument presented in this chapter, the next chapter explores the



question of how CSR and IHRM are linked and to what extent. As analysed above, there is some valuable research which investigates the relationship of CSR with themes of people management. However, the next obvious step of the investigation process, cause and result in any sort of detail, and theorising about the relationship between the two issues, has not been made. Consequently these two fields are still somewhat disconnected and need further investigation to explore possible links. The present research suggests that combining CSR with IHRM issues can potentially address a business case for CSR and IHRM and, therefore, elaborates the arguments in detail in Chapter 3. To this end, the '*RBV (Resource Based View)*' will be used in order to scrutinise the criticality of human resources in the role of CSR and to explore the situation as to how these two dimensions can share similar values and aid one another in their fundamental support of business strategy.

### Chapter 3: Aligning CSR to IHRM strategy

Chapter 2 has reviewed CSR (Corporate Social Responsibility) through the lens of stakeholder theory and in doing so revealed the potentially important, though often neglected, role of the employee as both a stakeholder, and thus a beneficiary of CSR, and also as an enabler of corporate strategy, including the support and enactment of CSR initiatives. Developing a focus on this relationship, this chapter will highlight CSR's criticality and influence on the IHRM (International Human Resource Management) strategy area, and vice-versa, drawing on the RBV (Resource-based View) of strategy. It is argued that, combined, these two approaches can explain the dynamic and potentially mutually supportive relationships between the two areas of IHRM and CSR and provide thought and debate for academics and practitioners.

In relation to CSR and IHRM research, two problems are identified that hinder efforts to get to the heart of the research question. First, there is a paucity of studies in the literature that attempt to examine the concrete impacts of CSR on HRM (Muller-Camen *et al.*, 2006). Second, theoretical and empirical developments concerning the interactions between the two areas have been lacking. As elaborated in Chapter 2, it is suggested that there is a fundamental problem of a myopic view of CSR which only focuses on issues such as philanthropy, PR (Public Relations) and community relations. In addition, past studies have generally theorised in relation to a different dependent variable separately according to anecdotal evidence rather than trying to integrate related concepts into a holistic analysis.

This research goes beyond the answer of “Yes, there are links.” or “No, there are not links”, seeking to develop a holistic integrated model of CSR and HRM strategy which can explain the multiplicity and complexity of the cause and effect of each related component. Within such a frame it becomes possible to explain the potential reciprocal and synergistic effects and their contribution to business goals.<sup>1</sup>

According to the review of CSR presented in Chapter 2, CSR is related to a more pronounced move towards building stakeholder relationships, creating social legitimacy and achieving sustainability management. The research surprisingly discovers that, despite the lack of previous recognition, there are strong links

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<sup>1</sup> Potential transferability and implications are discussed in Chapter 9.

between the goals and activities of CSR and HRM and there are various practices to show the relationship of the two (e.g., organisational culture, self image, HRD, employee involvement and well-being, corporate governance, commitment and motivation, value and reputation). Among them, this research suggests that the first and foremost driving forces of the linkage between CSR and IHRM are *motivation* and *organisational culture* which are contextual and serve to mutually complement each other. That is, a clear CSR approach helps to shape an organisation's culture and hence the attitude of employees which affects the motivation and commitment of workers (Collier and Esteban, 2007). These two components, throughout the interaction of various sub-variables (e.g., value and relationship), contribute to an employer's HRM strategy (e.g., recruitment, retention and development) which, as is commonly suggested, holds the potential to create competitive advantage for the firm.

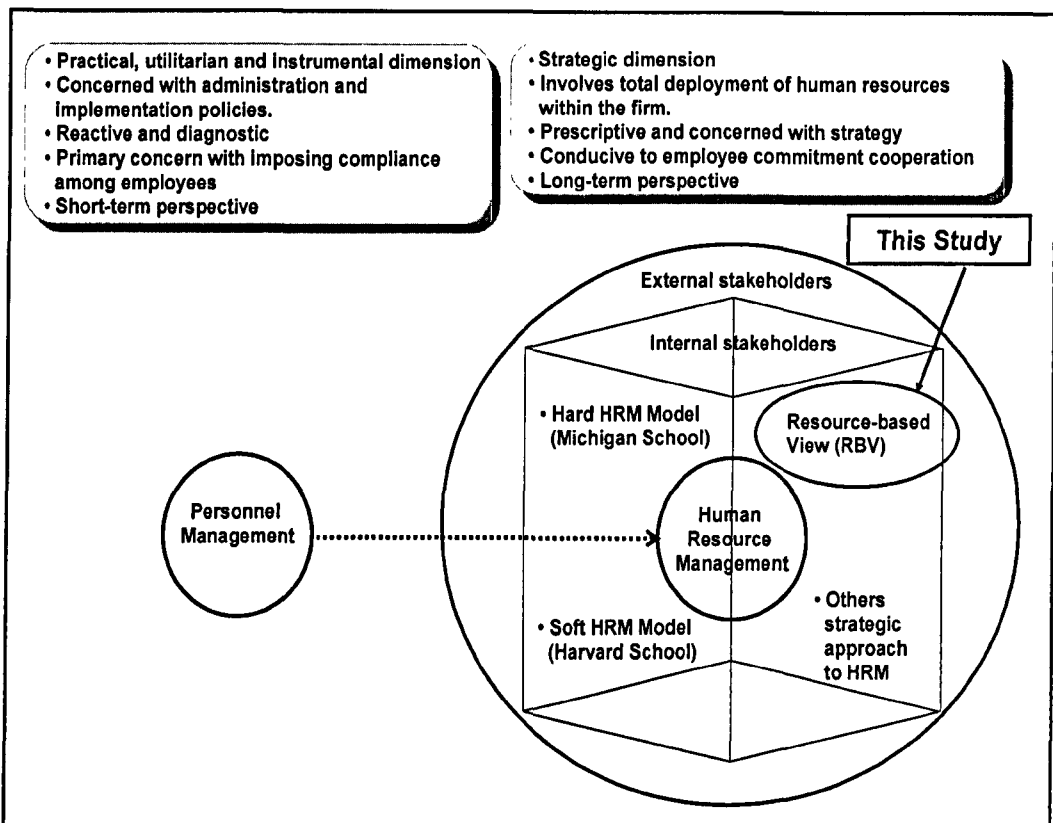
Along with stakeholder theory, which was examined in the previous chapter, this analysis will draw on the RBV of the firm which guides a view of competitive advantage of the firm from outward to inward (Clulow, 2005; Gottschalg and Zollo, 2007) and suggests human resources (assets) as a critical means of gaining competitive advantage for the firm (Barney, 1991; Lado and Wilson, 1994). In so doing, this chapter elaborates the missing link between CSR and IHRM and how they share and underline similar values and help each other in their fundamental support for corporate strategy.

### **Identity of HRM in view of the stakeholder relationship**

Before leaving the discussion of the linkage between CSR and HRM in detail, it is important to examine HRM's history as it is related with the extensions of employees' relationships with other stakeholders. It is suggested that since the First World War period the systematic study of employer-employee relations and human aspects have been encouraged and investigated during periods of great transition. Contemporary management has to regard the critical shift in the employer-employee relationship: from "*the Organisation Man*" (Whyte, 1956) to "*the Individualized Corporation*" (Bartlett and Ghoshal, 1995) along with the associated shift embodied in HRM's transformation from personal management, which is considered as the most debated turning point in the historical development of HRM (Graham and

Bennett, 1998; Ozbilgin, 2004); encompassing as it does a consideration of political economy and market conditions (Legge, 1995). (see figure 3-1)

Figure 3-1: Shift from PM to HRM



Source: derived from Graham and Bennett, (1998)

For some academics and practitioners, the change in name from personnel to human resource management (HRM) practice is simply a change in labels; for others it denotes a significantly different way of managing the employment relationship (Francis, 2002; Watson 1999). Whereas personnel management is plural and pragmatic in approach (Keenoy, 1990), and tends not to regard or predict overall organisational performance (Bassi and McMurrer, 2007), HRM is presented as a strategic approach to managing employment relations (Bratton and Gold, 2003:7; Guest, 1987). It embraces the following four aspects: (1) the link between managing human resources and business strategy; (2) the key role which senior line managers are expected to play – managing human resources becomes their major activity; (3)

integration of policies and practices with each other as well as with the business strategy; and (4) proactive not reactive management (Sisson and Story, 2000). It focuses more on the individual aspect, with greater concern for individual development and autonomy, yet at the same time it has attracted criticism for denying the individual any collective security or identity of interests beyond those of the employer (Davis, 2006). On the whole, HRM consists of a set of policies designed to maximise organisation integration, employee commitment, flexibility and quality of work (Guest, 1987).

There are two main lines of HRM theory – the *hard* (strategic integration), and the *soft* (commitment) model (Bolton and Houlihan, 2007; Francis, 2002; Legge, 2001). In the *hard* strategy oriented version of the Michigan School developed by Fombrun *et al.* (1984), there is an emphasis on the term ‘resource’ and adoption of a rational approach to managing employees; that is, viewing employees as any other economic factor, as a cost that has to be controlled (Bratton and Gold, 2003; Davis, 2006). Human resource management regards the composition of four components: *selection; appraisal; rewards; and development* (Fombrun *et al.*, 1984). The model prioritises rational profit maximising (Legge, 2001), and it limits the role of HR as reactive and accentuates the strategic resource aspect of human resources (Ozbilgin, 2004).

Whereas the *soft* model, i.e. Harvard School’s 4Cs Models which is formulated by Beer *et al.* (1984), puts more stress on the ‘human’ (Bratton and Gold, 2003) with their need and potential for personal development (Hendry, 1994), and views people management in a wider environmental context. Quite different to the Michigan model, it emphasises the *human* element in HR formulation (Ozbilgin, 2004), and insists the outcomes of HRM should be evaluated by commitment, competence, congruence and cost-effectiveness (Beer *et al.*, 1985).

The Michigan and Harvard models were often compared and contrasted in terms of their approaches to the use of HR (Ozbilgin, 2004), however, it is true to say that the distinction between the two models has weakened in veracity as contemporary HR practice typically deploys both elements (Bolton and Houlihan, 2007; Storey, 2001).

Although theories of HRM strategy have been approached in various ways, the

present research has chosen the RBV as the most useful conceptual framework as it specifies the criticality of the specific internal resource endowment for a firm's growth behaviour and performance. The RBV suggests that the types of human assets (e.g., human capacity, social relations, cultural practices) can contribute to sustained competitive advantage through facilitating the development of competencies that are firm-specific, produce complex social relationships, are embedded in a firm's history and culture, and generate tacit organisational knowledge (Barney, 1991; Lado and Wilson, 1994; Castanias and Helfat, 1991). It is believed that this is an efficient way to understand the importance of employees as assets which are regarded as the primary source of value, growth, and sustained competitive advantage. Furthermore, it is assumed to be a useful way to explore the linkage between the employee and other stakeholders, as RBV represents a fundamental starting point for the analysis of the relationship between the firm, economy, and society (Moldaschl and Fischer, 2004: 137). By recalling two cornerstones of the resource-based approach, the duality between market and resources (Wernerfelt, 1995) and the heterogeneity of capabilities and resources in firms (Peteraf, 1993; Hoopes *et al.*, 2003), this research seeks to incorporate HRM with CSR in a meaningful way.

## **Resource-based View (RBV)**

### ***Rationale of RBV***

More than any other theoretical perspective in the field of strategic management, resource-based theory has drawn the attention of scholars and practitioners alike (Pablos *et al.*, 2007) over the last 20 years and, for many, has thus replaced the works of Porter's "competitive strategy" (Porter, 1980), which were particularly influential in the 1980s (Moldaschl and Fischer, 2004).

Why is there a need for a resource-based perspective? The critical reason is that the modern economy is working less and less with natural resources; instead, the resources are increasingly produced and provided by society, like human capital and knowledge (Moldaschl and Fischer, 2004). The RBV turns the attention of the analytical approach towards the firm; from the product side to the resource side (Wernerfelt, 1984). There has been continuous discussion of 'resources' and

'markets' by scholars. Barney (1986a) insists on the *strategic factor market*, whereas Dierickx and Cool (1989) argue the importance of *accumulation of critical resources* instead of acquired strategic factor markets. Related with that, Wernerfelts (1989) insists that *identification and classification of very few critical resources* according to their capacity is an important way to bring resources to corporate strategy. In addition, it guides the view of competitive advantage from outward to inward (Clulow, 2005; Gottschalg and Zollo, 2007), which is why they serve as a counter-concept to Porter's approach (Moldaschl and Fischer, 2004).

### ***Why human resources?***

Discussions on RBV are generally traced to the work of Penrose (1959), whose works represent the seminal theoretical contribution to the field. Penrose (1959) argued that the firm is a collection of *productive resources*: physical resources consisting of tangible things, some of which are quickly and completely used up in the process of production, some are durable in use, some are transformed and some are acquired directly in the market. Unlike this, there are *human resources* available in the firm that are hard to imitate due to scarcity, specialisation and tacit knowledge (Coff, 1997). Human resources are much more difficult to manage than material resources, partly because conflict often occurs between the employers' and employees' wishes and partly because, to an increasing extent, employees try to share making decisions about their working environment (Graham and Bennett, 1998).

According to RBV, human resources can be characterised as desirable resources which are valuable, rare, inimitable (Barley, 1991) and non-substitutable (Grant, 1991; Kamoche, 1996) and includes any future of the firm with value-creating properties (Hunt, 1995: 322). The research by Khandekar and Sharma (2005) suggests that human resource capability was found to be a significant predictor of sustainable competitive advantage. As business organisations have a relationship with society through their employees (Fergus and Rowney, 2005), so then pursuing a sustainable high-performance workplace for them reinforces corporate profitability and corporate survival in the community (Gollan, 2005).

Contemporary accounts of HRM argue strongly that a company's assets are increasingly found in the employees who contribute their time and talents rather than in the stockholders who temporarily contribute their money (Handy, 2002). However, there is a limit to this argument. All human assets may not be equally important to all organisations all of the time. The key is defining what might be the “*right human asset*” and placing them in the right place at the right time (Collins, 1999). In this way, as levels of competition for people with specific skills increase, firms have to rely on human resource practices to more strategically attract, motivate, develop, and retain their talented staff (Zivnuska *et al.*, 2001).

### ***A critical lens on RBV***

Even though RBV is one of the most widely accepted theories of strategic management, to date no systematic assessment of its level of empirical support has been conducted (Newbert, 2007). In its practical application, an almost arbitrary use of the concept of core competency becomes evident (Moldaschl and Fischer, 2004).

There are three main criticisms of the RBV: oversight of dynamism, environmental contingencies (Sirmon *et al.*, 2007) and ambiguous use of terms (Moldaschl and Fischer, 2004). The first is about dynamism. Markets and structures are not static. The RBV too frequently overlooks that most intangible assets are living resources (Moldaschl and Fischer, 2004). Therefore, RBV is limited to explaining a firm's ongoing process as it needs to give more attention to the dynamic ability of resources for the creation of a new advantage, rather than as its current focus on static advantages derived from the resources and capabilities inherent in firms (Barney 1991; Grant, 1991).

Second, lack of a relational approach to resources is another critical issue of the RBV. This is the RBV issue the present study is most concerned with. The RBV tends to overlook the important fact that resources exchange is often related to the social context in which the firm is embedded (Lin, 2006). Resources should be defined relationally: it is a matter of whether tangible and intangible assets find purpose-related issues in an individual or institutional action (Moldaschl and Fischer, 2004: 137). It may be helpful to conceptualise the RBV strategy with Wernerfelt's (1984) coin metaphor, wherein one side of a coin represents firm resources and the other represents the competitive environment (the demand side). This "two sides of



the coin" conceptualisation has come to represent, surely in a way unintended by Wernerfelt, the separate consideration of firm resources and the competitive environment (Priem and Butler, 2001a). Thus, Moldaschl and Fischer (2004) insist on a resource-centered socio-economic perspective (RSP) approach which implies a stakeholder perspective is what is needed. It is also related to Gardberg and Fombrun's (2006: 329) argument that CSR activities can create intangible assets across institutional environments. In other words, the business must understand the nature and value of various resources that are difficult to evaluate in monetary terms (resource-centered) and their relations in society (socio-economic) in order to use them effectively for business success. In this regard, the present research therefore uses the RSP perspective to take into account the social, cultural and political embeddness of the firm and thus, elaborate the varied relations between the resources of CSR and HRM within the international business arena.

Third, the RBV attracts critique due to its ambiguous use of terms such as competencies, capabilities, dynamic capabilities, rareness including human assets (Moldaschl and Fischer, 2004). While RBV endorses the benefits of human assets, it does not examine the complexity and ambiguity of human assets. Unlike tangible assets, firms cannot own employees who are free (within, of course, wider constraints such as labour market mobility, economic conditions etc.) to quit at will and whose productivity is relatively unpredictable. Equally they cannot efficiently control and accurately assess asymmetric information which is coming from social complexity and casual ambiguity. For example, even though pay is one of the most important dimensions of job satisfaction (Rice *et al.*, 1991), non-financial facets (*e.g.*, high status job title [Greenberg and Ornstein, 1983], management style [Taplin and Winterton, 2007], perceptions of other job opportunities and family and personal reasons [Hughes and Flowers, 1987]) are also very important.

In recognising some weakness in the RBV approach it is possible to add to its conceptualisation and carefully calibrate its use and, it is suggested, that for the purpose of this analysis its strengths outweigh its weaknesses. Therefore, the research examines the overlooked incorporation of IHRM with CSR by critically assessing RBV with the idea of the *heterogeneity* (Peteraf, 1993; Hoopes *et al.*,

2003) and *dynamics* (Moldaschl and Fischer, 2004) of resources and capability of the firm.

## **Towards an integrated approach between CSR and IHRM**

### ***Why link IHRM with CSR?***

It is safe to say that there are not many objections between HRM and CSR theorists and practitioners on the two suggestions that (1) ultimate business goals are securing viability with adequate returns to shareholders and sustained competitive advantage; and (2) never before has the combined contribution of HRM and CSR to business goals been the subject of such scrutiny. However, the focus from both the academic and business fields has mainly treated HRM or CSR's contribution to business goals as acting independently. In the debates, there appears to be insufficient attention to identifying the linkage between CSR and IHRM and to what extent they may be mutually supportive of each other. From this starting point, this research seeks to find the linkage between the two sectors as a means of synthesising CSR/IHRM issues from a loosely-coupled to a more clearly defined concept.

HRM goals, as Boxall and Purcell (2003) systematically argue, are connected with three aspects of performance: labour productivity, organisational flexibility and social legitimacy. These connect to the firm's overall strategic direction and contribute to the firm's viability with adequate returns to shareholders and sustained competitive advantage.

Achieving competitive advantage through people involves fundamentally altering how we think about the workforce and the employment relationship. It means achieving success by working with people, not by replacing them or limiting the scope of their activities. It entails seeing the workforce as a source of strategic advantage, not just as a cost to be minimised or avoided (Pfeffer, 1994). Whereas, pursuing sustained competitive advantage through CSR means perceiving CSR as opportunities rather than as damage control or a PR campaign and the greatest strategic value (Porter and Kramer, 2006), which requires a dramatically different mind-set that will become increasingly important to competitive success.

HRM practices are in themselves a key element in responsible business practice and contribute value to business in support of a CSR agenda (Redington, 2005).

Related with that, CSR can be a tool for capitalising on the many missed opportunities of HRM (Zappala, 2004), most especially the RBV approach, as well as global human resources (Husted and Allen, 2006). For instance, the UK's *CIPD (The Chartered Institute of Personnel and Development)* currently argues that seven in ten organisations are experiencing retention difficulties and eight in ten have problems with recruitment, further endorsing the view that there needs to be something more than money to engage employees (Harrington, 2007) and increasingly, a company's CSR activities are playing a major part in how people view their employer. This is especially true for recent graduates on the job market (Turban and Greening, 1997). In effect, myriad organisations rank companies on the performance of their CSR related activities in both domestic and international business (e.g., The Sunday Times 100 Best Companies to Work for [UK], Fortune 100 Best Companies to Work for [USA], Financial Times The World Most Respected Companies [UK], Forbes the World's Most Respected Companies [USA]). The rankings attract considerable publicity (Porter and Kramer, 2006) and are closely related with corporate reputation which may improve relations with not only external actors (e.g., customers, investors and suppliers) but also internal employees: employee's motivation, morale, commitment and loyalty to the firm (Branco and Rodrigues, 2006). Such empirical evidence strongly suggests that CSR, as a critical way of representing 'dignified workplaces' (Bolton, 2007; Bolton and Wibberley, 2007), matters to employees and deeply affects their attitude to the firm (Branco and Rodrigues, 2006). It would seem from evidence presented concerning many successful companies, therefore, that CSR can be a useful tool for global HRM strategy in the way it enhances corporate reputation and attracts employees as a 'great place to work' (Redington, 2005; Husted and Allen, 2006).

### ***Two contributors of the link: Motivation and organisational culture***

Recently, a wide range of CSR issues and their relationships with internal factors, including HRM, have been empirically analysed, as shown in table 3-1. As can be seen from the example of empirical research, several variables (e.g., attracting applicants [Turban and Greening, 1997], higher self-image [Greening and Turban, 2000], HRD [Packer and Sharrar, 2003], employee involvement and well-being

[Vuontisjärvi, 2006], corporate governance [Konzelmann *et al.*, 2006], commitment [Brammer *et al.*, 2006], motivation [Farrelly and Greyser, 2007], and value and reputation [Ulrich, 2007]) are highlighted in relation to the linkage between CSR and IHRM.

Table 3-1: Examples of empirical research on the link between CSR and IHRM

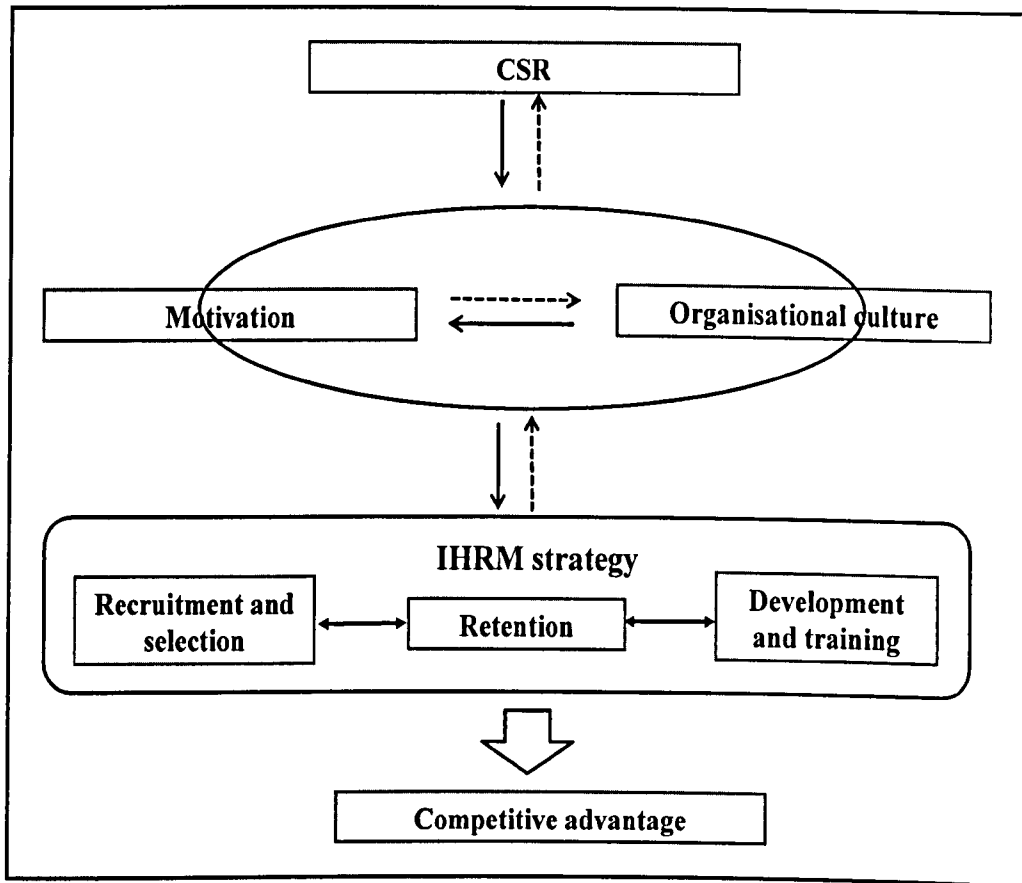
Study	Research Question	Methodology	Representative Findings
Turban and Greening (1997)	Is firms' CSP related positively to their reputations and to their attractiveness as employers?	· Corporate social performance rating	<ul style="list-style-type: none"> <li>· The research suggests that a firm's corporate social performance (CSP) may provide a competitive advantage in <b>attracting applicants</b>.</li> <li>· Such results add to the growing literature suggesting that CSP may provide firms with <b>competitive advantages</b>.</li> </ul>
Greening and Turban (2000)	Do prospective job applicants consider a firm's CSR in their decision making of job selection?	Survey (292 students)	<ul style="list-style-type: none"> <li>· Prospective job applicants are more likely to <b>pursue jobs from socially responsible</b> firms than from firms with a poor social performance reputation.</li> <li>· Job applicants have a <b>higher self-image</b> when working for socially responsive firms than their less responsive counterparts.</li> </ul>
Packer and Sharrar (2003)	What is the changing nature of work and the move to increased corporate social responsibility?	Case study (Bank of America)	<ul style="list-style-type: none"> <li>· Organisations and employees are facing challenges that arise from the changing nature of work and the need for <b>corporate social responsibility</b>. Although two separate trends, they have similar implications for <b>human resource development (HRD) and education</b> and share links to the importance of <b>lifelong learning</b>.</li> </ul>
Vuontisjärvi (2006)	To what extent have big Finnish companies adapted a socially responsible reporting process focused on HR reporting?	Content analysis of Finnish annual reports	<ul style="list-style-type: none"> <li>· In Finland, the most reported theme (related with CSR and HRM reporting) was <b>training and staff development</b>.</li> <li>· A positive sign was that the majority also disclosed themes of <b>participation and staff involvement</b> and <b>employee health and well-being</b>. Furthermore, nearly one-third made reference to their <b>work atmosphere or job satisfaction survey</b>.</li> <li>· However, disclosures lacked overall consistency and comparability with each other and especially quantitative indicators were disclosed by few.</li> </ul>
Konzelmann <i>et al.</i> (2006)	What is the corporate governance effect of HRM?	Analysis of UK Workplace Employee Relations Survey	<ul style="list-style-type: none"> <li>· The analysis shows that while performance advantages can be derived from <b>commitment-based HRM</b> systems, a <b>corporate governance regime</b> that privileges remote stakeholders may operate as a <b>constraint</b> on such systems.</li> </ul>

Pelozo and Hassay (2006)	What is the motive of employee volunteerism?	Interviews	<ul style="list-style-type: none"> <li>Employee's participation in intra-organisational volunteer programme is motivated by charity, firm and personal benefit.</li> <li>Employee volunteerism has the potential to offer a <b>win-win-win scenario for the charity, the employer and the employee.</b></li> </ul>
Brammer <i>et al.</i> (2006)	Is there any contribution of CSR to organisational commitment?	Employee attitude survey	<ul style="list-style-type: none"> <li>The contribution of CSR to effective <b>commitment</b> is at least as great as that of job satisfaction.</li> </ul>
Ledwidge (2007)	Does CSR cause risk or opportunity to HR managers?	Case study (BP and Bristol Myers Squibb)	<ul style="list-style-type: none"> <li>CSR has brought <b>risks and opportunities</b> for HR managers, and managing the risks and exploiting the opportunities will require reappraisal of existing approaches to HRM and the scope of its activities.</li> </ul>
Farrelly and Greysier (2007)	To what extent is there a relationship between sponsorship and brand management?	Case study (20 global company and sports organisations including Nike and FIFA)	<ul style="list-style-type: none"> <li>The <b>surprising finding</b> has emerged that companies are beginning to use their brand-enhancing sponsorship internally, to <b>motivate</b> employees or facilitate major structural change (Often, companies do this mainly to promote their brand to the public).</li> <li>They use this as a way of creating <b>cohesion</b> and fostering <b>pride</b> in the company, <b>internal marketing vehicle</b>, as a unifying element in employee <b>communications</b> to promote acceptance of their post-merger identity and to <b>describe</b> the new company's future direction.</li> </ul>
Ulrich (2007)	Does HRM affect stakeholders?	Critical literature review	<ul style="list-style-type: none"> <li><b>Good HR practices</b> (and good HR professionals) can <b>create value for five stakeholders</b>, both inside and outside the company.</li> <li>In a world where there is increasing concern about social responsibility and sustainability, <b>HR can help an organisation create and manage its reputation.</b></li> </ul>

However, many of these studies tend to represent a rather anecdotal and micro-approach. They are not sufficient to explain the true relationship, which is embedded in the firm's holistic performance, because HRM-CSR variables are systematically inter-related with each other as *a set of resources*, not as an independent single resource. In addition, there is a complex exchange of each resource for the positive outcome of the firm. In other words, cooperative work between CSR and IHRM should not be treated as an isolated ad-hoc event but should require more of a holistic view which critically concerns the interaction of the two resources as key contributors for the organisation to raise its competency. If it is to be admitted that an understanding of the links between CSR and HRM ought to be of paramount importance then a more comprehensive approach is required to support this within the views of the whole firm's strategy, policy and implementation process.

Despite these limitations, it is surprising to discover throughout the course of the literature review, that even though it is overlooked so far, there is a place where CSR and IHRM meet. Specifically, the relationship can be exemplified in the elaboration of the interaction of two central views of organisational behaviour: *individual motivation* and *organisational culture*. Figure 3-2 illustrates this in detail: how CSR and IHRM strategy has the potential of working together. Among various variables explaining the relationship between the two dimensions, *motivation* and *organisational culture*, which are contextual and mutually complement each other, appear as two critical elements. That is, a clear CSR approach helps to shape an organisation's culture and hence the attitude of employees which, in turn, affects the motivation of workers (Collier and Esteban, 2007).

Figure 3-2: Integrated Model of CSR and IHRM Strategy



'*Motivation*' is selected as one of the main attributes to the link between CSR and IHRM. The role and result of employee motivation in conjunction with CSR is predominantly discussed with the notion that workers are not motivated by the mere need for money and/or personal differences. In this regard, the ideas of McClelland (1961) will be drawn upon. As McClelland envisages, three major motives of the individual – the need for achievement, affiliation and power – are chosen as a main argument in this study and elaborated in-depth with selected examples. In terms of '*organisational culture*', it is mainly raised as a salient issue to explore CSR's effectiveness to the ways employees think and behave and feel involvement in the life of the company, unlike the arguments of viewing CSR as a way of managing external affairs. By employing Barney's (1986b) argument on three important attributes of culture: it must be valuable, rare and imperfectly imitable, the present study argues how CSR influences the culture of the organisation as employees identify with the values espoused by CSR initiatives, which, in turn, is a major



precondition for fostering the citizenship behaviour of the firm. In effect, it is argued that CSR is able to deeply influence the culture of an organisation as it influences how people perceive 'the way we do things around here', thus creating a strong identification with corporate strategy (Deal and Kennedy, 1999).

More importantly, the mutually constitutive relationship between motivation and organisational culture is emphasised as it is closely related with the process and creation of an employee's identity and dignity. The interactive dynamics of the two variables ultimately contributes to the overall business strategy, especially to the IHRM strategy of recruitment, retention and HRD (human resource development). To reiterate, the focal indication of the present conceptual argument is that there are limitations to describing the CSR-HRM link as a static or linear event (e.g., CSR is linked to recruitment strategy or employee motivation) as many current arguments are doing. Rather, it should be revealed by employing the view of the holistic dynamics of the organisation and employees' interaction. How and to what extent it is accomplished is explored in turn as follows.

### Motivation

CSR is closely related with employee *motivation* (Basil and Weber, 2006; Branco and Rodrigues, 2006; Collier and Esteban, 2007; Zappala, 2004). Specifically, MNCs take advantage of CSR to motivate employees in host countries, to develop pride, loyalty and welfare and so on (Vian *et al.*, 2007). After providing a brief overview of major approaches to motivation currently in use, the way in which they contribute to the relationships between CSR and HRM will be discussed.

Motivation is the fundamental question of 'Why' in human behaviour (McClelland, 1987: 383; Deci, 1975: 3; Vroom: 1964). Yale School professor Victor Vroom (1964) propounds an '*expectancy-valence theory*' to address this 'Why' question, describing three dimensions to create motivational forces: 1) an effort and performance relationship — expectancy; 2) a performance and reward relationship — instrumentality; and 3) a reward and personal goal relationship — valence. Motivation is, therefore, a complex and multidimensional phenomenon which consists of all the drives, forces and influences — so called resources — that cause the

employee to want to achieve certain aims (Gottschalg and Zollo, 2007; Graham and Bennett, 1998; Leonard *et al.*, 1999; Katz and Kahn, 1978; Penrose, 1980).

Accepting that people do not work merely for pay is fundamental to understanding the holistic motivation phenomenon in the workplace (Frey, 1997; Harrington, 2007); that is, employees are often motivated as much by non-financial elements to their work as the traditional view of labour and wage (Visser *et al.*, 2007: 496). It would be incorrect to link the importance of money in our society strictly to the satisfaction of biological needs (Vroom, 1964: 30). Thus, it is hard to explain complex causes and results of motivation with an early simple theory of human motivation such as Taylor's (1947, 1972) '*One best way theory*'<sup>2</sup>. In acknowledging Taylor's limited approach towards motivation, Maslow's (1954) '*theory of the hierarchy of motive*' integrates a broader approach to motivation (an approach that is now widely accepted) and argues that motivation has a hierarchy as follows: 1) *physiological needs* are the starting point of individual motivation (p. 80); 2) *safety needs* emerges if the physiological needs are relatively well gratified (p. 84-88); 3) then *belongingness and love need* arises which is hunger for affectionate relations with people in general, namely, for a place in a group (p. 89-90); 4) *esteem needs* is the next level, where people have a need or desire for a stable, firmly based, usually high evaluation of themselves, for self-respect, or self-esteem, and for the esteem of others (p.90); 5) *need for self-actualisation* follows a new discontent and restlessness which will soon develop unless the individual is doing what s/he is fitted for (p. 91); and ultimately 6) *desire to know and understand*, which are cognitive impulses (p.93).

Contra to Maslow's idea of hierarchy, Herzberg insists upon dual factors which coexist — *hygiene versus motivators*. *Hygiene* refers to primary causes of unhappiness (or dissatisfaction) on the job that are extrinsic to the job, such as company policy, interpersonal relationships and working conditions; whereas there is

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<sup>2</sup> Taylor (1947, 1972) thought differently to the academic type of mind that thinks in terms of generalizations; he was interested in action and its immediate measurable results, advocating *high wages* and *low labour cost* as the foundation of the best management (p. 22): These conditions not only serve the best interests of the employers, he believed, but they tend to raise each workman to the highest level which he is fitted to attain by making him use his best faculties, forcing him to become and remain ambitious and energetic, and giving him sufficient pay to live (p. 29).

an intrinsic factor, what makes people happy and *motivated* to the job, such as achievement, responsibility and recognition for achievement (Herzberg, 1987: 113-120). It is, therefore, vital and substantial to investigate complex causes of motivation (Hunter *et al.*, 2000; Boxall and Purcell, 2003) as it drives, orients and selects behaviours (McClelland, 1987: 226) and fundamentally to examine how it aims at creating organisations in which workers are better satisfied and, according to this school of thought, more productive (Katzell and Thompson, 1990).

Even though early organisational behavior researchers offer rich theories of human motivation and its determinants at the individual level (*e.g.*, Deci, 1975, 1976; Maslow, 1954), there has been growing acknowledgement that traditional models of motivation provide limited explanations of the linkage of motivation with a firm's performance (Gottschalg and Zollo, 2007), and the diversity of behaviour in organisational settings (Leonard *et al.*, 1999). Moreover, it is critically noted that the diversity of organisational forms within different political economies has to be deliberately considered to investigate diverse perspectives of motivating people. For instance, there are big differences in the institutional framework between liberal market economies (LMEs such as the UK and America) and coordinated market economies (CMEs such as Germany). Hall and Soskice argue (2001: 8-15) that LMEs' firms and people have a tendency to coordinate their activities primarily via hierarchies and competitive market arrangement, whereas, CMEs' actions depend more heavily on non-market relationships. Therefore, In LMEs, people tend to be motivated by professional and individualistic incentives such as personal reputation and disciplinary networking (p. 445-6). In CMEs, by contrast, people are less directly exposed to markets (p. 445) and better pay is rarely a motivation to change jobs when pay is regulated by central collective agreements (p. 235).

The word '*motivation*' has been, mainly, discussed through a continuous debate concerning *intrinsic* and/or *extrinsic* motivations. Porter and Lawler (1968) propose a '*model of intrinsic and extrinsic work motivation*' founded on the idea that 'man has many different needs' (1968: 44), and propose structuring the work environment so that effective performance will lead to both intrinsic and extrinsic rewards, which would in turn produce total *job satisfaction* (Gagne and Deci, 2005). De Charms (1968: 6, 328), however, points out the paradoxical situation of motivation and tries

to interpret it in relation to the cause of personal behaviours suggesting that the crux of the distinction between extrinsic and intrinsic motivation may lie in the knowledge or feeling of personal causation. Deci's (1975) *self-determination theory* follows de Charms' argument on the relationship between internal state and external forces, especially emphasising personal intrinsic motivations which are influenced by external forces through affecting the cognitive component of those states (Chapters 5, 6, 11). The importance of internal motivation is also insisted upon by Katz and Kahn (1978) with the idea that individual dispositions or personalities are significant determinants of behaviours which are somewhat consistent over time and across situations (Leonard *et al.*, 1999).

By contrast, there is also a more controversial approach to motivation research: extrinsic focus theory, which vigorously insists on the criticality of situational circumstances for an individual's motivation, attitude and behaviour. This view stresses the important attributes of people, their context and their interaction (Mitchell and James, 1989). Skinner (1969) concentrates on the importance of environment in his '*reinforcement theory*'.<sup>3</sup> He argues that proper designing or conditioning of the work environment — i.e., reinforcement to control behaviour — is critical both in selecting particular generic structures and in shaping particular combinations of behaviour units. The theory of Davis-Blake and Pfeffer (1989) resembles Skinner's idea and they emphasise the strength of the organisational situation which affects individual attitude and behaviour. Zucker (1983) develops the idea of '*organisations as institutions*' and therefore this institutionalised common understanding of an organisation leads individuals to adopt certain attitudes and behaviours.

Even though Skinner and his school of thought on the environment and its impact on motivation are highly appreciated, the inherent weakness in their arguments cannot be overlooked; the approach cannot discover the presence of complexities and complementarities in the sense of environment. To elaborate, their conception of environment is a rather narrow one in that it only focuses on the organisational

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<sup>3</sup> The basic notion of Skinner's idea is that all organisms, including humans, are greatly influenced by the consequences produced by their own behaviour. The important point is that the consequence arises in the outer environment. Therefore, the environment holds the key to most of the changes that occur in the way a person behaves (Carpenter, 1974: 5).

environment. However, the organisation is not the total environment and there are substantial variations in environment and institutional context that must be considered. For this reason, attention should be drawn to the diversification perspective; e.g., people's position (and power as below) in different organisations. For instance, Smith *et al.* (2008: 586) argue that gender along with job characteristics and occupation will have more influence on an individual's job quality, acceptance into the organisation and their overall experience of work than the country's institutional model. This approach is based on the classic categorisation of individual values. Using the example above displays the tension (inequality) between the genders. Accordingly, women and men are educated and socialised differently and thus, there may be different aspirations and commitments between them. However, these differences may be played out in the workplace and inequalities further defined but 'difference' is already established upon entering the organisation from society's structures and complex institutional contexts. In this regard, the argument of motivation related to organisational environment can be useful as long as we remember to extend it further, beyond the dynamics of organisational life to the broader dynamics of social life.

The two different and contrasting approaches to understanding motivation have currently begun to combine through eclectic views, i.e. that motivation and behaviour occurs through dynamic reciprocal interactive functions of both the *environment* and *personality* (Leonard *et al.*, 1999; Mitchell and James, 1989). The cornerstone of this combined research on various motives was initiated by McClelland (1961), who believes workers could not be motivated by the mere need for money and/or personality differences. David McClelland, through over 20 years work with his colleagues in Harvard University, envisaged three major motives of individuals: *the need for achievement, affiliation and power.*

To elaborate, the need for *achievement* is a distinct human motive which is related with personal responsibility for a performance (p. 246). It is accurately considered as an 'efficiency' motive since the notion of doing things well or better involves efficiency calculations (p. 249). The *affiliation* motive is also critical as it is based on human nature's basic need or desire to be with other people. It is a person's need to feel a sense of involvement and 'belonging' within a social group and is related to

'love' (p. 335), cooperation, conformity and conflict (p. 354). The need for *power* is an urge to control the means of influence (p. 269). It arises in individuals who have more certainty about the outcome of their power impulses (p. 270). It does not always lead to aggression but is an impulse to assertiveness in a highly controlled and regulated modern society (p. 280). These three motives of individuals are influenced by the holistic correlations between societal, cultural and family environment, the status of economic growth and the national values of each person (Beugelsdijk and Smeets, 2008).

To reiterate, the present research makes no attempt to resolve the ongoing debate on motivation, but rather seeks to explicate its relationship with CSR. In this regard, there is a useful case which illustrates how CSR activities motivate employees by affecting not only the individual personality but also their wider environment. It is '*employee volunteerism*', which is a global phenomenon and currently regarded as an important strategy not only in CSR but also in the field of IHRM (Peloza and Hassay, 2006; Porter and Kramer, 2002). To illustrate, employee volunteer activities emerged from 'ad hoc philanthropic' type activities and are now widely acknowledged as a 'strategy' for bridging employee, community and business needs (Visser *et. al.*, 2007: 488), and for boosting employee moral and productivity (Caudron, 1994; Miller, 1997; Smith, 1994). Employees derive justifiable pride from their company's positive involvement in the community (Porter and Kramer, 2006). Volunteering can also be a useful aid for HR strategy as it provides great resources with which to perform their work duties. It is motivated by a mix of altruistic and egoistic motives: *e.g.*, it is motivated by fun, rewards, reputation, challenge and purpose (Geroy, Wright and Jacoby, 2000; Peloza and Hassay, 2006; McClelland, 1961; Winter 1973). Consequently, it could be elaborated with McClelland's (1961) three major motivational needs as follows:

- 1) *The need for achievement*: Volunteering contributes to the improvement of the employee's personality (Sieber, 1974) as well as learning (Bruyere and Rappe, 2007; Lammers, 1991). This kind of enrichment of employee resources may increase their abilities and efforts to meet the goals of the organisation (Geroy, Wright and Jacoby, 2000). Moreover, it is an important ingredient of any programme intended to improve the quality of working life (QWL) of employees (Graham and Bennett, 1998).

- 2) *The need for affiliation*: Volunteering positively contributes to an employee's sense of belonging to a workplace through an opportunity for interaction and camaraderie with others (Bruyere and Rappe, 2007) and a sense of belonging to a community (Handy, 1995). Therefore, their existing social network in the workplace can contribute to the employee's enjoyment of their work (Peloza and Hassay, 2006). Donaldson (1990) highlights that '*willing cooperation*', which encompasses as the willingness to cooperate or improve, or even take part in society is valued highly (Barnard, 1938, 1968) within human nature.
- 3) *The needs for power*: Power-motivated people generally want to influence others and bring about change, and it is concerned with position, title, respect, reputation and leadership (McClelland, 1961; Winter 1973). People's pursuit of power is one of the critical reasons for volunteering, as this is a way of seeking influence and change (e.g., working on a political campaign or serving on a fund-raising committee) (MacKenzie and Moore, 1993). As such, a variety of successful multinational companies (e.g., Phillip Morris, HP, Marks & Spencer, Shell, Timberland) put volunteerism in their mission and goals<sup>4</sup> and use it as one of their core strategies to enrich influence and legitimacy, and to enhance their position as '*neighbour of choice*' in host countries (Miller, 1997). It is also suggested that employee volunteering and CSR-related activities of the firm positively affect the enhancement of the corporate image and therefore contribute to recruiting, training and retaining employees (Hirsche and Horowitz, 2006; Turban and Greening, 1997; Romano, 1994). In this regard, it is interesting to discover that in the case of Timberland, where 95% of employees are engaged in volunteering activities, the first reason applicants choose Timberland as an employer is that they have the opportunity to engage in community service (Pereira, 2003).

To sum up, it is revealed that employees can experience a match between their own and the corporation's values through CSR activities. CSR holds the potential to motivate employees by fulfilling their needs for achievement, affiliation and power. Thus, it can be a useful differentiation strategy of HRM in terms of recruitment, education and retention. On this point, it is assumed that the relationship between CSR and the employee can be understood if one develops an analytic framework of

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<sup>4</sup> Refer to home-page of each company and corporate social responsibility and sustainability reports.

the relationship between employee *motivation* and CSR activities. Furthermore, it is vital to investigate other nations' different contexts of employee motivation in order to identify the major drivers and sources of employee CSR behaviour in different contexts.<sup>5</sup>

### Organisational culture

The second key contributor to a linkage between CSR and IHRM is *organisational culture*. CSR has become a key facet and reflection of organisational culture and a driver for change in the behaviour and attitudes of organisations (Genest, 2005; Emmott, 2005: 40). In this regard, current employers rate and make use of a CSR-related organisational culture and image as a key determinant in attracting, motivating and retaining staff (Visser *et al.*, 2007: 103). More specifically, MNCs turn to account CSR-driven corporate culture as a way of facilitating employees' preparation for global citizenship (Hirsch and Horowitz, 2006: 52) as well as the stakeholder relationship (Choi and Wang 2007). Various cases illustrate how CSR is embedded in organisational culture. For instance, *The Body Shop* has put CSR into its corporate vision and culture and been able to become a leader of "a business with ethics" (Dennis *et al.*, 1998; Rosenthal, 1994). *PricewaterhouseCoopers* makes use of its global employee volunteer programme for reshaping its culture to respond to the need for an effective employee base steeped in the culture of global business, and this trial is seen as moving CSR in a new direction (Hirsch and Horowitz, 2006). To elaborate, even though CSR has been mainly seen as a way of managing external affairs (*e.g.*, managing risk and protecting corporate reputation), much of its effectiveness comes from the way employees think and behave. More lately, CSR branding and corporate culture have become entwined as a way of developing employee identity with a company's values, mission and practices (Visser *et al.*, 2007: 102). That is why there needs to be a new dimension in understanding the power and influence of CSR activities — it is the *employee*.

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<sup>5</sup> Differences of employee motivation according to national and institutional context are discussed in Chapter 4.



The embedding process of CSR into a firm's system and resources is strongly related with organisational culture. While culture is ubiquitous (Schein, 1990), there has been an absence of solid theoretical grounding about organisational culture (Allaire and Firsirotu, 1984) and it is only in the last few decades that the concept of "culture" has been explicitly used (Schein, 1990) — though the debate remains fierce and there is no agreed consensus of whether it is something an organisation *is* (i.e. emergent) or if it is something an organisation *has* (i.e. managed) (Smircich and Morgan, 1982). There have been early, related concepts of culture, such as 'group norms'<sup>6</sup> and 'climate'<sup>7</sup> (e.g., Hackman, 1976; Lewin *et al.*, 1939), but although these views could play a role in the foundation of understanding organisational culture, each of these views has limitations for delving into the deeper casual aspects of the organisation's functions as these dimensions tend to touch only on the surface of culture (Schein, 1990).

Acknowledging this limit, Schein's seminal approach (1990; 1991) is focused on a view of an organisation's *system* that could be described as a pattern of norms and attitudes in different levels which are represented as '*the three levels of organisational culture*': 1) *observable artefacts* which include things from physical layout to the more permanent archival manifestations, such as company records, products, statements of philosophy and annual reports. They are palpable but hard to decipher accurately. 2) *values* which are related with the thinking of special informants of the organisation as to why certain observed phenomenon happen,<sup>8</sup> and 3) *basic underlying assumptions*, or the taken-for-granted, underlying and usually unconscious dimension that importantly determines perceptions, thought processes, feelings and behaviours. Therefore, to understand organisational culture, there needs to be a more holistic approach that takes into account the whole variables and their processes and practices that characterise a particular entity (Mills and Mills, 2000).

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<sup>6</sup> 'Group norms' are informal rules that groups adopt to regulate and regularize group members' behaviour (Feldman, 1984). Hackman (1976) argues that they often have a powerful, and consistent, influence on group members' behaviour. That is why one of the key functions of group norms is to define and legitimate the power of the group itself over individual members (Katz and Kahan, 1978).

<sup>7</sup> Lewin, Lippitt, & White (1939) develop the idea of '*organisation climate*' as a first. Through investigating the relationship between leadership styles and so-called '*social climate*', they argue behaviour is a function of the person and the environment ( $B=f[P,E]$ ) and endeavour to explain the various environmental variables (1939).

<sup>8</sup> Open-ended interviews can be useful to get at this level of how people feel and think, but surveys and questionnaires are generally less useful (Schein, 1991). The present research, therefore, chooses open-ended interviews as a main methodology to dig into internal organisational characteristics in depth. The result of empirical data analysis is discussed in Chapter 6-8.

Recently, researchers have attempted to investigate this from more specific angles; e.g., 'organisational control', which is achieved through different methods of utilising cultures as a means of controlling employees (Clegg, 1981), and 'organisational rites to change culture', which include many different cultural forms that can be used to convey desirable new and old cultural messages (Trice, 1993). To understand these, it is important to remember that organisational culture is a 'root metaphor' for making sense of organisational reality (Allaire and Firsirotu, 1984:193) which attempts to capture a configuration of various factors that influence lived experiences of an organisation (Mills and Mills, 2000). It is defined as a 'pattern of shared values and beliefs' that help members to understand organisational functioning and thus teach them the behaviour norms in the organisation (Deshpande and Webster, 1989: 4). As such it is not always easy to capture and describe what an organisation's culture is or is not and even more difficult to attempt to measure it — little wonder that whole areas of organisation and management studies remain dedicated to this task.

Nevertheless, despite these difficulties, Barney (1986b) develops a particular understanding of culture as a corporate resource as he examines culture through the lens of RBV. He outlines three important attributes of culture: it must be valuable, rare and imperfectly imitable. Firms without these attributes cannot expect their cultures to be the source of sustained competitive advantages. Although efforts by less superior firms to change their cultures may lead to new valuable attributes, they will not generate sustained superior performance. Barney asserts (1986b) that an organisational culture, which cannot be transferred and thus has no inherent market value, only "gets value" if it is used properly to create competitive advantage for the firm.

Why, then, is organisational culture such a critical issue at this period? Organisational researchers insist that there has been an underestimation of the importance of organisational culture mainly because of inattention to social systems in organisations (Schein, 1996) and also largely due to ignorance of an organisation's relationship with its environment (Hatch and Schultz, 1997). However, because of recent substantial environmental changes and external pressures on business (Albert and Whetten, 1985; Ravasi and Schultz, 2006), the organisation's situation is

therefore more complex (Schein, 1996), and a coherent system of values and shared norms that represents organisational culture is deemed to be more and more important as a cohesive device in a turbulent world. Moreover, as employees hear ever more opinions and judgments regarding their organisation from various stakeholders, workers regard the employer's identity and image as related with their own (Hatch and Schultz, 1997). Therefore, organisational culture becomes a critical dimension as it potentially contributes to recruiting and unifying employees to ensure their commitment (Judge and Cable, 1997; Martin *et al.*, 1983).

CSR is a substantial contributor to the significance of organisational culture. How does CSR work with (or for) organisational culture? To illustrate, O'Reilly, Chatman and Caldwell (1991) identified seven dimensions of organisational culture in what they describe as the organisational culture profile (OCP): innovation; stability; respect for people; outcome orientation; detail orientation; team orientation; and aggressiveness. Each of the components of OCP is so closely related with CSR activities that it highlights how CSR is fundamentally interrelated with employee attitudes and behaviours which are in turn affected by organisational culture. There is considerable research which supports this idea. For example, Husted and Allen (2006) assert CSR can be a source of good and a wellspring of 'innovation'. CSR's linkage with organisational stability is discussed by Bennett (2002) who argues that CSR can be a useful tool for MNCs in promoting 'peace (stability)' and avoiding conflict in their areas of operation. 'Respect for people' is one of the focal aspects to explain the linkage between CSR and organisational culture. CSR can be explored by the firm's behaviour towards employees in relation to various themes; freedom and human rights, education and training, a safety-net that prevents the destitution of employees (Bishop, 2008).

CSR is a deeply rooted, culturally based, "civil foundation" that governs organisational behaviour grounded in the society's value system (Martin, 2002). CSR, as a reflection of organisational culture, will differ according to particular corporate histories, values and missions. In addition, CSR shares values and opportunities for integrated cultural learning (Genest, 2005). Although employers try to improve ethical standards in the workplace, it is not always as effective as expected due to the adoption of a outside-in view of CSR (previously explored in the

last chapter) which treats CSR as an add-on rather than an activity to be incorporated into business strategy and, ultimately, the culture of the organisation (The National Business Ethics Survey, conducted by the Ethics Resource Centre, 2005).

Organisational culture is a major precondition for fostering citizenship behaviour at the firm and individual level (Organ and Ryan, 1995). An organisation cannot successfully move beyond the rhetoric of corporate social responsibility and actually become a good corporate citizen if employees do not buy into the corporation's social responsibility agenda and actively enact its values. Additionally, employees are more likely to exceed their job responsibilities if they are: 1) satisfied with their jobs; 2) perceive that supervisors are supportive and considerate; 3) believe they are treated fairly (Kim, 1992); and 4) trust the company they work for. In this regard, it is expected that this new line of approach towards organisational culture, related with CSR, will contribute conceptually and practically to explore the significance of organisation culture in the present management system.

#### How do motivation and organisational culture work together?

The present research tries to lay out the conceptual issues involved in linking CSR and IHRM, and significantly identifies two major contributors: *individual motivation* and *organisational culture*, which work together. The suggested model as presented in figure 3-2 points clearly to these two variables that have to be critically considered in studying the CSR-IHRM relationship. It is related to the argument that behaviour is *motivated* when some cue *reintegrates* an affective *situation* (Deci, 1975: 14). Also, it is closely related with the argument by Shweder and Sullivan (1990: 399) that *they make each other up*. To elaborate, there is not a culture-free personality on the one hand and a person-free culture on the other (Pervin *et al.*, 2005). Therefore, one has to understand the prerequisite condition whereby these two components (motivation and organisational culture) influence each other to explore CSR's work from various IHRM perspectives. 'How' and 'to what extent' these are working and contributing for corporate strategy is elaborated from now on.

In particular, the mutually constitutive relationship between motivation and organisational culture is closely related with the process and creation of an employee's various identities, such as *value* and *relationships*. In other words,

through the diverse work of motivation and organisational culture, employees can enact their *values*, that is individual, corporative and community values (Douglas *et al.*, 2001; Farrelly and Greyser, 2007) drawing them together into a form of sense-making activity and also shape their *relationship capacity*, such as (1) *trust* — the level of which is an indication of the amount of risk and vulnerability one is willing to take (Edelman's survey, 2006, Schoorman *et al.*, 2007); (2) *pride* — which comes from their company's positive involvement in the community (Coomber, 2005; Porter and Kramer, 2006); (3) *commitment* — which is regarded as a major management paradigm shift from control (Lundy and Cowling, 1996), and as great as job satisfaction (Brammer *et al.*, 2006); and (4) *satisfaction* — which has long been seen as a major factor in good management (Summer, 2005).

In effect, this reciprocal relationship of *motivation* and *organisational culture* can contribute to an employer's IHRM strategy in a holistic manner: (1) *recruitment and selection* (Fombrun and Shanley, 1990; Pfeffer, 1994; Grayson, 2005; Pereira, 2003; Scott, 2004; Turban and Greening, 1997, 2000); (2) *retention* (Coff, 1997; Davis *et al.*, 2000; Farrelly and Greyser, 2007; Mobley, 1982; Taplin and Winterton, 2007); and (3) *development and training* (Packer and Sharrar, 2003; Simmons, 2003; Vuontisjärvi, 2006; Wilcox, 2006). Moreover, each employer's IHRM strategy can affect each of the others (*e.g.*, opportunities for lifelong learning are crucial to attracting and retaining this group of desirable employees [Packer and Sharrar, 2003]). Vice versa, it is important to underline that HRM practices play a critical role in embedding CSR-related activities in the organisation and delivering the potential business benefit and sustainability (Redington, 2005).

To reiterate, this is one of the focal points to be revealed during the process of this research. CSR plays a crucial role for business performance by creating the internal dynamics of the organisation such as *motivation* and *organisational culture*. CSR plays a significant role in motivating employees in their workplace and consequently it fosters a positive organisational culture. The interactive dynamics of motivation and organisational culture ultimately contributes to the overall business strategy, especially to the IHRM strategy of recruitment, retention and HRD (human resource development). The actual application of this provocative argument will be explored in the empirical chapters.

To summarise, CSR and IHRM look completely different and are potentially conflicting, but it is noteworthy to find that they are linked through the ‘motivation-organisational culture interplay’, *which are mutually constitutive*. It is expected that this new approach provides a turning point to the strategic angle of CSR in focusing on human resources not only as an important stakeholder but also as a major driver of the CSR agenda. Through this insightful approach, it could be expected that the fundamental problems of a myopic approach to CSR, which mainly focus on external issues (*e.g.*, philanthropy, PR, and community relations), could be solved. CSR could be a useful tool for acquiring valuable resources through affecting synergetic interactions of personnel motivation with organisational culture which, in turn, acts as a supporter and enabler of a corporation’s CSR approach.

### ***Cementing the CSR/IHRM link***

Throughout the course of this chapter, the research synthesises the scattered variables and resources in the link between CSR and IHRM, analyses the correlation of each component, and provides an integrated conceptual framework. There are two critical findings. Most importantly, the analysis suggests that there are close links between CSR and HRM and at the heart of the argument lie two critical factors: *motivation* and *organisational culture*. It is suggested that these two mutually complementary variables work together in a comprehensive way in the firm and fundamentally contribute to a firm’s IHRM strategy (*e.g.*, recruitment, retention and development). In other words, CSR and IHRM (the RBV view of the firm) potentially share similar values — which has been overlooked and not seriously investigated, and hence it is suggested that a marriage of CSR and IHRM may contribute to the creation of a firm’s competitive advantage thus moving both CSR and IHRM from the fringes of a firm’s strategic planning to the centre. Therefore, CSR and IHRM behaviours of the firm are not isolated but require more of a holistic approach with a view of the whole firm’s strategy and policy.

Second, even though the discussion so far might convince us that CSR and IHRM are linked and may offer some valuable insights for businesses who are searching for competitive advantage in the international market, it leaves some critical questions unanswered such as: “So what?” and “How can it be transferable in international

business?” To explore, CSR and IHRM dynamics reflect the circumstances of complex institutions in the contemporary global environment. In this regard, it is important to acknowledge that companies are embedded in a political economy and thus their operations need to reflect complex socio-economic realities (Lin, 2006; Moldaschl and Fischer, 2004). In realising significant problems of an over-simplified globalised approach to CSR and HRM, companies need to seek a strategic balance between short-term economic consequences and maintaining the firm's social reputation for the long term (Hemphill, 2004). Moreover, it is necessary to underline that management practices related with socio-economic characteristics substantially differ across countries (Hossain, 2006): organisations employ different CSR approaches (Doh and Guay, 2006; Visser *et al.*, 2007) and HRM practices are enacted in a variety of forms (Heenan and Perlmutter, 1979; Alder and Ghadar, 1990) and, of course, motivational factors, personal and societal values and, thus, employees' commitment to different CSR agendas will also differ.

In sum, it would be valuable to explore the proposal presented in this chapter regarding the beneficial link between CSR and HRM and investigate how CSR employs different roles towards HRM policy for MNCs (Doh and Guay, 2006; Husted and Allen, 2006) according to different national backgrounds. To be able to do this in any meaningful way requires a nuanced account regarding the similarities and differences of people's views and the mindset regarding the responsibilities of the business and its relationship with the employee, and an assessment of the possibilities of transferability. To this end, *'institutional theory'* will be used in the next chapter to frame an analysis of the processes and dynamics of change and offer a theoretical scaffold for a conceptualisation of the link between IHRM and CSR.

## Chapter 4: Institutional Theory, CSR and IHRM

The present thesis explores the coalescence of three different themes: CSR (Corporate Social Responsibility), IHRM (International Human Resource Management) and, as a theoretical prop, institutional theory. The aim of the research is to provide a new way of thinking about CSR in relation to IHRM strategy, whilst also considering how such a relationship may be played out in different institutional contexts.

In the course of investigating the link between CSR and international HRM strategy, awareness arose concerning some vital phenomena: (1) the central concern of managerial based scholarship has long been a firm's performance, which has often been critiqued for its lack of awareness of wider social objectives (Walsh *et al.*, 2003: 866) yet, more recently, CSR appears to be emerging to overcome and reshape the limitations of a myopic view of an organisation's role in society (Carroll, 2003; Porter and Kramer, 2006); and (2) More and more current businesses include CSR as a priority in IHRM, so that CSR and IHRM may be linked as a mutually constitutive process.

In this regard, it is necessary and timely for MNCs to investigate the dynamics of CSR and its relationship with IHRM by elaborating a way of managing the tension in institutional complexity and, hence, checking the possibility of 'transferability' of management practices across nations. To this end, the present research offers 'institutional theory' as a useful theoretical lens, with a particular reliance on Scott's three institutional pillars, as a means of capturing the all-embracing institutional character of organisations.

In this chapter, a theoretical discussion on institutional theory is introduced to provide an appropriate framework for the exploration of CSR and the CSR/HRM link in an international context. Other theoretical approaches are briefly considered in order to contextualise and defend the use of institutional theory as a conceptual device. A detailed illustration of CSR-institutional dynamics and then CSR-HRM-institutional dynamics are presented within a framework of Scott's three institutional perspectives, with specific reference to the UK and Korea (as representative cases for Europe and East Asia).<sup>9</sup>

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<sup>9</sup> In this research, East Asia includes *Korea, China* and *Japan*, which are Confucian-heritage societies, have similar management paradigm and circumstances.



## **Institutional theory**

### ***What and why institutional theory?***

The most widely accepted notion of 'institutions' is '*the basic rule of the game in a society*' (North, 1990: 3) which includes the broad state and legal regime and the way it is enforced, and widely held social norms and attitudes that constrain and enable behaviour (Nelson, 2008). The other broadly argued theme of 'institutions' is '*standards*', which in many ways is similar to a consideration of 'norms' in that consideration is given to sets of ordered relationships among peoples (Schmid, 1987). This is not only about 'product' but also concerns facilitating the coordination of human interactive activities (Sterns and Reardon, 2002). To illustrate, active movements of SR (Social Responsibility) standardisation over the last decade by a number of international organisations (such as GRI [Global Reporting Initiative], UN Global Compact and ISO26000<sup>10</sup>) highlights that CSR is no longer an individual option but has major implications for business performance (Castka and Balzarova, 2006). Moreover, a great deal of publication of CSR reports — in 2007, there were over 2500 CSR reports published, including 335 of Global FT500 corporations (CorporateRegister.com) — endorsed the growing significance of CSR. In this regard, one of the key issues to be considered by MNCs is how firms cope with current institutional pressures of SR standardisation and reporting to win the game of the international market (Bowers, 2006; Castkaa and Balzarovab, 2008).

'Institutional theory' vigorously argues that organisational identities are under pressure to adapt and be consistent with their institutional environment (Bjorkman *et al.*, 2007). As a result, institutional theory is widely used as a useful tool for elaborating MNCs various strategies in different global markets (*e.g.*, political strategies [Hillman and Wan, 2005], CSR strategies [Husted and Allen, 2006; Mohan, 2001] and IHRM strategies [Bjorkman *et al.*, 2007; Bae and Rowley, 2001]) as MNCs seek legitimacy in the environment in which they operate (Kostova and

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<sup>10</sup> Following a market demand on SR (Social Responsibility), the ISO (International Organization for Standardization) has initiated development of 'ISO26000' international standard on SR. Many large MNCs are preparing this movement because they see no better alternative (Bowers, 2006). However, there are also severe criticism and debate concerning the movement of ISO, as the way of ISO26000's approach is different in comparison with to ISO9000 and ISO14000 — designed not as a management systems standard but third-party certification, and hence questions its effectiveness and influence in an international market (Castka and Balzarova, 2007).

Zaheer, 1999; Tsai and Child, 1997; Westney, 2005). The main reason why the present thesis selects an institutional approach is that it will support the exploration of the key issues of the research, i.e., *which institutional pressures (regulative, normative, cognitive-cultural) affect particular fields (CSR and IHRM) and to what extent do institutional settings differ?: here in this thesis, between the UK and Korea.* It is also expected that institutional theory will be useful for elaborating transferability issues as well as exploring the dynamics of CSR/IHRM. The reason is that institutional theory has been regarded not only as a useful tool to explain MNCs' characteristics (Morgan and Kristensen, 2006) but also widely used to investigate the adoption and diffusion of organisational forms (Bjorkman *et al.*, 2007).

To elaborate, institutional theory starts from the standpoint that organisations are shaped by the institutional context in which they are located (Morgan and Kristensen, 2006) and investigates what makes organisations similar (DiMaggio and Powell, 1983) and different (Kostova, 1997; Rosenzweig and Singh, 1991). Moreover, it is widely used when studying why nations have differed so greatly in their achievements on this front (Nelson, 2008) and the transferability of particular organisational behaviours (DiMaggio and Powell, 1983; Scott, 1995).

### ***History and theoretical background of institutional theory***

Historically, institutionalism comes from Marxist and Weberian studies of political economies, defining institutions as formal and informal rules of procedures and assuming that people are motivated by the logics of instrumentalism and appropriateness in ways that are constrained by rules, procedures, cognitive paradigms, principles and beliefs (Campbell, 2006: 926). Selznick's work, along with the work of his students, is regarded as one of the earliest and most influential versions of institutional theory (Scott, 1987). Selznick (1969: 45) argues that the determinants of 'institution' are not settled by formal definition, rather by its mission and its competences: its commitment and capacity to perform a social function. Hence distinctive competence is in turn bound up with social structure and agency (*e.g.*, roles, relationships, norms and values). He also postulates 'institutionalisation' as a process that is infused with value beyond the technical requirements of the task at hand (Selznick, 1957: 16/17). He contributes to the organisational approach by

distinguishing between organisations as technically devised instruments or valued, natural communities concerned with their self-maintenance as ends in themselves (Scott, 1987). Moreover, he stresses a holistic and contextual approach towards institutions (Perrow, 1986).

Following on from Berger and Luckmann's (1967) work concerning the 'social structure of reality'<sup>11</sup> in the 1960s, institutional theory burst onto the organisational analysis scene in the mid-1970s and has generated much interest and attention (Scott, 1995) by raising several provocative debates and arguments such as:

- Institutionalisation as a social process of legitimation (Meyer and Rowan, 1991: 341)
- Institutionalisation as a pattern — such as 'isomorphism' (DiMaggio and Powell, 1983)
- Institutional persistence is not the rule but the exception which, subject to entropic forces, requires continuing input and energy and resources to prevent decay and decline (Zucker, 1988)
- Transformation from the concept of the institutional environment to one of multiple institutional environments (Scott, 1995).

Under these seminal perspectives, a significant number of approaches towards institutional ideas emerge from a wide variety of disciplines, such as economics, political science, sociology and social psychology as well as organisation studies (Bartol and Durham, 2000; Scott, 1987; Nielsen, 2001).

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<sup>11</sup> The central question of Berger and Luckmann is '*What is the nature and origin of social order?*' This work was based on philosophical underpinning by German idealists and phenomenologists such as Dilthey and Husserl (Scott, 1987). They argue about '*society*' as a human product and an objective reality and '*man*' as a social product (Berger and Luckmann, 1967: 61).

### *Contributions of institutional theory*

A review of institutional theory reveals its significant contribution to organisational analysis. Most of all, it has wide scope for applicability encouraging organisational scholars to take a longer-term and broader perspective in crafting testable arguments (Dillard *et. al.*, 2004; Scott, 2004). It is broadly positioned to help people confront important and enduring questions (*e.g.*, the type of organisations [Scott, 1995], the bases of organisational similarity and differentiation [DiMaggio and Powell, 1983; Kostova, 1997; Rosenzweig and Singh, 1991], the relation between structure and behaviour [Martinez and Dacin, 1999], the role of symbols in social life [Meyer and Rowan, 1977], and the relations between interests and agency [Powell, 1991; Scott, 1987] ) (Scott, 2004).

In particular, three central contributions of institutional theory which is related to the present research will be elaborated. First, institutional theory contributes to MNC-related research (Kostova, 1999; Xu and Shenkar, 2002; Westney, 2005). With regards to the opinion that organisational theory still struggles to deal with multinationals (Hennart, 2003)<sup>12</sup>, institutional theory has contributed to the analysis of the understanding of MNCs and the tensions between isomorphic tendencies and continued trends towards divergence (Morgan and Kristensen, 2006; Westney, 2005). Scholars use institutional theory especially to explain a country level environment (Xu and Shenkar, 2002): *e.g.*, the effect of local isomorphism (Rosenzweig and Nohria, 1994), foreignness (Zaheer, 1995) and institutional distance (Kostova, 1997). In particular, the contribution of the idea of '*institutional isomorphism*' (DiMaggio and Powell, 1983)<sup>13</sup> in international business is phenomenal; CSR is no exception (Husted and Allen, 2006). It is closely related with the typical character of the organisation's competition not just for resources and customers, but for political power and institutional legitimacy for survival (Carroll

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<sup>12</sup> Many economists, still, are not interested in institutions. Many scholars do not regard firms as alternatives to markets. They implicitly assume that corporations are not constrained by their competition with other institutions, for example markets (Hennart, 2003).

<sup>13</sup> DiMaggio and Powell (1983: 147) postulate '*institutional isomorphism*' with an idea that once a set of organisations emerges as a field, a paradox arises: rational actors make their organisations increasingly similar as they try to change them. There are three isomorphic processes – coercive, mimetic and normative – leading to the outcome. In comparison with '*competitive isomorphism*' (Hannan and Freeman, 1977): assuming a system rationality that emphasises market competition, niche change, and fitness measures, '*institutional isomorphism*' argues that major factors organisations must take into account are other organisations (Aldrich, 1979: 265).

and Delacroix, 1982; Seo and Creed, 2002). The reason for this phenomenon comes from contextual contingencies (e.g., the growth in worldwide communications and travel [Levitt, 1983], the difference in technology [Woodward, 1965], and globalisation and international trade and finance [Rowley and Benson, 2002]) which can be suggested to be major facilitators of the transfer of managerial practices between MNC units and therefore, global co-ordination (McGaughey and De Cieri, 1999). Such contingencies emphasise the notion of convergence of management practices (Tulder and Zwart, 2006: 3) as multi-domestic branch operations converge towards similar sets of practices (Andrews and Chompusri, 2005; Rowley and Brenson, 2002).

In addition to these, it is critically noted – especially in relation to MNCs – that they have the characteristics of three types of legitimacy-related complexity: external institutional environment; the internal institutional environment; and the process of legitimisation (Kostova and Zaheer, 1999). To elaborate, Kostova and Zaheer suggest that for MNCs, where establishment and maintenance of legitimacy in their multiple host countries is one of the critical issues (such as the case of Nike, Gap, Nestle and Coca Cola)<sup>14</sup>, they have to efficiently cope with environmental complexity (the greater challenge of normative and cultural-cognitive domains than regulative domains), organisational complexity (the differences of the tension between internal and external legitimacy in each MNC), and the legitimisation process (to understand, for instance, why liability of foreignness does happen and why large and visible organisations are particularly vulnerable to attack by political interests).

Second, one of the consequences of the debate on institutional theory is that new forms of organisations are being created by the people in them, and these people, and hence their organisations, are changing continuously (Chia, 1995). Therefore, intellectual management of complex '*institutional change*' (North, 1990)<sup>15</sup> in MNCs is one of the pivotal issues of institutional theory which is also related to transferability from one context to another and is a critical aspect for firms' success

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<sup>14</sup> Concerning the legitimacy issues, see chapter 2 section 'Social legitimacy II: globalisation'.

<sup>15</sup> North (1990) postulates '*institutional change*', which shapes the way societies evolve through time and hence could be the key to understanding historical change. He argues institutions typically change incrementally rather than in a discontinuous fashion (North, 1990: 6); although formal rules may change overnight as a result of political and judicial decisions, informal (cultural) constraints, which are a key to explaining the path of historical change, embodied in customs, traditions, and code of conduct are much more impervious to deliberate policies.

(Westney, 2005: 61). In particular, the acknowledgement of institutional change is more important in an era of globalisation as it affects 'the rules of the game' of the current time (Sterns and Reardon, 2002). In connection with the argument that organisational responses during the period of institutional change are not well understood (Newman, 2000), it provides insights that may help explain organisational interpretation and responses to change (Roth and Kostova, 2003) as well as the '*process*' by which structures (e.g., schemas, rules, norms and routines) become established as authoritative guidelines for social behaviour (Scott, 1995: 2; Selznick, 1957).

Third, an institutional perspective contributes to the CSR debate in that discussion is focused on the economy and society (Kostova and Roth, 2003). Institutional theorists postulate that organisations are responsible to customers, employees and communities (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Arthur, 2003). It attempts to explain organisation-environment relations from an overarching social perspective and, therefore, effectively explains the legitimacy-seeking behaviour of a firm in the market which is influenced by socially constructed norms and rules etc. (Martinez and Dacin, 1999). Institutions determine business opportunities in a society (North, 1990: 7-9) and differences in institutions are the primary reasons for differences in economic and social outcomes (Hira and Hira, 2000). Therefore, with an acknowledgement of the lack of research on CSR from a global perspective (Gnyawali, 1996; Maignan and Ralston, 2002; Meyer, 2004), it is expected that an approach towards CSR that utilises the conceptual frame of institutional theory will be better able to offer insights into the implications of how MNCs behave strategically in different institutional conditions.

### ***Limitations of institutional theory***

Whilst there are various contributions of institutional theory to organisational analysis, including those mentioned above, specific shortcomings remain to be resolved. Two particular points of critique which are related to the present research are elaborated.

First, institutional theory is criticised for providing biased, over-socialised explanations of organisational behaviour, thereby often ignoring the complexity of

institutional forces, *i.e.*, the role of power, interest and agency (Granovetter, 1985; Powell, 1991; Phillips et al., 2004; Scott, 1987). In other words it is claimed that institutional theory does not take enough account of pluralistic institutional environments and the way they are often imbued with contradictory guides for action (Meyer and Rowan, 1977) that involve various participants who have divergent interests and unequal power (Seo and Creed, 2002). In fact, it is said that there is a limit in explaining a holistic perspective in organisational behaviour with existing institutional arrangements (Martinez and Dacin, 1999; Seo and Creed, 2002). In effect, business organisations which are under pressure to adapt within various and complex institutional environments have to have intellectual views on the relative seriousness of institutional factors connected with business goals beyond the social goals.

Second, there is a theoretical dilemma between stability and change in institutional theory. The concept of 'institutional change' is often maladaptive and it has a limit when elaborating complex institutional arrangements which create tensions within and between social systems (Seo and Creed, 2002), externally and internally (Phillips *et al.*, 2003). To elaborate, as current institutional theory offers more emphasis on institutional stability than institutional change, it cannot fully explain existing changes over time (DiMaggio and Powell, 1999). For institutionalists, although institutionalisation is an *adaptive* process, once in place, institutions are likely to both psychologically and economically close their doors to change, regardless of the need (Bartunek and Moch, 1987; Fiske and Taylor, 1984; Seo and Creed, 2002). This kind of resistance to change, in the form of taken-for-grantedness, is a fundamental attribute of institutionalisation (Jepperson, 1991). Therefore, a more balanced understanding of the institutional perspective is needed as there is often a contradiction in institutional arrangements between issues of stability and change.

In addition to the specific points made above, there are continuous debates concerning the overall usefulness of the institutional perspective (*e.g.*, its regional and temporal bias, as a large portion of the research has been conducted by mainly US scholars based on data from US organisations during the past few decades [Scott, 2004]). However, there is a growing body of contemporary literature that has been advancing an institutional perspective as it is regarded as one of the most appropriate

theories to investigate the institutional dynamics of organisations (Bjorkman *et al.*, 2007). Thus, whilst being aware of its weakness, this research employs the strengths of the institutional perspective, paying particular attention to the ways in which it can help to understand the complexities of human behaviour and society and their complex interplay (Martinez and Dacin, 1999) according to multiple institutional pressure (Westney, 1993).

### **Other claims**

In light of the recognition of critiques of Institutional Theory, it is useful to consider other potential approaches to explore institutions that may act as a means for understanding their similarities and differences among different countries (*e.g.*, Varieties of Capitalism, Culture of Capitalism and Hofstede's cultural dimensions). In this section, a review of these various approaches is undertaken with a special focus on their potential value and limitation, or not, as a conceptual framework for this study.

### ***Varieties of Capitalism (VoC)***

There is a popular-in-use but still-in-progress framework that may be useful to support a comparative approach to research known as *Varieties of Capitalism (VoC)*. VoC is a widely used perspective for international comparative research, especially in Europe. It seeks a basis of comparison more deeply rooted in the organisation of the private sector by acknowledging the limit of former bodies of work which overstate the government's role (Hall and Soskice, 2001: 4-5).

It argues that the core distinction to be taken account of in comparative research is between two types of political economies: LME (liberal market economies) — firms coordinate their activities primarily via hierarchies and competitive market arrangements; and CME (coordinated market economies) — firms depend more heavily on non-market relationships to coordinate their endeavours with other actors and to construct their core competencies (Hall and Soskice, 2001: 8). They elaborate these two different frames mainly with the case of USA, UK (LME) and Germany (CME) and argue different ideas and implications in various phenomena. For example, in coping with globalisation, LMEs are likely to pressure government for



deregulation since firms coordinate their endeavours primarily through the market. In CMEs, however, the political dynamics inspired by globalisation would be very different. Government should be less sympathetic to deregulation because it threatens the nation's comparative institutional advantages (p. 57-59). VoC deliberately designates the firm as 'relational' (Hall and Soskice, 2001: 6) which is worthy of note in relation to the stakeholder approach that underpins this study's approach to CSR.

However, despite its continued popularity, VoC is not without its critics. Some commentators note that, even though it is frequently argued that VoC's approach is focused on firms, it is more oriented towards a political economy perspective (Allen, 2004: 87, 105; Bosch *et al.*, 2007: 258). Moreover, it is revealed that when VoC is applied at the level of the firm it has tended to focus on the manufacturing industry in the 1970s – 1980s. Therefore, with the aims of this study in mind, i.e. to explain contemporary firms' complex interactions, with not only regulative but also normative and cognitive-cultural factors, VoC would appear inadequate.

In addition, it has been questioned whether the two main CME/LME typologies of VoC are an over-simplification of the global diversity of different socio-economic systems and hence unable to offer explanatory power for regions that do not fit easily into the typology. VoC tends to argue that developed economies can be treated as resembling CME or LME, or some combination of the two. However, this would be an inaccurate categorisation of East Asia which has, for example, experienced a distinct industrial transformation and hence its system of capitalism is fundamentally different to the comparable Western experience (Shin, 1998: 1310). To reiterate, there are limits for its application to the contexts of East Asia, especially to Korea where colonialism and war existed pre-1960s, and capitalism developed with remarkable success post-1960s along with an interplay of the state and world system<sup>16</sup>. As a result of these two central weaknesses, VoC will not offer the necessary explanatory framework for this study. It is unable to fully accommodate the examination of a very complex and changeable phenomenon associated with business (here in this study – CSR/IHRM) within two very different contexts, i.e. the UK and Korea (and by extension Europe and East Asia).

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<sup>16</sup> The detailed elaboration on Korea's capitalism is covered in Chapter 7 with empirical data of Korean history of economy and politics.

### *Culture of Capitalism (CoC)*

It is interesting to view how cultural values influence economic choices; an approach that deems this view to be of central importance has become known as the *Culture of Capitalism*. Culture of Capitalism (CoC) integrates an understanding of how culture impacts upon capitalism, and vice versa, and tries to find patterns as a means of understanding this dynamic relationship. It analyses each country's cultural system, its mentality, morality and emotional structure (Macfarlane, 1987), along with how a nation's historical past has shaped such a system, and attempts to capture how this 'invisible hand' regulates economic activities (Hampden-Turner and Trompenaars, 1993: 4) For instance, the love of money was once regarded as the root of all evil and only to be treated as a means to an end, however, in a capitalist society, the pursuit of money (more precisely, pursuit of individual profit) becomes an end in itself (p. 115-118). CoC argues that the bargaining and market principles of Adam Smith (p. 119) incur positive benefits for society. In this regard, Hampden-Turner and Trompenaars (1993: 3) support the idea, in *The Seven Cultures of Capitalism*, with the argument that wealth and value creation is in essence a moral act and capitalism is a peculiar social formation (p. 170).

Notwithstanding CoC's useful illustration of the interaction between cultural dynamics and economic actions and environments, there is a crucial paradox that can be observed at the heart of this model. That is, it is fundamentally questionable what the relationship between capitalism and culture is, and how they are integrated as an interactive paradigm. It is not entirely far fetched to suggest that capitalism and culture seem *contradictory* in definition (Bell, 1996: 33-84). If capitalism is mainly about economic success, it is possible to state that there is an appreciable limit to which it can be discussed in connection to a concept of culture. Specifically, it is argued that capitalism is mainly about power and markets, and businesses destroy culture (Wilson, 1995: 44). Therefore, the serious problems of capitalism — such as an unjustifiable inequality of wealth and the reckless destruction of the natural environment (which are also main issues of contemporary CSR) — can explain how capitalism provides a negative effect on human beings and their culture. In this regard, to analyse CSR/IHRM dynamics in relation to these two somewhat contradictory ideas (culture and capitalism) seems to be entirely too problematic for

the present study to justify the approach. In other words, capitalism is an economic system but admittedly has a very powerful effect on culture; which changes the way we live and, indeed, our approach to life, i.e. our values and beliefs. However, it is revealed that prominent interpretation about capitalism is not so much related to the aspects of human behaviour and culture but rather power, competition and market context. Therefore, I propose here that the idea of CoC might have some limitations when used to analyse the pluralistic nature of CSR and its link with human behaviour in international business. Moreover, culture is not the totality of capitalism and its institutional differences. To explore institutional conditions focused on culture might be a case of over-simplification (Kostova, 1997: 180). It is acknowledged that this solo-dimensional institutional approach has a limit to elaborate complex institutional pressures of CSR and HRM dynamics. In this regard, CoC is not selected as the primary theory of this study.

### ***Hofstede's cultural dimensions***

Hofstede's cultural perspective has been one of the most widely used models in cross-cultural research. Hofstede's main argument rests on how different people in different cultures behave in varying ways. He analyses international differences of cultural consequences in work-related values. It is, perhaps, the most influential cultural classification (Kirkman *et al.*, 2006). Hofstede's survey first started (between 1967 and 1973) as a type of IBM consulting project which revealed the differences of 53 cultures. The scope of his research has been continuously expanded to 74 countries and regions (Hofstede, 2001).

According to Hofstede's theory, the cultural dynamics of certain phenomena can be illustrated by four dimensions: *power distance*, *individualism/collectivism*, *masculinity/femininity* and *uncertainty avoidance*. The *Power Distance index* evaluates the extent to which people accept as the normal state of affairs that power is distributed unequally. The *Individualism/Collectivism index* measures how people determine the importance of the individual (group) compared to the importance of the group (individual). A higher individual value is associated with greater individualism and vice versa. The *Masculinity/Femininity index* deals with individuals' characteristics whether they are more competitive and assertive or more

nurturing and modest than others. Generally, it is suggested, men tend to be more competitive and assertive and hence, a higher masculinity index suggests that the country's culture is more masculine – forceful and aggressive. *Uncertainty Avoidance* refers to the extent to which a society feels threatened by uncertain and ambiguous situations. A higher uncertainty avoidance index means the society is comfortable with uncertainty and ambiguity and individuals in that society tolerate unstructured circumstances well. Researchers widely utilise these four dimensions in order to evaluate cultural values in relation to various human interactions.

However, despite its great influence and popular utilisation in cross-cultural research, it has been revealed that there are limits in the way these cultural dimensions can be applied to the study of holistic national-comparison and its complex changes. First, Hofstede ignores everything but the culture level comparison (Smith, 2002: 123) and hence, when one investigates national environments and their effects on organisation, it has some limitations (Kostova, 1997: 180). That is, while cultural analysis finds a basis in the divergence of informal aspects, formal perspectives cannot be explained fully with this cultural mechanism (Peng *et al.*, 2009: 53). None of the cultural dimensions are related to national economic situations and political contexts (Hofstede and Bond, 1988: 14-18). For instance, in the case of Germany, although the regions of the country formerly described as 'East' and 'West' have the same cultural histories, the difference in the behaviour of people and organisations is phenomenal (Kostova, 1997). This view is enforced when we witness the case of the huge divergence between North and South Korea. There is, as a result, a big question as to whether culture is the only reason for differences or similarities that might explain CSR and its relationship with employee matters. Though it is to be understood that cultural value is a good mediator to carry out cross-national comparisons, there should be other crucial variables beyond culture which have to be considered for the holistic approach to national comparison.

The other problem inherent in the approach is that there is a lack of concern for the characteristics of 'becoming' and 'changing'. One of the key weaknesses of Hofstede's idea is that it is static, while national culture is arguably a dynamic construct and many of its visible aspects may change over time (Brett *et al.*, 1997; Kock *et al.*, 2008; Kirkman *et al.*, 2006). How can we explain the rapid changes in

environment when we see the history of each country (e.g., Germany's reunification and China's liberalisation)? As a result of these two main gaps in its utility, this study does not choose Hofstede's work as an instrument of comparison between the UK and Korea.

To summarise, I do not deny the competing models discussed above have usefulness in terms of national comparison, and thus I will use these ideas at times to support my arguments. The problems raised above suggest that these claims may not be good proxies for the present study's cross-national comparisons. Instead, a context-rich and multi-institutional approach may be more useful. In other words, I do not select one of them as my main conceptual framework because of my acknowledgement of the limits of these; the existing critiques which present a one-dimensional institutional approach are not dynamic enough and do not recognise the multi-dimensionality of institutional logics. To reiterate, no single factor explains why CSR/IHRM differs and these two dimensions have very complex dynamics. Consequently, institutional theory is the approach of choice and, in particular, the idea of Scott's 'three pillars of institutions' is selected as a main framework on which to elaborate CSR/IHRM dynamics between the two countries, with the expectation that it is able to overcome the crucial limitations of the above claims. The detailed explanation of the selection about the 'what' 'why' and 'how' of the chosen approach, is provided in the next section.

### **Scott's three pillars of institutions**

In the previous sections, a general review of institutional theory was undertaken and other competing claims were examined. These steps were carried out to justify the final selection of institutional theory for the present research, in particular, Scott's approach to an institutional perspective as a means of exploring the international dynamics of the link between CSR and IHRM.

Scott's (1995) effort to incorporate a variety of institutional strands into a neat typology is regarded as a valuable contribution to institutional and organisational research (Dacin, 1997). He notes the limitations of early works of the institutional perspective, particularly its lack of attention to organisations, and goes on to usefully identify three contrasting institutional pillars which are interdependent and mutually

reinforce each other (Scott, 1995: 14-34). The pillars, which have indeterminate relationships, as described in table 4-1 — *the regulative, the normative, and the cognitive* — are differentiated according to the following criteria of compliance, mechanism of confusion, type of logic, cluster of indicators and foundations for claims of legitimacy.

Table 4-1: Varying emphasis: Three pillars of institutions

	<i>Regulative</i>	<i>Normative</i>	<i>Cognitive</i>
Basis of compliance	Expedience	Social obligation	Taken for granted
Mechanisms	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules, laws, sanctions	Certification, accreditation	Prevalence, isomorphism
Basis of legitimacy	Legally sanctioned	Morally governed	Culturally supported, conceptually correct

Source: Scott (1995: 35)

In the broadest sense, scholars tend to emphasise the *regulative* aspects (such as rules, laws, and sanctions) of institutions (Scott, 1995). Traditionally, economists have been particularly predisposed to view institutions primarily focused on regulative pillars, such as North (1990: 3-4) who sees institutions as representative of the rules (formal and informal) of the game in society. The *Normative* concept is about “what is morally right and wrong?” which reflects morally governed bases of legitimacy (Scott, 1995). More specifically, it is about “what people are supposed to do” and “given my role in this situation, what is expected of me? – a logic of appropriateness” (March and Olsen, 1998). It includes both values, conceptions of the preferred or the desirable, together with constructions of standards to which existing structures or behaviour can be compared and assessed, and norms which specify how things should be done and define goals and objectives (e.g., winning the game or making a profit), which are termed roles: concepts of appropriate action for particular individuals or specific social positions (Scott, 1995: 37-38). Normative rules confer rights as well as responsibilities, privileges as well as duties, licences, and mandates (Scott, 1995), whereas the *cognitive* component reflects taken-for-

granted and widely shared social knowledge and culture (e.g., stereotypes and schemata) (Kostova and Roth, 2002: 217). It emphasises adopting a common frame of reference, built on what is culturally supported in the organisation, and amongst peers and society (Scott, 1995). The critical point to note is that Scott (2003) accounts for culture within the cognitive pillar and argues that *cultural-cognitive* elements involve the creation of shared conceptions that constitute the nature of social reality and the frames through which meaning is made. This research follows Scott's approach and hyphenates culture with the cognitive pillar.<sup>17</sup>

To summarise: institutional theory reveals the complexity and variety of the current business scene (Scott, 2004). In particular, Scott's approach of three institutional pillars is assumed to be an effective tool for assessing the scattered issues around what kind of institutional pressures (regulative, normative, cognitive-cultural) variously affect the relationship between CSR and IHRM in different regions. More specifically, the three pillars of this particular institutional approach are expected to assist in analysing the key issues of what institutional pressures mainly affect the CSR and IHRM linkage, and how they are different amongst nations. However, whilst recognising the value of the three pillars as an analytical tool, it is also recognised that the three pillars are not independent institutional logics but that they work together in a holistic way. Therefore, there is often a blurring of the analytical boundaries between each pillar. Nevertheless, despite this permeability, Scott's three pillars offers useful distinctions that help us to recognise how different forces are at play and how they work together.

Accordingly, the present study investigates the initial institutional pressure on CSR in this chapter, and the subsequent chapter will elaborate institutional pressures on the major linking dimension between CSR and IHRM strategy — *motivation* and *organisational culture* — and how they may well vary across international settings. It is expected that this kind of holistic approach will contribute to the understanding of why CSR might be differently introduced within diverse institutional contexts in close relation to people and people management. As a first step, the next section discusses CSR dynamics through the lens of institutional theory and Scott's 'three pillars'.

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<sup>17</sup> It is difficult to separate institutional theory from cultural theory. Dermont (2005) argues that cultural factors merge into institutional factors and there is complex interaction between the cultural and institutional. In this regard, Scott treats culture as symbolic systems and cultural rules as objective and external to individual actors, and thus hyphenates culture into the cognitive pillar (Scott, 1995: 40-41).

## **Institutional theory and CSR**

### ***Why apply institutional theory to CSR?***

In the preceding section, there is a critical review and a detailed discussion regarding institutional theory. Based on this, the goal of this section is to explore and gain an understanding of the institutional dynamics of CSR with reference to the UK and Korea.

There have been varied theoretical approaches towards CSR, but institutional perspective-based analysis has not yet been widely used in the study of CSR. With the acknowledgment that CSR dynamics can be explained by complex institutional pressures and how they influence each other (Kumar and Worm, 2004), the present study investigates the dynamics of CSR in international business founded on the approach of Scott's three pillars: namely, the regulative, the normative, and the cognitive. It is anticipated that the present institutional approach may contribute to the analysis of CSR dynamics more vigorously due to the following three reasons.

First, it is expected that institutional theory may contribute to embracing all of the scattered institutional characteristics surrounding organisations (here focused on MNCs) in different nations that employ CSR. To see CSR in the light of an institutional perspective reveals in a stark manner a distinct blind spot in the literature on CSR (Campbell, 2006), as there has been little research on institutional conditions that influence CSR-related behaviour (Walsh *et al.*, 2003). From the analysis of the selected examples of CSR-related research from the perspective of institutional theory as elaborated in table 4-2, however, there are various kinds of institutional pressures on CSR and they are linked in a rather complex manner.



Table 4-2: Selected CSR research by institutional-related perspective

Selected study	Research area	Research questions	Methodology	Outcome
Doh and Guay (2006)	Europe and the United States	· How do differences in the institutional environments of Europe and the US affect expectations about CR to society?	Three case studies	Different <b>institutional structures and political legacies</b> in the US and EU are important factors in explaining how governments, NGOs, and the broader policy determine and implement preferences regarding CSR.
Campbell (2006)	N/A	· Why would a corporation ever act in a socially responsible way? · Under what conditions are corporations more likely to act in socially responsible ways?	Literature Review	Corporations are more likely to act in socially responsible ways the more they encounter <b>strong state regulation, collective industrial self-regulation.</b>
Husted and Allen (2006)	Mexico	· What is the relationship of global and local CSR to international organisational strategy?	Survey sent to MNCs in Mexico	MNCs are more likely to manage CSR according to <b>institutional pressures rather than a strategic logic.</b>
Mohan (2001)	Two British MNCs	· What is the situation of global CSR management in MNCs?	Case study	Global CSR management resulted from interplay of firms' strategic choices, internal design processes, as well as influences of <b>regulatory, normative and cognitive environment</b> as the multiple levels of the MNC context.
Emilsson and Hjelm (2004)	Newcastle (UK) and Gothenburg (Sweden) City Council	· How do local authorities approach environmental management systems (EMS) implementation?	Case study	Both Newcastle and Gothenburg mainly use the <b>normative</b> approach to EMS implementation; however, there is a <b>regulative</b> inclination in Newcastle's approach. Difference of EMS implementation comes from different international management <b>culture.</b>

Although these show that CSR is employed as a result of the corporation's embeddedness in a context of changing societal constitutions (Dubink, 2004), it is limited in explaining the critical interaction among the three institutional pressures (regulative, normative and cognitive-cultural factors). For instance, it does not tell us what the attributes, types, and consequences of these dynamics are. This research seeks to elaborate on this issue by synthesising theoretical and empirical research data.

Second, thus far, most research and literature on CSR has been for national companies, not for MNCs (Gnyawali 1996; Meyer, 2004). Moreover, most of the previous discussion of CSR has been focused on the Anglo-American corporate system. Its theorising and empirical analysis in Asia is limited (Ang and Leong, 2000; Maignan and Ralston, 2002). Yet every country and region has a unique institutional background, and as CSR is closely bound to institutional factors, there must be a reconsideration of CSR along with the perspective of nations and regions. As with other management paradigms, CSR also needs wisdom to achieve the critical balance of global integration and local adaptation (Bartlett and Goshal, 1991; Doh and Guay, 2006). Paradoxically, greater convergence has been created in the perception of CSR because of the globalisation phenomenon (e.g., economic integration and transnational NGO cooperation) (Doh and Guay, 2006), and there are massive pressures on the divergence approach of CSR. The value of local knowledge is demonstrably as important as the global (EIU survey, 2006). It is considered that CR (or corporate citizenship) depends on a number of interacting institutional conditions that hold society partly responsible for the social performance of their companies (Jeurissen, 2004).

Finally, there is a relative lack of international comparative research. What really happens to western business models when they enter the eastern region? If CSR is to truly help MNCs in their differentiation and attaining of legitimacy in different host countries, there appears to be significant problems with the current single globalised approach to CSR (Visser *et al.*, 2007). For instance, Miles (2006) argues that Anglo-American value and corporate systems often conflict with employing CSR behaviour within Asian Confucian societies (e.g., Korea, China and Japan) where the business

environment is highly involved in collectivism,<sup>18</sup> informal virtue, and morality (rather than formal law and regulation) (Miles, 2006). Even though much of the current debate on CSR in Asia tends to follow the development of the West (Mohan, 2001; Moon, 2002), such as with CSR isomorphism (Gardberg and Fombrun, 2006: 334-5), it has to be understood and appreciated that there are very different priorities in countries where norms, values, and economic developments differ (Welford, 2005). Therefore, a significant question is ‘how do overseas entrants and local stakeholders really understand and adapt to each other from the perspectives of CSR and IHRM?’ This thesis tries to discover some implications through the lens of institutional theory.

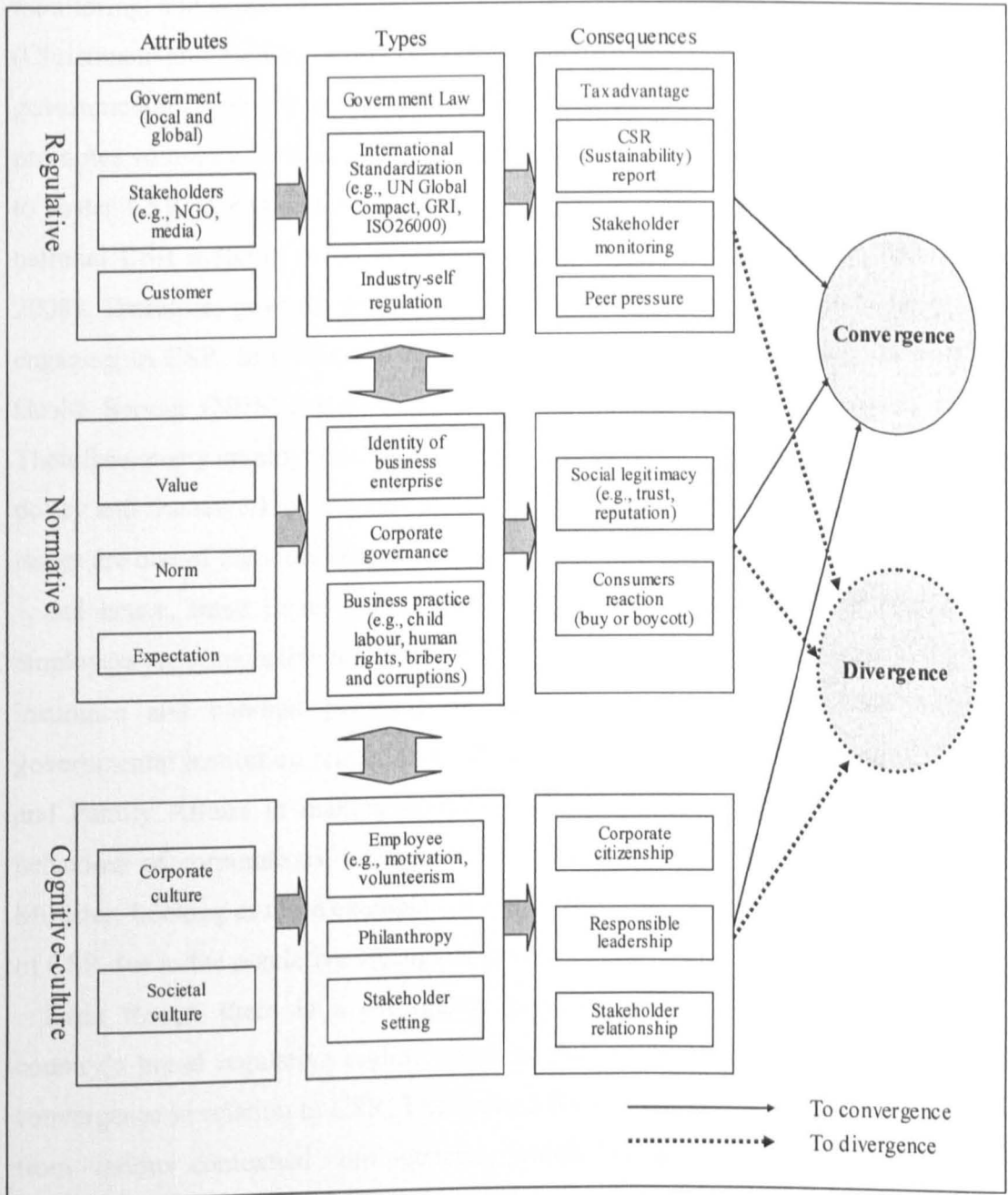
### *CSR dynamics according to Scott’s three institutional perspectives*

In each country, CSR paradigms are different and as a result its implementation is diverse. The present study discusses this claim based upon Scott’s institutional three pillars. To elaborate, Husted and Allen (2006) argue that MNCs are more likely to manage CSR according to institutional pressures rather than strategic logic. Related with this argument three kinds of specific institutional pressure (regulative, normative and cultural-cognitive) towards CSR are discussed in detail based on figure 4-1, which represents the different institutional dimensions related to CSR through attributes, types, and consequences, along with some practical examples. This demonstrates the usefulness of this new analysis of CSR dynamics in the international context. It can generally be discovered from literature reviews that regulative pressures push CSR towards more convergence (e.g., CSR standardisation movement, CSR reporting stream), whereas normative and cognitive-cultural pressures act towards a more complex divergence mode as presented in figure 4-1. It would seem, therefore, that a strategic approach to CSR, according to prevailing institutional dynamics, is needed (Doh and Guay, 2006; Mohan, 2006).

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<sup>18</sup> Hofstede (1984) argues that more collectivist societies call for greater emotional dependence of members on their organisations (p. 152), more ‘moral’ involvement in comparison with ‘calculative’ involvement where the individualist prevails (p. 153).

Figure 4-1: CSR dynamics according to the three institutional perspectives



### Regulatory pressure on CSR

Most obviously, regulatory pressure has a significant impact on CSR issues (Campbell, 2006; Doh and Guay, 2006; Yamak and Süer, 2005; Stiglitz, 2003). The regulatory pressure for CSR has been responded to with a mixed system of government regulation and industrial self-regulation (Campbell, 2006; Gupta and Lad, 1983; Kolk and van Tulder, 2002), and it gives a critical impact to business

performance, such as governance mechanisms and customer reactions (preferences, monitoring, and sanctions) towards a mixed (divergence and convergence) approach (Christmann and Taylor, 2006). To elaborate in more detail, each nation has different governmental regulation systems and approaches. For instance, the UK government promotes voluntary CSR activities for businesses. It actively issues various initiatives to foster CSR in companies and tries to embed broader norms and regulations in national CSR systems; what is referred to as ‘implicit’ CSR (Matten and Moon, 2008). Therefore, governments play an important role when it comes to businesses engaging in CSR. In relation to employees, the UK has a government-run National Health Service (NHS) system and it covers employees’ health and security issues. Therefore, many employment related issues in relation to CSR are absent in the CSR policy and framework of UK companies; whereas in Korea, health, safety and labour issues are one of the most crucial factors in CSR – in conjunction with the employee – and hence, these issues should be integrated into company law to ensure that employers are responsible and accountable (e.g., health insurance, industrial disaster insurance and national pension). In this respect, the most actively engaged governmental institution related to CSR in Korea is the Ministry of Health, Welfare and Family Affairs in making policies and supporting programmes for the CSR behaviour of corporations, whereas the UK has an independent CSR Ministry and Minister. Looking at these examples, it can be seen that there are signs of divergence of CSR due to the regulative settings of governments.

Even though there is a divergence phenomenon of CSR according to each country’s broad regulative regime, there is also an important stream of regulative convergence in relation to CSR. The reasons for this convergence phenomenon arise from various contextual contingencies, which include the growth in worldwide communications and travel (Levitt, 1983), development in the sophistication of available technology and its widespread use (Woodward, 1965), globalisation and international trade and finance (Rowley and Benson, 2002). All of these can be argued to be major facilitators of government policy and the transfer of managerial practices between MNC units (McGaughey and De Cieri, 1999). Such contingencies emphasise the notion of convergence of management practices (Tulder and Zwart,

2006: 3) and multi-domestic branch operations converge towards similar sets of practices (Andrews and Chompusri, 2005; Rowley and Brenson, 2002).

It is noted that as economic activities become more globalised, governments experience eroded power in comparison with the growth of business (Hart, 2007:19), and hence more difficulties in regulating business and their CSR activities (Campbell, 2006; Fung *et al.*, 2001). The effectiveness of state regulation as well as industrial self-regulation which may affect, and be affected by, stakeholder (e.g. NGO) monitoring, is one of the major factors in a company's sustainability (Campbell, 2006; Mitchell *et al.*, 1997). However, as state influence declines we have witnessed the rising influence of NGOs,<sup>19</sup> which is regarded as one of the most significant developments in international affairs over the past twenty years (Doh and Guay, 2006), consequently raising the profile of key issues related with CSR (Husted and Allen, 2006; Smith, 2005), especially in Europe (Maignan and Ralston, 2002: 505). For example, historically, many European firms include NGOs and union representatives on their management and executive boards, illustrating that European CSR is more responsive to NGO influence than other regions (Doh and Guay, 2006).

Additionally, in today's challenging business environment, no organisation is exempt from performance measurement (Miller and Cioffi, 2004), although the appropriate dependent variables can alter with the level of analysis in question (Becker and Gerhart, 1996). Still, there is no general agreement on how to measure and create indicators to assess the CSR of enterprises. Nevertheless, there are growing bodies of quasi-legal demands on business towards CSR convergence that have been developed by international organisations such as the UN Global Compact, World Business Council for Sustainable Development (WBCSD), the Global Reporting Initiative (GRI) and ISO26000. Assessment organisations such as the Dow Jones Sustainability Index (DJSI) and the FTSE4Good Index have also contributed to this growth (Midttun, *et al.*, 2006; Rodriguez *et al.*, 2006). According to this line of thought, CSR convergence has emerged as a key issue on the global business agenda. It can also be closely related to corporate peer pressure, which can be regarded sometimes as the most effective means of facilitating increased CSR. In other words, industries establish their own regulatory mechanisms to ensure CSR behaviours by

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<sup>19</sup> Today, there are more than 50,000 international non-governmental and non-for-profit organisations and nearly 70% have been formed since 1970 (Keane, 2003: 5).

setting voluntary standards to which their members are expected to adhere (Campbell, 2006). Recently, this sort of activity has been given more prominence. For instance, David Cameron, the leader of the UK Conservative Party, currently proposes the way of '*judge against each other*' as a best way to promote CSR (Report of Conservative Party Working Group on Responsible Business, 2008), which offers new implications to other countries for employing CSR. In the case of Korea, one of the current significant issues of CSR practitioners is how to cope with CSR standardisation and CSR reporting (FKI [Federation of Korean Industries] report, 2006). Even though corporations have local laws and environments, MNCs in the global market have to follow the global convergence movement in order to gain legitimacy, survive in the market, and communicate with global customers, stakeholders, and peers (Dunning, 2003; Kostova and Zaheer, 1999).

### Normative pressure on CSR

Visser *et al.* (2007) investigate the differences of CSR in developing countries in comparison with developed countries, which are characterised as extremely diverse, ranging from optimistic views about the role of business in society to highly critical perspectives. It is important to note that different values in different nations influence business practices in a variety of directions (Young, 2003). Therefore, there exist radical differences in practicing CSR in different countries (Maignan and Ralston, 2002; Midttun *et al.*, 2006; Miles, 2006; Visser *et al.*, 2007).

CSR is behaviour that is congruent with prevailing social norms, values and expectations of performance (Sethi, 1975: 62). CSR has a strong normative basis according to place (Scherer and Palazzo, 2007), meaning that the peculiar nature of CSR practices makes MNCs' cross-border management difficult (Mohan, 2006); especially if attempting to match some generalised global standard of what CSR activities should look like. To understand the differences of CSR between two countries, the present study examines the differences of selected normative elements (values and norms) and their related business activities between Europe and East Asia. As described in table 4-3, the present research can find that there are significant differences in CSR-related normative issues between the two regions.

Table 4-3: Normative and business practice divergences of CSR-related issues

Issues	Europe	East Asia	Reference
Identity of Business enterprise	First profit-driven motivation (Monetary value)	First value-driven motivation (Moral value)	Macfarlane (1987) Chia <i>et al.</i> , (2007)
'Macro-value' & governance	Individualism Democratic governance and transparency	Collectivism Oligarchic governance and opaqueness	Sethi (2006)
Bribery	Delegitimation of political elites and the lack of trust in government.	Main cause of the failures of political and economic reform efforts	Rose-Ackerman (1999)
Dismissing employees during economic downturn	Would be typical	Unethical behaviour	Craine and Matten (2004)
Child labour	Strictly unethical	Some Asian countries have a more moderate approach.	Kumar and Steinmann (1988)

Most importantly, if we accept that there is a fundamental approach towards 'business' influenced by normative pressures, we can see that there are large differences according to each region's typical normative background. It is commonly remarked that in Europe, as a leading capitalist region, the major motive to business is 'profit' and there has been a social justification of the pursuit of profit (Macfarlane, 1987: 172). Friedman (1970) strongly argues that socially responsible behaviour is rectified by the market through a re-distribution of profit – what has become known as a 'trickle-down' effect. On the other hand, Asia has a reputation for a more 'moral value' driven motivation for business (Chia *et al.*, 2007). This is, however, a stereotypical view that is rapidly changing given the accelerating rate of globalisation. To elaborate slightly, developing economies rush to catch up with the West's developed capitalist ideology and vigorously compete with the West. For example, the economic successes of Asia's 'five dragons' (Japan, Hong Kong, Singapore, Taiwan and Korea) were based on the exploitation of market-driven ideology and technology, originally developed in the West, but according to Eastern principles of thrift, diligence, and willingness to put social progress ahead of individual wants (Hofstede and Bond, 1988: 21; Chia *et al.*, 2007: 306). In other words, in striving to



compete on the terms of developed capitalism, over time the values of the East will converge towards that of Western capitalist economies (Chia *et al.*, 2007). Thus, it is suggested that a simple dichotomy approach is not appropriate to explain the complex context of the current situation of business. It neglects the holistic thinking of business and its institutional dynamics in this fast transforming economy. In this regard, the limiting view of money versus moral value will be examined and discussed again at greater length in the empirical data analysis of Chapter 9, based on an institutional perspective, thus illuminating why there is misleading and limited interpretation on this issue.

It has also been suggested that governance systems vary. Europe has relatively democratic and transparent governance that puts a priority on individual efficiency, whereas East Asia has oligarchic governments pressured by the idea of collective efficiency (Sethi, 2006). Accordingly, their approach to various business practices (e.g., bribery, dismissing an employee and child labour) are different, as selectively described in table 4-3. For example, in the case of child labour regarded as a hyper-norm in international business (Meyer, 2004), it is seen as strictly unethical in Europe, while some Asian countries have a more moderate approach (Kumar and Steinmann, 1988).

In the case of bribery and corruption, Rodriquez *et al.* (2005) argue that MNCs must recognise when, where, and how the environment and market regards (and perhaps even tolerates) corruption which can affect an MNC's organisational legitimacy. The distinction between bribery, a facilitation payment, and a gift is one of the main concerns in international business, which shows the subtle difference of a normative approach (Bailes, 2006) that varies across countries and cultures (Hampden-Turner and Trompenaars, 1993; Hofstede, 1980/1983). For example, Hofstede and Bond (1988) argue that the reciprocation of greetings, favours, and gifts in East Asia is a social activity more concerned with good manners than with performance. This behaviour involves cultivation of long-term relationships rather than fee-for-service bribery (Provis, 2004). One of the critical consequences of the linking between the norm and CSR behaviour can be viewed through the consumer's reaction, i.e., the willingness to pay for an ethical feature of products (Meyer, 2004) or boycott or protest against an unethical corporation's products (Husted and Allen,

2006), such as in the case of Nike as a result of child labour abuse in Asia (Hartman *et al.*, 2003).

These various cases show that normative institutional pressures vary across nations in ways that affect corporate behaviour (Campbell, 2006). That is why MNCs of the time have a dilemma in the normative differences they encounter within various local communities (Husted and Allen, 2006).

### Cognitive-cultural pressure on CSR

CSR reflects culture and a people's cognition and their interests. Even though a corporation is considerably affected by regulatory and normative factors, institutionalists in particular have stressed the cognitive-cultural frame (to enable and constrain action) of corporations (Campbell, 2006). This study, as explained above, follows Scott's (2001) approach and hyphenates culture with the cognitive pillar to investigate cultural aspects of CSR dynamics. Critically, nations remain distinctive in cultural terms (Bae and Rowley, 2001: 405) and this phenomenon is reflected in CSR dynamics. Welford (2005) insists CSR has a clear link to local culture, arguing that many CSR policies and behaviours are based on cultural traditions and localised issues at a country level. Broad cultural concerns challenge the core strategies of corporations and therefore multicultural strategic responses to CSR fields such as employee matters (Ulrich, 2007), philanthropy (Genest, 2005; Porter and Kramer, 2002), and strategic stakeholder setting (Sachs *et al.*, 2005) are required.

To specify slightly, employee matters will first be discussed in greater depth (their perception and behaviour) with respect to CSR and its differences according to culture. It is suggested that cultural logics could be one of the most significant reasons for people's (in this study – employees') motivation in relation to CSR – though it remains the case that these cultural logics closely interact with political and economic logics. In the UK, employee's engagement with CSR is based upon UK's traditional ideology of 'individual respected' and advanced market principle adaptation. The UK's – one of the liberal market economies (LMEs) – basic social structure and ideology have always been much closer to an individualistic system (Macfarlane, 1987: 50). Thus, Hall and Soskice (2001: 29), in *Variety of Capitalism* (VoC), argue that firms in the UK generally rely on the market relationship between

individual worker and employer in a more pronounced way. The idea of VoC is supported by Tate (2001: 445) with the suggestion that devoted employees tend to be motivated by professional and individualistic incentives. The pattern of CSR, is much more individual-oriented and market performance driven as a result (Gardberg and Fombrun, 2006: 339; Silberhorn and Warren, 2007: 368) and, accordingly, business and its employees' behaviour in regards to CSR is much more proactive (O'Dwyer, 2003).

On the contrary, Korea traditionally has a strong ideology of 'organisation first' and 'collectivism' (Bae and Rowley, 2001: 411), and unequal relationships between people – so called the "*wu-lun*" (five basic relationships) between ruler/subject, father/son, older brother/younger brother, husband/wife and older friend/younger friends (Hofstede and Bond, 1988). Thus, responsibility for and obligation to others is constrained to the in-group (Gardberg and Fombrun, 2006: 339). Hence, employees' motivation for CSR shows huge differences in appearance with that of the UK. To reiterate, Confucian values, despite Japanese and American influences in the 20<sup>th</sup> century, remain strong and important in Korean culture (Rowley and Benson, 2002). These emphasise harmony and loyalty. Accordingly, employees engage in various CSR activities (*e.g.*, volunteering and donation) for these limited reasons. Many of the driving forces of CSR come from the top and employees have to show their loyalty to the employer and engagement to the organisation in this CSR regime. Moreover, Korea's collectivist culture contributes to the stream of mega-volunteer groups in Korea that are organised by the '*Chaebols*'<sup>20</sup> (this unique phenomenon is explained in detail in the later section in relation to the difference of organisational culture), and it shows a big difference from individual volunteering behaviour in the UK. In a collectivist culture, leadership should respect and encourage employee's group loyalty (Hofstede and Bond, 1988: 14). Through this unique type of volunteering activities, members of the company, most of all, can share and enhance the harmony and trust among members (FKI [Federation of Korean Industries] and NPO research Korea, 2005).

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<sup>20</sup> '*Chaebol*' is a typical business style of large business conglomerate such as Samsung Group, Hyundai Group and LG Group, which is characterised by clan management, top-down decision making, paternalistic leadership and company loyalty and it represents typical organisational culture in Korean business (Yoo and Lee, 1987).

Also, with respect to philanthropy, it can be seen that the traditional culture is a major contributor to this phenomenon and, hence, create big differences between the two countries. Korea's main source of charitable giving is corporations – 67.5% of the total giving amount (whereas individual giving is 15.8%) (Community Chest of Korea, 2007) and people think about philanthropy mainly related to business or a very few rich individuals. There are two traditional focuses on social contribution (its budget and activities) in Korean businesses: social welfare (27.8%) and education (24.6%) (FKI [Federation of Korean Industries], 2008). This is not only because of business interests, but also due to various institutional contexts including cultural pressure. The government of Korea has put an emphasis on the development of social welfare and the education system, and, as such, has introduced various incentive schemes (e.g., corporate taxation system) in an attempt to encourage businesses to engage more actively. It is also related to the origin of Korean philanthropy, which come from a tradition of Confucianism – a philosophy and norms that emphasises saving others in distress and benefiting the world by good deeds. This kind of mindset is engrained into Korean culture and subsequently seen in people's behaviour.

In contrast, in the case of the UK, the philanthropy phenomenon is more broad and various. It is an issue of not only business but also individuals. It combines the issues of society, culture, and economy; the charitable giving is part of the social fabric and economic wellbeing of British society (NCVO and CAF, 2008). Therefore, the causes of it vary as a way of society members' interests and interactions. 56% of adults of the UK participate in donation activities – though the participation rates of individuals differ according to their various institutional classification: gender, age, occupation and income. The cause of charitable donation, reported by *UK giving 2007/2008*, covers a broader range of activities; medical research (20%), hospitals/hospices (14%), children/young people (14%), overseas (11%), and animal welfare (8%). It reveals the UK's institutional settings for social contribution and reflects the variety of individual characteristics which shows the culture of 'individual-respect' in the UK, whilst also reflecting that social welfare, education, health care and housing are supported by state initiatives.

Furthermore, in terms of corporate giving phenomenon, it is closely related to the economic system and culture of the UK in which profit-driven action is appreciated and hence business' identities and power is relatively high in comparison with other countries. Additionally, Silberhorn and Warren (2007: 369-340) argue that the UK's more 'laissez-faire' government system, whilst granting business many freedoms, also seems to pass on heavy responsibilities to the business and market. However, this is an argument difficult to support as it is debatable as to how much contemporary business could be relied upon to contribute to the sustainable provision of social welfare, health care and education as did early philanthropists such as Rowntree, Cadbury and Lever Brothers<sup>21</sup> – especially if it were not directly related to their strategic interests (which, of course, was the case even with the early philanthropists). In this regard, there have been myriad institutions (global and domestic) that monitor businesses' activities of power sharing and social performance in the UK. Likewise, different times and institutional circumstances had made a new language to express the fusion of philanthropy (Fitzgerald, 1999). Therefore, when exploring the development of philanthropy in one country, one has to understand the overall structure of philanthropy which contains a complex institutional and economic context.

To reiterate, for the UK, corporate philanthropy is a comprehensive phenomenon which encompasses economic, cultural, and political concerns, as well as various stakeholders' ideas and dimensions of the society. Consequently, corporations are driven to launch broader CSR initiatives to improve their legitimacy and social acceptance, (Silberhorn and Warren, 2007: 369). In this regard, the causes of social contribution of the UK's business are strategic and variously align to their business needs and business nature in society. Therefore, corporations view philanthropy as being related to various management schemes, which include; better reputation (Brammer and Millington, 2005); motivating internal stakeholders (Peterson, 2004); and collaboration with stakeholders (Palazzo and Richter, 2005). As a result,

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<sup>21</sup> In the mid-1880s (the Victorian Period), there were wealthy entrepreneurs who directly contributed to employee's life and welfare – so called industrial welfare system. It includes the soap maker Lever Brothers, and the chocolate and confectionary makers Cadbury and Rowntree. They provided not just wages but housing (e.g., moving factory to green field), health care, education, recreation and entertainment to employees. It was philanthropy on a scale, which had never before been witnessed (Caledonia Centre for Social Development, 2005, Fitzgerald, 1999).

businesses comprehend these ideas as a long-term strategy beyond altruistic motivation. Among them, employee related matters are one of the most beneficial parts of the philanthropy (Payton, 2008) and the present research will discuss this issue further: why and how, and why it is overlooked.

So far, very different cultural backgrounds, and hence dissimilar applications on CSR between the UK and Korea have been discussed, which has served to highlight the difficulties in separating out cultural dimensions from considerations of the political and economic ones. Certainly, the country's institutional (specifically cultural) environment share the range of acceptable CSR and corporate citizenship profiles (Gradberg and Fombrun, 2006: 339) It is, however, crucial to note that there is a dilemma that businesses have to cope with – that is, CSR can be affected by a change in cultural environment. Moreover, the complexity of its nature, the fact it may or may not be congruent with the effects of economic and political development (Gardberg and Fombrun, 2006: 338), has to be considered. For instance, in Korea after the 1997 financial crisis, previous beneficial cultural underpinnings (such as collectivism and harmony-focus labour systems) were rapidly reviewed and relabelled as problematic. Globalisation prevailed in public policy and this brought tremendous change in the business arena. Business policies faced countervailing pressures from national culture as well as corporate culture (Bae and Rowley, 2001). Especially for MNCs, this creates critical dilemmas of convergence and divergence from different cultural aspects that they have to cope with. The key point to realise is that there is a question of appropriate behaviour (adoption or ignorance) when the HQ-centred corporate cultural convergence is injected to local cultural divergence (Andrews and Chompusri, 2005), and thus efficient setting of this complicated cultural convergence-divergence dynamics (such as remixing/crossvergence/fine-tuning) is salient for MNCs (Andrews *et al.*, 2003). I suggest, therefore, that cultural pressures create complex dynamics in implementing CSR. In summary, corporations have to contemplate not only the differences of local culture but also the change of cultural environment and, most importantly, culture's relationship with other institutional profiles and dynamics such as economy and politics.

### *Conclusion and further direction*

Based upon Scott's institutional perspective, there is a substantial illustration of institutional dynamics on CSR. The arguments outlined above suggest a more complex interactive picture than argued by absolute single approaches towards CSR. Global regulative pressure pushes MNCs' CSR action towards a more convergence movement, whereas local regulative, normative and cognitive-cultural pressures push action towards more complex (mixture of convergence and divergence) behaviours. It is, however, critical to consider that the three pillars' pressures on business behaviour are not entirely independent of one another (Kostova and Zaheer, 1998). Each dimension may simultaneously influence another and be influenced by another, with porous boundaries (Emilsson and Hjelm, 2004; Kumar and Worm, 2004; Williamson, 2005). It is suggested that there are complex institutional pressures on MNCs both for convergence and divergence in practicing CSR and each pillar thus contributes and reciprocally supports the others in shaping the dynamics of CSR across international boundaries.

In the next section, I will offer detailed examination of the arguments that have occurred in the preceding theoretical discussions. That is, based on the actual setting of CSR in the institutional context, the investigation of CSR's interaction with IHRM dimensions in different international settings will be carried out. More specifically, the two major driving forces of the linkage between CSR and IHRM — motivation and organisational culture (as suggested in chapter 3) — are discussed at length, with a focus on how they inevitably differ and yet also appear similar in different institutional settings.

## **An integration of institutional theory, CSR, and IHRM**

### ***The path for the integration***

The aim of the present research is to examine an overlooked phenomenon of the link between CSR and IHRM and investigate how its practice may vary in different institutional circumstances. At a preliminary stage (Chapter 2), it has been demonstrated that approaches predominated by investigations of CSR alone display unbalanced views. In contrast, based on stakeholder theory, this thesis argues that the missing link of the 'employee' with CSR is critical. In chapter 3, by employing the RBV, it is indicated that the driving forces that can explain the linkage between the two are 'motivation' and 'organisational culture'. In this chapter, there have been extensive theoretical reviews focused on institutional theory and then a revelation of CSR in the institutional dynamics that is particularly pertinent to the case of the UK and Korea is presented in conjunction with a critical discussion about institutional theory.

This section will integrate all these arguments, and investigate whether the dynamics of a CSR/IHRM link can be clearly revealed according to the different institutional settings – similar to the exploration of the institutional dynamics involved in CSR – or there may be a particular institutional pillar which dominates the arguments in this phenomenon. Following that, there will be a synthesis of the final research questions for empirical analysis. That is, based upon the focal theoretical findings of the preceding chapters and sections, this section aims to explore and gain a holistic understanding of the possibility of institutional dynamics of CSR's relationship with an IHRM dimension. Accordingly, CSR's relationship with motivation is explored in detail, and then its links with organisational culture are addressed. As a final result, there will be a synthesis of all claims and thus, the creation of two specific research questions.

### ***'Motivation' in different institutional settings***

To reiterate, the research will, here, integrate the arguments related to CSR, IHRM, and institutional theory and ask – 'How does CSR, in the view of HRM, act in different institutional settings?' Focusing on 'motivation' and 'organisational



culture', the study tries to synthesise the different institutional approaches of different regions with the cases of the UK and Korea. Here is the elaboration on the dynamics of 'motivation', mentioned above.

As argued in Chapter 3, CSR is closely related to employee motivation, and the drivers of motivation vary over place and time. In the previous section of this chapter, it is indicated that CSR is influenced by institutional pressures such as regulative, normative and, cognitive-cultural contexts. The same factors also apply to HRM dimensions, as seen in this section's main discussion. As (wo)man has different individual needs (Deci, 1975; Katz and Kahn 1978) and is affected by different environments and situations (David-Blake and Pfeffer, 1989; Skinner, 1969; Zucker, 1983), the understanding of this complex context and their interaction is critical to understanding motivation (Mitchell and James, 1989).

Recognising 'motivation' in institutional settings is still in an embryonic stage for current critical analysis. Much of the motivation research has been developed in Anglo-Saxon countries, and therefore is not sufficiently broad enough in coverage to be used in a multi-national (let alone global) setting, which means these theories do not necessarily apply in different institutional arrangements (Gunkel, 2006). With deeper examination, it is found that drivers of motivation significantly vary due to a range of institutional reasons: e.g., 'culture' which affects work-related values of human beings (Hofstede, 1980, 1984), 'societal norms' which may predict attitudes and aspects of performance that reflect intrinsic motivation (Peterson and Ruiz-Quintanilla, 2003) and 'settings of political economy' which introduces diverse perspectives of motivating people (Hall and Soskices, 2001). Therefore, it is necessary and useful to investigate different institutional drivers for employee 'motivation' in relation to CSR in order to endorse the present argument concerning the link between CSR and HRM.

It is critically revealed that the discussion on this phenomenon has mainly relied upon a single institutional pillar: cognitive-cultural differences. To illustrate, a Western individualistic orientation tends to drive people with a more 'I' consciousness, and identity is based in the individual. Emphasis, therefore, is on individual achievement (Hofstede, 1980). It is also closely related to the politico-economic climate of the country. For example, in the UK, as a representative country

of LMEs, people are generally motivated by professional and individualistic incentives and development opportunities (Hall and Soskice, 2001: 45-6). In this regard, UK employers realise the fact that employees' motivation can be attained with forms of corporate CSR excellence and have accordingly adopted this idea into their corporate strategy. More specifically, UK companies seek to utilise CSR activities as a way of enriching individual motivation in employees which serves to promote self-pride, self-distinctiveness and self-enhancement (Collier and Esteban, 2007; Muthuri *et al.*, 2009). A significant finding of a recent survey in Edinburgh – 91% of business is promoting personal development and environments through CSR – supports the above argument (The City of Edinburgh Council, 2005). As more and more employees tend to link their own identity to their organisations (Dutton *et al.*, 1994), it is illustrated that employers can strategically link CSR with HRM strategy for promoting the motivation of individuals, specifically, for the purposes of self-satisfaction and personal development in the UK institutional environment.

On the other hand, in the case of the East Asian collectivity-oriented approach, the focus is more on 'We' and group harmony or unity (Hofstede, 1982). This type of Asian perspective might come from a very complex traditional cultural and normative system. For example, the spirit of the national foundation of Korea is '弘益人間 (Hong-ik-in-gan)' which stands for devotion to the welfare of mankind beyond the individual interest. In China, there is an important cultural characteristic '關係 (Guanxi)' which translates as 'relations' and has strong implications for interpersonal, business, and social attitudes in Chinese society (Park and Luo, 2001). These values are laid down by traditional backgrounds such as Confucianism, Taoism, and Buddhism, and have become the foundation of human day-to-day behaviour in East Asia (Wilkinson, 1996). It has been variously acknowledged that this cultural and normative tradition might be a foundation of a unique CSR/HRM approach in East Asian countries.

In this way, people in the East Asian region, where rule of law is relatively weak in comparison with Europe, are motivated by more normative or cultural pressures for them to work (Pullam, 2006) in comparison to their Western counterparts. It may be a generalisation, but vast numbers of empirical studies and accounts of personal experiences indicate it is relatively safe to say that the majority of Korean, Chinese,

and Japanese workers are significantly motivated by the Confucian ethical code of conduct in their work and work-relationships and they search for 'accord' during work (Wilkinson, 1996). Therefore, persons doing business with those countries must realise the guiding principles of management related with 'harmony' (e.g., so-called '人和 (*In-wha*)' in Korea, '關係 (*Guanxi*)' in China and 'わ [和] (*Wa*)' in Japan). This unique approach focused on 'relationships' is criticised by a number of scholars, particularly Western scholars, because of its instrumental purposes (not a trust-based one), a lack of transparency, and the fact it may lead into moral danger; for instance, the dangers of nepotism or cronyism in such a relationship-based approach in appointment of individuals to positions, and of bribery in awarding of contracts of one sort or another (Ang and Leong, 2000; Provis, 2004: 47). This is why it is argued that the characteristic of a 'relationship' focus, often mentioned as a 'backdoor connection', works negatively with CSR. Yet despite these criticisms it tends to be regarded as a vital ingredient to understand the 'motivation' of people and business in this region, as it significantly affects the flow of resources in overall society (Park and Luo, 2001). In this regard, putting 'employment' and 'employee welfare' as one of the top priorities in the current Korean and Chinese CSR agenda related with HRM could be well explained (Chapple and Moon, 2005; Zhihai, 2007). This unique phenomenon is also closely related to the governmental policies and regimes which business has to follow to acquire the license to operate.

The problem in Korea (as well as other East Asian countries) is, however, that there is an inability (and reluctance) to directly connect people's values with the social or business order (Hofstede, 1982: 152): that is, there is an inability to treat human beings as resources or economic entities in business and society (Phoon-Lee, 2006: 24). To elaborate, to treat human beings for 'economic' purpose is not accepted in this ideological framework as it is regarded as morally wrong behaviour; that is, humans should not be treated as a means to achieve certain goals. More specifically, this idea is regarded as almost taboo within traditional paternalistic attitudes and is not recommended by responsible leaders who wish to serve people in the right way. That is why it would not be deemed proper to connect corporate responsibility with HRM strategy for business success in the Korean context. In this regard, even though the East Asian countries described above have this significant

traditional cultural background, numerous studies in this area have discovered that most people in this region think 'CSR and HRM totally differ: there is no link' (e.g., FKI and NPO research Korea, 2005; KAIST and Korea Chamber of Commerce, 2006).

In summary, it is revealed that the discussion on employee motivation in relation to CSR is heavily influenced by the single institutional pillar – cognitive-cultural backgrounds. However, it is noteworthy that the influence of normative and regulative environments which directly (or indirectly) influence workers' motivation through CSR is often overlooked. Hence, a large gap in understanding of drivers of motivation is revealed. The present research, therefore, tries to focus on 'motivation' with the expectation of expanding and examining this perceived gap, and suggests a positive matching between CSR and HRM based on the complex interaction of the three institutional pillars, which has been overlooked so far.

### ***'Organisational culture' in different institutional settings***

A similar argument can be made with regard to 'organisational culture'. The challenge for contemporary organisations is to develop an organisational culture where sharing knowledge is the norm and there are simultaneous pressures for convergences (from HQ, etc) and divergence (e.g., from local and societal circumstances) (Andrews and Chompusri, 2005). CSR can work within this complex phenomenon. In other words, CSR has become a key contributor to the significance of organisational culture and a promoter for change in organisations' behaviours and attitudes (Emmott, 2005; Genest, 2005; Silberhorn and Warren, 2007: 368). Thus, CSR is embedded in organisational culture as a 'pattern of shared values and beliefs' and can help employees to understand organisational functioning and performance. However, organisational cultures are bound to reflect the institutional logics of the society in which they are embedded. To illustrate this we can examine how organisational cultures in Europe and East Asia can be seen to differ according to their institutional contexts. For instance, while Europe puts emphasis on 'empowerment' and 'allocative efficiency', the predominant view on organisational culture in Korea, China and Japan (countries of shared Confucian ethics) is

'hierarchy' and 'harmony' (Hayhoe, 1991; Williamson, 2005). Therefore, their approach towards CSR in connection with HRM is different.

Williamson (2005) explains that the critical character of British expectation towards organisational culture is 'empowerment', which is based on reciprocal trust, linked to views that the employer should coach their staff and nurture staff development. In this regard, for example, the dominant theme of CSR reporting in relation to HRM in Europe is 'training and staff development' (Vuontisjarvi, 2006). Various legislations such as the Health & Safety at Work Act 1974 and the Race Relations Act 1976 are also in place in an attempt to force companies to involve employees in safe working conditions and diverse organisational cultures whilst the establishment of Work Councils in Europe offered a means of formalising workers' 'voice' (Idowu and Towler, 2004). In this way, it is suggested that government's role and normative and cultural settings closely interact to create certain organisational cultures.

In contrast, in the case of East Asia, subordinates are expected to be reliable and subservient and to ask their employers to instruct them well. Especially in Korea (and most of East Asia), their cultures tend to be more collectivist and hierarchical than in the West (Hofstede 1991), and the empowerment aspects of high involvement HRM are not so readily accepted either by employers or employees (Bae and Lawler, 2000). Instead, the employer puts more emphasis on the employee's benevolence, commitment, loyalty, and community ties in return for welfare and the offer of stable, reliable employment (Hayhoe, 1991; Wilkinson, 1996). They consider this a norm of organisation and society. One good example is 'the mega volunteer group' in Korea. Korea's CSR is represented by this 'mega volunteerism', initially organised by many 'Chaebol' and this type of initiative is popular with small and medium enterprises in Korea. In the case of Samsung, there are about 3,700 volunteer teams with 160,000 employees participating in different programmes (as of December, 2006). Likewise, other Korean 'Chaebols' such as SK Telecom and Hyundai Motor Group also organise volunteer groups competitively with similar reasons and background. Current data from Korea keenly suggests that in this phenomenon, Korea's main CSR purpose related to the 'employee' is a promotion of 'organisational culture', especially for harmony and union (FKI and NPO research

Korea, 2005). Korean central and local government policies and programmes to support this unique event are phenomenal. They provide a variety of regulations and institutional supports as it is closely related to the notion of the nation's unity and interests (e.g., enactment of principal legislation for volunteering activities in 2005, nation-wide establishment of volunteering centres and 5-year national plan for volunteering and so on).

Given this development, it is evident that Korea makes use of CSR as a way of enriching organisational culture and uniting employees, and it is related to national interests. Additionally, people are more interested not in 'individual identity' but 'relationships or belongings', which means a person's identity is tied, to a large extent, to social relationships and normative settings. It supports Sennett's (2006: 72) argument that identity revolves less around what you 'do' as much as 'where' you belong. Therefore, Korean views towards CSR may be more complex and difficult to understand, as people tend to place a heavier emphasis on the conceptualisation of human relationships, the environment, and normative context than in comparison with Europe.

To crudely summarise: CSR in relation to organisational culture differs according to institutional background. Superficially, it seems the prevailing argument on this issue is based almost entirely on the cultural-cognitive differences between the two nations. However, institutional logics are dynamic and some of the examples given above reveal that the three pillars are contributing in interactive and complex ways. Culture may be a major dimension, but normative and regulative environments also play a crucial role in creating certain organisational cultures and explaining how they may be linked to CSR activities. Whether this argument is applicable in practice is investigated in the empirical data analysis.

Recollecting the question by Becker and Gerhart (1996) and Maignan and Ralston (2002) — "in HRM and CSR, is there one best way, many best ways, or does it depend?" — as elaborated, there are complex differences towards HRM and CSR. Therefore, even though globalisation may exert pressures for the convergence of HRM and CSR through the transfer of 'best practice' or 'standardisation' (Bae and Rowley, 2001; Midttun, et al., 2006; Rodriguez et al., 2005), MNCs who would like to do business in foreign countries have to consider the distinctive patterns of

institutional settings which lead to a different approach towards the mutual work of CSR and HRM.

### *Synthesis*

To reiterate, the aim of this study is to develop an understanding of (1) the link between CSR and the IHRM strategy and (2) appreciate how or if its implementation and practice may differ in different institutional circumstances. During the course of the literature review, the first aim was examined drawing from stakeholder theory (see Chapter 2) and RBV (see Chapter 3), and the second aim from the institutional perspective of CSR and CSR/HRM link (see this chapter). Though, of course, they do not act in isolation and this study brings together the concepts to offer a holistic analysis of the relationship between HRM and CSR in relation to international contexts. To explore, there is a theoretical flow in this research. With stakeholder theory, 'the missing employee' in CSR discussion is indicated. Though it is recognised that RBV is a sophisticated theory which talks about many facets of people as valuable resources, the present thesis uses it in a more limited way and only draws on its main tenet in order to explicitly define employees as valuable resources in relation to CSR. With institutional theory, the dynamics of the link between CSR and IHRM are revealed. Likewise, the three selected theories flow from one another and closely work together to support the arguments of the present thesis.

Referring to the preceding discussion of the theoretical foundation of this research, two significant findings were proposed. The first is that the understanding of the relationship between CSR and IHRM could be explored by the two key dimensions of motivation and organisational culture which mutually complement each other in their applications. This reciprocal work, which holds the potential to create a competitive advantage for the firm, may suggest a new approach towards CSR, and overcome the limitation of a current myopic view towards CSR which mainly focuses on external affairs. Actually, this new route is currently being shown to have applications in practical settings. For example, the global survey on corporate philanthropy (McKinsey, 2007) analyses that most CEOs regard CSR 'business goals' as beyond social goals; and among business goals, 'employee' related matters

are no. 2 and no. 3, following the primary goal of enhancing corporate reputation and brand. It is surprising to note that individuals currently engaged in the decision-making aspect of business regard CSR's criticality through the 'employee' more than through various external affairs such as differentiation strategy (no. 4), risk management (no. 5) and meeting industry norms (no. 8). Therefore, the academic angle must also consider this change in perspective towards CSR.

Secondly, it is also acknowledged that there is a difficulty in explaining the dynamics of CSR and IHRM's link in clearly-divided terms of three institutional pillars. More specifically, there is an unbalanced institutional approach. The CSR approach towards motivation and organisational culture is strongly argued based on the difference between distinct institutional settings – culture. Korea, as an example case of East Asia, has more 'we'-oriented CSR activities in view of HRM strategy: for example, motivation for harmony and organisational culture of benevolence and commitment; whereas the UK, as a case of Europe, has a more 'individual'-oriented CSR such as motivation for individual achievement and an organisational culture of empowerment. The difference is largely explained by the root in each country's cognitive-cultural institutional background. However, more importantly, there is a gap in this theoretical argument. That is, the interactive nature of the three institutional pillars is neglected. It is witnessed that the three pillars are working together and contributing to shaping CSR and IHRM links. Although primarily the cultural dimension has held a great deal of explanatory power to support this link, the importance of normative and regulative settings with which culture is created and maintained should not be disregarded. This theoretical argument is discussed further in a concrete way throughout the empirical data analysis.

To conclude, what does the present thesis demonstrate in its analysis of these complex factors across different institutional and contextual settings? The study seeks not only to investigate the relationship between CSR and IHRM, but also to raise recognition of the importance of institutional settings when considering theoretical and empirical implications towards a new CSR approach. In the light of literature reviews published to date, it is safe to assume that CSR can be a powerful instrument for addressing the integration of IHRM-related issues in the success of a business, through the work of the two following perspectives: 'motivation' and



'organisational culture'. Additionally, CSR employs different roles towards HRM policy in IB (international business) according to different institutional backgrounds and, therefore, investigation of this process and enactment is both possible and eminently desirable (Husted and Allen, 2006). Through building on the theoretical underpinnings of the existing literature and the gaps presented in preceding sections, the following final set of two specific questions for empirical analysis can be addressed

***1) How and to what extent do CSR and IHRM link?***

From the extensive theoretical review, it was revealed that the main driving contributors to explain the linkage between the two are 'motivation' and 'organisational culture'. If this is true, are these the only factors at work? Or, are there any surprising variables which have been overlooked in the academic arena, which can be found in the practitioners' arena? In addition, it can be also questioned that 'when' people concerns on these issues in conjunction with CSR? (e.g., These two issues occur when businesses initiate CSR engagement or when they evaluate CSR results). As it is supposed that CSR's relationship with IHRM issues is not so static and isolated, a more flexible and dynamic approach towards the research topics is highly recommended. In this regard, the relationships will be examined with greater focus on the contextual situation (e.g., who are the key players and what is the policy?) with the expectation that CSR's link with employee issues will be explored in a more dynamic and varied way according to each CSR stage (i.e., from virtually no discussion to active debate arising from necessity).

A 'preliminary explanatory case study' will be carried out to examine each individual case which may present how CSR and IHRM link in the workplace. One case study company is selected in each nation – the *Shell Group* and *Kyobo Insurance Co.*, the former representing the UK, and the latter Korea. It is expected that the result from the case study may contribute to the extensive and holistic description of the practical phenomenon and generate an understanding of the issues as well as setting the scene of how CSR is perceived and has evolved in two very different environments. Based upon the outcome of the case study, the major exploratory analysis (with the primary data of 53 extensive interviews from the UK

and Korea) will be carried out with the aim of presenting a comprehensive picture of the relationship between CSR and HRM in the two countries.

***2) Can we identify the pressures of divergence and convergence of CSR in relation to IHRM based on institutional theory?***

Throughout the examination of question one, if the analysis discovers the linkage between the two dimensions (CSR and IHRM), there is a sequential question – Are these phenomena the same between nations and if so/not so, how can we explain these dynamics? In this regard, the present research endeavours to delve into CSR and IHRM convergence and divergence dynamics in international business based upon the institutional perspective.

It is suggested that there is no one-size-fits-all approach to CSR, and the same is also true in regard to HRM. As it is assumed that different countries have different approaches to CSR and HRM, dependent on their institutional background, discovery of the critical differences between these two dimensions, and more importantly the linkage between the two which have been embedded in an organisation and in its human resource management, is a critical step for the research. Drawing on ‘institutional theory’, the investigation will be carried out for a more rich and detailed illustration of different institutional pillars, the regulative, normative, and cultural-cognitive in an effort to understand the institutional dynamics of CSR and its relationship with employee matters with reference to the UK and Korea.

Institutional perspective-based analysis has not yet been widely used in the study of CSR (Walsh *et al.*, 2003). It is therefore expected that the present approach may contribute to the analysis of CSR dynamics by providing a more holistic way in which to view the relevant issues. In addition, it is expected that this unique investigation will, to a certain extent, derive new contextual and institutional findings to analyse actual situations and hence enrich existing knowledge of CSR and IHRM in the international context.

To conclude, until now, the three chapters (Chapter 2 – 4) explore the theoretical arguments of CSR and (I)HRM, and institutional theory, and attempt to comprehensively integrate them in order to accomplish the single aim of the present research – to examine the CSR-HRM link in an international context. At the final

stage, the two main research questions are set out in order to help the researcher pursue this aim clearly. The next chapter proceeds to an exploration of 'how' and 'what' the suggested arguments are to be developed in the empirical arena to pursue the above central arguments, with the in-depth description of methodology background as well as methodology choice.

## **Chapter 5: Methodology and background**

The aim of the present research is to simultaneously contribute to related theory, empirical knowledge and practice through investigation of the relationship between Corporate Social Responsibility (CSR) and International Human Resource Management (IHRM), and to explore how it differs between countries using institutional perspectives with examples from the UK and Korea.

Through an extensive review of the literature, two research questions were generated at the final stage of the preceding chapter. The first question concerns the extent of the link between CSR and IHRM – *How and to what extent do CSR and IHRM connect?* The second question is to explore the extent to which CSR's link with IHRM strategy differs between nations and check whether the phenomenon can be explained by institutional ideas – *Can we identify the pressures of divergence and convergence of CSR in relation to IHRM based on institutional theory?* In response to these, the present chapter begins with an explanation of the choice of research methodology. Following this, the choice is carefully justified with in-depth reference to the research background. Finally, the main aspects of this chapter are summarised at the close of this chapter.

### **Research methodology**

“The qualitative researchers are more driven by the nature of the problem than the method.” (Zalan and Lewis, 2004:510)

The selection of the research method is inevitably inextricably linked with the aims, purposes, and research questions of the study (Maxwell, 2005; Nunan, 1992; Yin, 2003a). In this regard, the key factor is to clearly convey a model-building strategy through the choice of appropriate methodology. The point of departure for the present research is to identify the current CSR phenomenon and its relationship with IHRM, especially with regard to the employee's everyday experience, such as work practices and management procedures. The research is innovative in the way it identifies the internal, rather than the commonly defined external factors that influence the adoption and success of CSR activities. This demands a similarly innovative approach to data collection – an approach that is able to capture people's

experiences and views whilst also firmly placing them within different contexts. Hence, a mixed qualitative research strategy of case study and extensive interviews has been chosen. Such an approach is supported by Daniels and Cannice's (2004) argument that in international business research, qualitative analysis is thought to be especially appropriate to discover new relationships or situations not previously conceived of or codified in existing literature.

Through employing a mixed qualitative research strategy, the two emergent empirical findings are discovered. First, there appears an abundance of variables which can explain the link between CSR and IHRM, but they are not isolated and static. To explore, through a case study process, the author can find the hidden but vital factors of the two issues and their interactive relationship within the workplace. During extensive interview analysis, it is critically revealed that the consideration of employee issues differ according to the CSR development process (e.g., in the CSR initiation stage little regard is paid to CSR, but the issue of communication and consensus with employee emerges when businesses implement CSR). In this regard, to explore the link according to the CSR emergent process is strongly suggested. Second, it is revealed in practice that the motivation, implementation, evaluation, and competing behaviour of CSR may vary between countries. As there are discrepancies in relation to the idea of human identity and dignity, it is also suggested that people are motivated for different reasons in different organisational settings. Accordingly, the way CSR works with IHRM issues shows a large divergence and the author feels it is much more difficult to explain this complex phenomenon with simple words (such as cultural difference). This study seeks to elaborate this by employing the mixed qualitative method.

### ***Mixed method***

This study selects a mixed method (*case study and extensive interviews*) to secure an in depth understanding of the phenomenon (Denzin and Lincoln, 2004). Interestingly, it can be seen that previous examples of empirical research on CSR have been overwhelmingly of a quantitative nature (e.g., testing the relationship between CSR and financial performance) (Lockett *et al.*, 2006: 132). This, however, demonstrates a paradox. As argued earlier in the literature reviews, various issues

related to CSR (such as sustainability and its relationship with other management dimensions) are still vague, both in terms of how they are conceived and their possible implications. That is why the first and most important task is to reveal and understand the phenomenon in question. In this regard, even though quantitative types of research previously employed provide some rough description concerning CSR issues, it remains a partial and fragmented model as a whole. How can we generalise (and test) certain phenomena without in-depth examination and judgment of the complex causes and contents? Hence, current research adopting a quantitative approach reveals limitations in explaining the holistic relationship of the two factors central to this study – CSR and IHRM. As an alternative, this research seeks not to generalise but rather to offer a theoretically grounded explanation of the current situation and to develop a model, whilst also checking the possibilities of its transferability across international boundaries.

As a first step, a deliberate attempt is made to examine and explain what the selected case companies are doing, and thus to paint a picture of potential best practice (Yin, 2003b). A single case study company is selected in each nation (in the UK, the *Shell Group*; in Korea, *Kyobo Life Insurance Co.*) and primary data is collected from in-depth semi-structured interviews with participants in corporate sectors and related stakeholders, and observations of related events. These ‘voices’ are supported and validated with various secondary data which can triangulate the foundations for a rich and detailed picture of the phenomenon.

The second step of the adopted approach is an explorative study based on the primary data from extensive semi-structured interviews with key informants in the field of CSR and HRM. 53 extensive interviews were carried out with the aim of presenting a comprehensive illumination and comparison of the relationship between CSR and HRM in the two countries. The illustration is performed according to the CSR development process (initiation → implementation → maturation → competition), and then national differences based upon an institutional perspective, similar to Scott’s institutional investigation is explored. Such an approach allows an investigation of the latent factors (variables) between CSR and IHRM and their relationship in different institutional settings, which has, to date, been overlooked in

theoretical and static studies. A refinement of the conceptual model is carried out as the final step of phase 2.

To summarise, throughout phase 1, the author can gain theoretical familiarity with the data in order to view the evidence through multiple lenses (Eisenhardt, 1989). Based on the results of phase 1, the author can build a foundation of comparative explorative study for phase 2. The model of CSR and IHRM is refined and hence some implications are created based upon the results of phase 2.

### ***The UK and Korea***

The countries selected for comparison in this study are the UK and Korea. Their CSR and its relationship with HRM is investigated in detail and compared to one other. These distinct nations, which are located in Western Europe and East Asia respectively, have their own histories, cultures, institutions, economic backgrounds, and distinctive peoples. Therefore, it is suggested that the investigation of the two countries will provide critical implications to understand the different processes and interpretation on the present research issues. An elaboration of ‘why the UK and Korea?’ will be briefly outlined below.

**The UK.** The UK (population of 58 million) is the world's fifth largest economy. It is regarded as one of the representative countries in Western advanced economies, and represents a model for various ideas related to contemporary economy and management. In this regard, the UK is also regarded as a leading nation in the field of CSR research and performance in the global village; i.e., various initiations of CSR related issues, including climate change, fair trade, social enterprise, and SRI (sustainable responsible investment).

There are two key reasons to select the UK as a nation worth investigation in this research. The first reason is that one can understand not only the up-to-date CSR stream and contexts, but also the complex interaction among community members in relation to CSR based upon very interactive behaviours in institutional environments. To elaborate, it is proposed that, from the UK perspective one can explore the complex relationships and responsibilities of business in the society which has been established and crafted throughout a long-lasting history. CSR has ‘historically’ held

a prominent place in the UK business environment. There is a long philanthropic tradition in British business, which has seen companies provide substantial support to local communities and to local and national charities (Cowe *et al.*, 2002). Traditionally, the involvement of British firms in local community projects has resulted in the formation of strong relationships between public, private, and voluntary sectors, and has helped to link CSR with important business developments. As time passes, this philanthropy-tradition has been transformed towards the pursuit of finding CSR's role and identity related to the business component as a forerunner in the global village (Cowton, 1987; Moore and Richardson, 1988). Investigation of this historical path of CSR in the UK may reveal how CSR works according to the time and institutional changes and hence, provide useful insights into other countries.

Moreover, CSR is a highly 'institutionally contextual' phenomenon, and the UK presumably demonstrates this picture well; what is more, the UK regards 'government' as one of the important drivers of CSR (Moon, 2004). More specifically, the former Thatcher (Conservative), the Blair (Labour) and the current Brown (Labour) governments have been stimulating CSR through ministerial leadership; i.e., the UK government appointed the world's first minister for CSR in 2000. It is continuously witnessed that the government helps businesses to understand/integrate CSR as part and parcel of a wider system of national societal governance, and hence their incorporating with other stakeholders and institutional members is facilitated by a variety of 'soft' law and regulations. In addition, the UK's CSR approach tends to be more focused on ethical and normative responsibility (Crane and Matten, 2004). In this regard, social legitimacy and trust issues are actively discussed in conjunction with a great mistrust of contemporary businesses in comparison to America and other developed countries (Wootliff and Deci, 2001).

Second, CSR is at the heart of the EU social agenda. By investigating CSR in the UK there is an expectation that this will lead to a wider understanding of CSR in Europe by proxy. The member states of the EU tend to cooperate for CSR policy in a single voice. Therefore, they actively share ideas of each nation, and in this regard, agree with the notion that CSR is a critical factor driving European competitiveness in a global economy (European Alliance for CSR, 2007). At the centre of this



initiative, there is the UK. Of course, there are divergent approaches towards management paradigms within Europe; i.e., divergence between LMEs (such as UK) and CMEs (such as Germany and France) according to their institutional and economic backgrounds. However, it is noteworthy that sketching of CSR dynamics in the UK can support an effort to gain a representative glimpse of pan-European practise, and hence provide a foundation to compare with other regions.

**Korea.** South Korea (population of 49 million) is regarded as one of the major economic powers in Asia. It has been one the world's fastest growing economies since the 1960s, now the 4<sup>th</sup> largest in Asia and 13th in the world (IMF, 2007).<sup>22</sup> Today, its success story in economic development is known as the "Miracle on the Han River", a role model for many developing countries. It is neighboured by China to the west, Japan to the east, and shares similar cultural norms and expectations with these countries.

There are two main reasons to select Korea to investigate CSR and its relationship with HRM in the Asian context. Firstly, it is believed that the case of Korea can show the real situation of CSR in a contemporary developing country, where the concept of CSR is relatively new (Donleavy *et al.*, 2007) and is struggling between the institutional pressure of convergence (e.g., international standardisation, regional and international NGOs and regulations) and divergence (e.g., Confucianism culture, unique norms and social knowledge). It can show the interaction of cultural and other institutional roots and economic growth in view of CSR.

Korean CSR, especially in its integration with business practises, is still in an ongoing developmental stage. Even though Korea has had a cultural heritage of sharing and altruism since the foundation of the country, it was totally separated from business ideas. Lee (1997) indicates that the traditional Korean paternalistic attitude creates a difference toward fairness and responsibility in the business sector, as well as a competitive market in comparison with other developed countries. In particular, since the economic crisis in 1997 (the so-called IMF crisis), the question of CSR along with fundamental deficiencies inherent in Korean firms, such as chronic problems within corporate governance and transparency, actively appears in

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<sup>22</sup> IMF (2007). *World Economic Outlook Database, October 2007*. Retrieved on 2/8/2007.

the business stage. Therefore, the question vigorously and consistently posed to current Korean business practises is 'how they can cope with the complex situation of CSR?'

In this regard, it is noteworthy that the cases of Korean economy and management issues have been commented upon often by Western scholars, for example: Alston (1989) on managerial principles, Rowley with Korean scholar Bae (2001) on HRM, Nandakumar and Wague (2004) on economic reforms, and Christie with Korean colleague Kwon (2003) on managerial ethical attitudes. The research on CSR in Korea is, however, regarded as a 'blind spot' for Western researchers, even though there are some papers that touch on Korean CSR in connection to other Asian countries, like that of Chapple and Moon (2005). Therefore, the present investigation of the emergence of CSR and related issues of Korea, especially since the Asian financial crisis, is a timely and essential one, and can contribute to the academic and practical fields in understanding the dynamics of CSR, and further expansion of understanding CSR in relation to HRM in the global context.

The second point to make with respect to the selection of Korea is that one can understand the East Asian context by analysing the Korean context. Korea shares common characteristics with China and Japan, as they are influenced by Confucianism, and have achieved economic development for a substantial period of time. The three countries in far-east Asia are now the biggest economic forces: Japan 2<sup>nd</sup>, China 4<sup>th</sup> and Korea 13<sup>th</sup> (IMF, 2007), and hence their rich economical and institutional context is emerging as one of the crucial research topics in both academic and practical arenas. It is also closely related to the argument of Welford (2005) that generally the more developed the country, the higher the incidence of policies in the area of CSR; while the UK and Germany lead Europe, Korea and Japan lead Asia.

Asian-focused research allows researchers to extend and revise theories through consideration of the new institutional context-specific conditions (Bruton and Lau, 2008). Also, the unique nature of management in Asia offers the potential to shift many of the current paradigms in management research (Lau, 2007; Leung, 2007). In this regard, it is noteworthy that even though there has been plenty of research to determine the differences between Europe and Asia, these are mainly limited to

answering 'what' the differences are (White, 2002). The present research, while acknowledging such limitations, tries to investigate 'why' the differences exist (focusing on CSR and its relationship with HRM) by applying the institutional perspective. It is estimated that this approach can contribute to the endeavour of creating a more comprehensive theory of global CSR.

Likewise, it is expected that the comparison of the two nations may reveal the remarkable heterogeneous nature in their CSR activities, significances and manner. To reiterate, comparison of the two nations does not pursue any general superiority of either the UK or Korea over the other in terms of CSR. Instead, it is worthwhile to investigate the divergences (and convergences) of CSR orientations and performances and integration with employee matters, which seem to have largely been driven by different institutional settings.

## **Research background**

### ***Phase 1: Preliminary explanatory analysis: Case study***

The theoretical root of this research comes from in-depth analysis of the existing literature and the 'explanatory case study' is followed as a first step of empirical analysis in phase 1. By taking advantage of the rich empirical data available for the two companies, the actual scene of the workplace is investigated.

#### Why a case study?

"A case study is not a method but a research strategy." (Hartley, 2004)

The case study is selected in this research for two important reasons. In the first case, it is suggested that as a 'prerequisite', one has to view the experience in advance. There must be a fine-tuned and comprehensive understanding of the facts and issues in place before the main comparative analysis of the extensive issues between CSR and IHRM can be accomplished. That is, the case study can contribute to making the formal conceptual argument plausible and hence, it can additionally (but not solely) justify the present thesis (Siggelkow, 2007). Once the case has been elaborated upon

so as to provide a comprehensive picture of the inter-relationships of the workplace issues with the theoretical findings, it can provide the appropriate approach to viewing the rest of the data (Miles and Huberman, 1994). Therefore, the author has to construct a plausible narrative that can tell the story of success and failure in both the UK and Korean companies.

The purpose of the present case study in particular is to set the scene and to reveal the day-to-day workplace issues (*e.g.*, what is the policy, who are the key players). The case study is a relevant method for the aim of achieving this purpose, along with emphasising the context in which these themes appear, in opposition to a scientifically-styled laboratory investigation that fundamentally decontextualises the things being studied (Eisenhardt and Graebner, 2007; Hartley, 2004). It also facilitates the holistic examination of the complex and cross-function process of certain issues in the organisation (Hartley, 2004; Plakoyiannaki *et al.*, 2008). In particular, in focusing on two cases, one can deal with the subtleties and intricacies throughout the investigation of data from multiple sources of evidence in the selected cases (Denscombe, 2003).

Additionally, the first research question of the present study is related to the 'how' of the investigation, namely: 'How and to what extent do CSR and IHRM link?' The case study as a form is well suited to 'how' and 'why' questions as Yin (2003a) argues:

"Case study is the preferred strategy when 'how' or 'why' questions are being posed, when the investigator has little control over the events, and when the focus is on a contemporary phenomenon within some real-life context." (Yin, 2003a: 1)

For example, Pervez Gauri, one of the leading scholars in international business, uses case studies for various research in international business on questions of 'how' and 'why': *i.e.*, 'How does a negotiation process in a domestic setting differ from a negotiation process in an international setting?' (Ghauri, 1983) and 'How do headquarters-subsidiary relationships in the multinational enterprises change over time?' (Ghauri, 1992). Through investigating such works, it is estimated that the present case study can help the author to understand how the two dimensions (CSR and HRM) are related to each other and why this situation occurs.

To summarise, in the early stage of the empirical data analysis, this preliminary case study is recommended as a useful process to gain comprehensive, cohesive understanding of real-world practices as well as a fresh perspective (Eisenhardt, 1989). In this regard, a deliberate attempt is made to examine and explain what the selected companies are doing and to create a working model for the day to day application of these abstract concepts in practise.

### The case selection

To identify a desirable case to study is of paramount importance. The author sought to choose a relevant organisation, which can allow one to witness an organisation in action and context, and provide certain insights to other firms (and MNCs), and IB researchers (McGaughey, 2006: 465; Siggelkow, 2007: 20-21). In this regard, for a detailed explanation of the story of the firm, a single case study company was selected in each nation – the Shell Group and Kyobo Insurance Co., the former for the UK and the latter for Korea.

Most of all, selection of the case studies was difficult in terms of the whole process of research. The researcher has discussed the research questions with key informants in the UK and Korea, and sought their suggestions and advice in selecting appropriate case studies that can explain the scene as well as contributing rich individual histories. Rationality of the selection of the cases (Eisenhardt and Graebner, 2007) and feasibility of qualified data, which can be provided from informants who have personally been involved in the phenomenon of the study (Ghauri, 2004; Remenyi *et al.*, 1998) is regarded as the first priority for each case study. In other words, there were other companies considered who had excellent performance in the field of CSR. Their CSR link with HRM (alongside corporate governance issues) was seriously questioned during the discussion with informants, however, and as the present research is to explore not only CSR but also CSR's link with HRM, they were not applicable choices. As a direct result this deliberate and lengthy selection process, the Shell Group and Kyobo Life Insurance Co., were selected as the case study companies.

### The choice of case study companies

**The Shell Group (UK).** The Shell Group (Founded in 1897) is one of the leading international businesses in the global village. There are two main attributes that convinced the author to select Shell as a case study. First, it is recognised by numerous scholars that Shell is now a model company in which to analyse CSR in many ways (e.g., Frynas, 2003; Ihlen, 2008; Fossgard-Moser, 2005; Rwabizambuga, 2007). The company has a long history of CSR and sustainable management (SD) and hence a more fertile ground for investigation than other potential case studies. That is, Shell has plenty of experience in integrating the principles of CSR into the organisational system. The company made a major CSR move in the middle of 1990s and set up the Shell Foundation for the purpose of continuing and expanding CSR and community works. Moreover, Shell is regarded as a leader of corporate sustainability related indexes: e.g., FTSE4Good Index, Dow Jones Sustainability Index, Fortune's World's Most Admired Companies and All Star List, Goldman Sachs Global Energy Environmental and Social Index. It is thought that this kind of history and implementation results allows the author to benchmark the 'CSR process' and delve into its missing link of CSR to IHRM issues.

Secondly, Shell has a high level of 'disclosure and openness' (Brown, 2003). This character is reflected in an in-depth approach to policy in many areas of corporate social responsibility (Adams *et al.*, 1991). It is suggested that this character of Shell will allow the author to examine in more depth the CSR history of the company; beyond the simple success story, and the strategies for coping with tackling issues for business performance. More importantly, how the firm overcomes the challenges in the process of growing pains, and how it communicates with employees are critical dimensions to investigate in the present thesis. In this regard, Shell's 'openness and disclosure' stance is witnessed throughout the process of the present research: from data collection to analysis, and it contributes to the author's intention to produce a picture of CSR in the real world.

**Kyobo Life Insurance (Korea).** Kyobo Life Insurance is one of the top three insurance companies in South Korea. It depends mainly on a domestic market. There are also two factors influencing the decision to select Kyobo as a case study

company in Korea. First, Kyobo has a long history of CSR and hence there is rich data on its policies, procedures and programmes.

“Most of all, Kyobo has a big commitment by the CEO on CSR. Moreover, they have CSR (social contribution) experts who develop CSR policy and timely programmes with appropriate strategy and good quality. Therefore, Kyobo is an exceptional (best) case for your investigation.”

(Professor, Korea, 2007)

To elaborate, since the firm was founded in 1958, based on the philosophy of the founder Yong-ho Shin, ‘integrity’, Kyobo has been injecting business ethics and CSR into their management system. Additionally, as it has a long history, one can investigate in greater detail the use of CSR, which evolves with the history of the nation and institutions. Certainly, Kyobo’s case illustrates the typical CSR dynamics in the cultural, the institutional, and the economic contexts of Korea, and more importantly, its relationship with people.

Second, Kyobo is suggested as an appropriate company to analyse not only CSR but also, more importantly, ‘how CSR links to HRM’ in typical Korean circumstances. In other words, there were some other potential candidates for the present case study, which had their own sophisticated CSR usages. However, these candidates’ CSR integrity and its link with corporate governance and employees were questioned during the preliminary consultation with informants as the opportunities to observe and investigate the research questions appeared in a limited way.

To summarise, Shell (one of the representatives of MNE) and Kyobo (a purely domestic enterprise) are selected for the case study. Even though their characteristics (e.g., industry, market and employee numbers) are hugely different, the main reason to select them is based on the expectation that they will provide interesting and rich features for understanding the CSR-IHRM link in the workplace. To reiterate, they are not ‘representative samples’ but ‘special samples’, which provide exemplary features with subsequent implications for the understanding of broader models. Therefore, it is not appropriate for the present phase of case study to draw a precise ‘comparative conclusion’ of the two companies’ characteristics and their implementation of CSR-HRM (e.g., A leads to B or A influences B), even though one can be provided with glimpses of such processes. As such a case study process

acts as an inspiration for new ideas, and hence suggests an avenue for further instances of empirical interpretation.

### The case study data collection

The author collected information from multiple sources to triangulate the data — in-depth interviews; field observations with diaries; reviews of archival data; public articles; and stakeholders' views as presented in table 5-1.

At the outset, there were 'in-depth interviews' with CSR (or SD) departments to reveal the overall policy, programme, and implementation. These communications occurred from one to five times for each interviewee in various ways: primary face-to-face interviews in their work places (the *Shell Group* – 8 people in UK, Netherlands and Korea, *Kyobo Insurance Co.* – 9 people in Korea), follow-up telephone conversations, and e-mails. In order to discover how things work in practice, there were interviews with various staff (of varying levels and types), from the country chairman, the senior manager who communicates with the CEO directly about corporate strategy, to call centre staff who communicate and implement CSR in front line roles, in order to investigate how CSR varies through their positions and job design. Additional to the corporate actors, there were discussions with relevant stakeholders and outside observers for 'verification' of the selection of the case companies. These were independent NGOs, consultants, and scholars who are working (or worked) with the case study firms.

The interviews were semi-structured based upon the guideline which was created throughout the process of literature review<sup>23</sup> and, in particular, sought to examine the long and in-depth history and context of the two firms in terms of CSR, and hence allow for elaboration and examination of the various issues that emerged during the conversation. The author's intention was to not only allow interviewees to speak freely and honestly on CSR issues, along with various business and non-business related issues, but also to remove the possibility of narratives of development being retrospectively imposed on CSR history by image-conscious informants (Eisenhardt and Graebner, 2007). By this conscious attempt to mitigate bias, the author grew to understand the key issues of the work practices, some of which are overlooked in the academic arena, and find the critical gap between the two areas discussed in this thesis.

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<sup>23</sup> The interview guideline for the semi-structured interview is explained in the next section of Phase 2.



Table 5-1: Summary of research methods in the case study

	Shell Group (UK)	Kyobo (Korea)
<b>Places of data collection</b>	Hague, Seoul, London	Seoul
<b>Source of evidence</b>		
<b>In-depth interviews</b>	<p>8 interviews</p> <ul style="list-style-type: none"> <li>- Former country chairman (Shell Korea)</li> <li>- Head (Policy and External R.)</li> <li>- Advisor (Policy and External R.)</li> <li>- Director (SD strategy)</li> <li>- Manager (Global LNG)</li> <li>- Staff (Policy and External R.)</li> <li>- Vice President (Shell Korea)</li> <li>- HR Manager (Shell Korea)</li> </ul>	<p>9 interviews</p> <ul style="list-style-type: none"> <li>- Senior Manager (Change Management Team)</li> <li>- Manager (DASOMI operation T)</li> <li>- Telemarketer (Kangbuk Call Center)</li> <li>- Staff (Corporate Strategy)</li> <li>- Financial Planner</li> </ul> <p>Other stakeholders</p> <ul style="list-style-type: none"> <li>- Consultant (1)</li> <li>- Professor (1)</li> <li>- NGOs (2)</li> </ul>
<b>Direct/participant observation</b>	<p>London (20 April 2006)</p> <ul style="list-style-type: none"> <li>- Shell's meeting with Korean CSR delegation</li> <li>- Participants from Shell (Vice President and Head, Policy and External R.)</li> <li>- Participants from Korea (11 including Hyundai Motors, Samsung-TEESCO and Shinhan Bank)</li> </ul>	<p>Seoul</p> <ol style="list-style-type: none"> <li>1) Participation of volunteering service (8 August 2007) <ul style="list-style-type: none"> <li>- Volunteering programme for orphans</li> <li>- With 8 Kyobo employees</li> </ul> </li> <li>2) Observation of the 49th Anniversary (7 August 2007) <ul style="list-style-type: none"> <li>- <i>Communication in the darkness</i></li> <li>- Programme: Kyobo management meeting with youth heads of family</li> </ul> </li> </ol>
<b>Secondary data</b>	<ul style="list-style-type: none"> <li>- Shell Sustainability Review for Staff</li> <li>- Result of Shell People Survey (HQ and Shell Korea, Confidential)</li> <li>- SGBP (Shell General Business Principle) (English &amp; Korean)</li> <li>- Shell Sustainability Reports</li> <li>- Other reports (e.g., technology)</li> <li>- Interviewees' presentation files on CSR/SD (English &amp; Korean)</li> <li>- Analysing reports on Shell SD (NGOs and international organisations)</li> <li>- Academic papers related to Shell and energy industry</li> <li>- Books about Shell CSR and SD (e.g., Holliday, Schmidheiny and Watts, 2002)</li> <li>- and so on.</li> </ul>	<ul style="list-style-type: none"> <li>- Founder's speeches (1996)</li> <li>- Organisation chart in detail (Confidential)</li> <li>- Kyobo Community Relations Report</li> <li>- Biography of Kyobo 40 years</li> <li>- Survey report of Kyobo CSI and DSI (Confidential, have to give back)</li> <li>- CEO's address to employee (internal marketing strategy conference)</li> <li>- 3-year strategy plan for <i>Family Love Project</i> (prepared by marketing team, confidential)</li> <li>- Plan for employee volunteering encouragement</li> <li>- 5 books about Kyobo, founder, entrepreneurship &amp; leadership</li> <li>- and so on.</li> </ul>

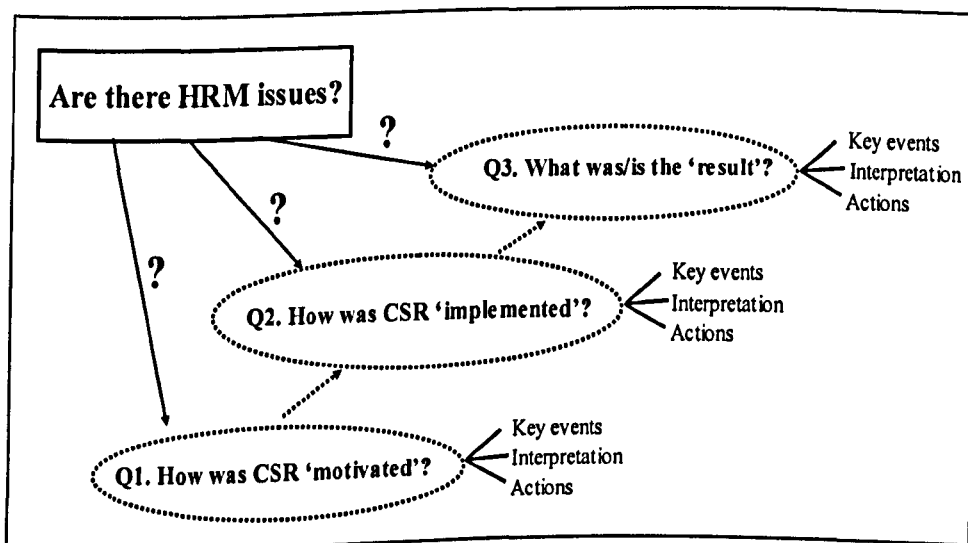
Throughout this interview process, a variety of 'secondary data', many of them requiring the maintenance of confidentiality, were supplied by the companies and related organisations along with relevant published documents. Additionally, 'observation' of meetings for Shell, and 'observation' and 'joining' in the employee volunteer activities for Kyobo, was conducted extensively. From these various activities, important data was gained in order to bring about an in-depth explanation and significant insights which could be coupled with the face-to-face interviews. It is also suggested that the use of a comprehensive array of such sources should support triangulation of the data to address the research questions. To verify the interpretation of the analysis, both case study companies have given continuous support and critical feedbacks (from Shell – three interviewees in the UK, the Netherlands, and Korea simultaneously, from Kyobo – one interviewee in Korea) during the whole analysis process.

The case analysis

The data of the two companies is analysed based on the core aim of the thesis; that is, to investigate the potential links between CSR and IHRM in an international context. The primary interview data is coded sentence by sentence, and other supporting evidence is used to further support, and argue the interpretation of the present research. Then, the analysed data is intertwined with the theoretical findings.

For more accurate and structured presentation of data analysis, Dutton and Dukerich's (1991) approach is employed for each question: namely the examination of key events, major interpretations, and major actions. Employing the 'question and answer format' (Yin, 2003a: 148), the author sought to examine the answers to the same questions within each case as follows.

Figure 5-1: Analysis of case study



## ***Phase 2: Main exploratory analysis: Extensive interviews***

Through the process of phase 1, the author critically investigates the workplace; how do CSR and HRM work? There is, however, a limit to accomplishing the aim of the present study as it pursues not only the recognition of the reality – the relationship between CSR and IHRM – but also institutional comparison and suggesting a new approach of CSR in view of IHRM strategy in international business. Once the specific reality and phenomena have been focused on in the first stage, a more extensive and comparative investigation can delve into ‘how’ and ‘to what extent’ it can be explained logically, with the application of institutional theory, and building the model with the suggestion of the implications for academics and practitioners.

### **Data selection and collection**

In addition to the case study data, but also as primary data, extensive semi-structured, in-depth interviews were conducted with CSR and HRM professionals, academics, and other stakeholders – included in appendix 1 and 2. In total there were 53 interviewees, 25 from the UK and 28 from Korea (including interviewees for case study investigation). Additionally, a broad range of interactive communication with scholars and practitioners in the UK, Korea and US in relation to theoretical and empirical investigation have been accomplished in various ways throughout the research periods (e.g., advice on data sources from the late-Prof. John Dunning, UK [appendix 3] and suggestion for empirical points from a CSR manager in Korea [appendix 4]).

In order to achieve ‘data collection equivalence’ (Hult *et al.*, 2008), the author tried to pick equivalent interviewees from each country (the UK and Korea) and each sector (business organisation and external stakeholder). That is, the author endeavoured to provide a balance by selecting broadly comparative individuals for each variable in order to produce a fair basis for comparison. 12 stakeholders from the UK and 10 from Korea were carefully selected as it is suggested that they knew the substantive context and challenges of CSR in each country, so they could provide more objective and reflective views on the research questions. In this regard, since the data seems equivalent between the countries and the sectors, it is assumed that the observed dynamics (similarities and differences) should reflect the phenomena in

a more valid way. It is suggested that such an effort for data collection equivalence should contribute to enhance the degree of reliability of cross-national comparison, by responding to the questions on non-balancing sampling (Reynolds *et al.*, 2003) and non-probability sampling (Douglas *et al.*, 1994), which are often indicated as common issues for criticism in international research.

**The researched and the researcher.** The interviewees were purposively selected by the author as key informants who have context-specific knowledge and expertise, and could thus provide the author with significant data on the specified research issues (Patton, 1990). Most of all, the interaction between the researched (interviewees) and researcher (interviewers) is realised as a variable demanding critical consideration in this research process. Moreover, it is noted that the selection of the right interviewees, and building trust with them in order for the sharing of in-depth opinions were paramount issues, and that these were time consuming processes and required great efforts on the part of the researcher to ensure a successful relationship. In this regard, the researcher continuously tried to share research ideas with possible informants, joined and organised a number of related events with possible interviewees to let them know about the researcher's work and ready them to share valuable ideas with the author. The endeavour in conducting interviews certainly confirmed Fontana and Frey's (2004) view that interviews have become a methodology of 'friendship' which changed from being an instrument of pathological diagnosis to a much more 'humanised' form in the wake of 'social reform'.

In many ways, the author tried to act as an insider to their situation. With the author's experience as a consultant in the CSR field, honest ideas were shared with interviewees in advance throughout various media, before doing the formal interview: *e.g.*, organising the Korean CSR delegation's visits to the UK and vice-versa (appendix 5); a speech on 'UK CSR' to Korean CSR practitioners and NGOs; and writing reports on UK CSR streams for Korean government projects. It is essential that the investigator needs to know how to carry out the full variety of data collection techniques (Yin, 2003a). In this regard, the author also joined various academic and practitioner training programmes on CSR and HRM in both countries.

This comprehensive approach to data collection helps the author to better understand the needs of interviewees and hence create a highly interactive environment in which the research takes place (Morita, 2004). Therefore, it contributes to the author being able to pull out 'reflective' and 'holistic' ideas according to the CSR development process, which seldom happens in general survey research. In this regard, it is noted that the author's ability to do rational and reflective interpretation was built into this long-lasting process.

The author has also participated in CSR and HRM-related conferences in the UK, Belgium, and Korea in order to remain up to date with the main global stream of CSR. CSR issues tend to change according to social and institutional demands such as the political, economic and community environments of the time. Therefore, it is suggested that updating the stream is critical in CSR research. By participating in conferences, this study could remain aware of the latest developments and hence create practical results. These activities to collect data were carried out in both in the UK and Korea alike since it is noted that an 'equivalence in data collection procedure' is crucial for the accomplishment of reliability of the data.

In summary, it is critical to emphasise that there is an 'interdependence' between the data. For example, through arranging the meeting agenda and providing language interpretation for discussions between the UK and Korean CSR practitioners, the key informants of the present research were found, and the initial networking with them was established accordingly. After interviews with them, valuable and confidential secondary data from some interviewees (such as their project reports and internal communication files), which contain crucial facts and figures on the issues, were provided. Such a comprehensive approach towards data collection contributes in developing a holistic picture of CSR, including the institutional context of each country, and hence has some important implications for the present research.

**Ethical consideration.** The development and application of suitable ethical frameworks are required not only to maintain public confidence, to try to protect individuals who provide research findings, and also to confirm its stance as a legitimate and worthwhile undertaking (May, 2001). To elaborate slightly, the major means of data collection in this process is interviewing. Since the subjects of

interview are individuals, extreme care must be taken to avoid any harm to them (which includes not only physical but also psychological considerations) (Fontana and Frey, 2004). To manipulate interviewees as objects or numbers has been criticised as a major ethical problem of interviewing (Oakley, 1981). In this regard, the author has tried to involve a variety of human interactions for the present research (i.e., primary in-depth interviews, arranging and joining business meetings, and discussing the findings with others). Hence, ethical issues have been one of the author's primary concerns throughout the research process, including data collection, analysis, and reports. It is based on the recognition that it is essential for the 'integrity' of data (Hartman and Hedblom, 1979: 341) and as a result, the fundamental 'goodness' of the outcomes of research (Edwards and Mauthner, 2002).

There are three main notions of ethics in qualitative research as ways to gain research licence: confidentiality, protection, and anonymity (Mauthner *et al.*, 2002). The author has carefully treated all valuable 'informed consent' which was truthfully given by interviewees as confidential. For example, there is crucial information from companies and stakeholders (such as the results of consulting and survey and internal communication) which are enough to provide insights to the author for the analysis, but the details are not presented in this thesis or any other reports for the assurance of confidentiality. Additionally, there is an issue of protecting the identity of respondents. For instance, in several interviews, interviewees emphasised that "it is my personal opinion" and argued strongly on the complex context of CSR and its environment. From this personal and confidential data collection, many valuable implications were garnered for the approach of this thesis. Therefore, the author has decided to report interviewees' names with 'anonymity' to respect their privacy.

**Semi-structured interview questions.** The interview protocol follows a predetermined semi-structured interview guide (appendix 6). The framework of interview is basically composed within the two main themes as follows:

1) CSR in your nation and company.

- CSR motive, main driving force, meaning, the most important factor, assessment, barrier, forward-looking CSR and so on.

## 2) Applying CSR ideas to HRM strategy

- The existence of a relationship, the most related factor, how to communicate with, and train employees on CSR and so on.

It is predicted that the framework should provide certain standardised aspects to conduct comparative analysis between the UK and Korea. Also, such an interview context reminds the interviewer to play a neutral role and never to interject opinion to a respondent's answer (Fontana and Frey, 2004). On the other hand, based on the above research framework, the author tried to allow people to answer more on their own terms (May, 2001) and facilitate broad and interactive discussions between interviewees and interviewer. It is estimated that such a balanced approach should help the interviewer to understand more contents and contexts for the results analysis.

**Conceptual equivalence.** The interviews were conducted in English and Korean. To ensure the interview questions prepared in one language (English) are equivalent in meaning to those in another (Korean) is necessarily one of the critical issues for the trustworthiness of data given the focus on creating a fair basis for comparison discussed above. Taking into account the issue of conceptual equivalence, the author used 'back-translation procedure' which was recommended by organisational scholars (e.g., Kandel *et al.*, 1968; Brislin *et al.*, 1973). The original English version of interview questions was translated into Korean by a bilingual management researcher in Korea, and then another blind translation from Korean to English was implemented by a professional interpreter in the UK. Through comparison between the original and the back-translated version, the author checked whether the original meanings of the questions can survive (Brislin, 1988) and the possibility to gain similar responses from each country (Nida, 1964).

In this process, there were some findings to consider when the analysis of the data is carried out. For instance, there were several discrepancies in wordings between the original and the final back-translated version: legitimacy versus justification, request versus demand, and commitment versus devotion, all of which demonstrate small semantic differences that can possibly influence the answers given. Throughout the discussion with translators, it was suggested that some back-translated versions were more applicable for a fair approach towards interviewees and valid interpretation of

the data, and modifications to the wording of the questions were considered. Although such factors were identified, it was agreed that the differences did not affect the analysis of the data as a whole. As a result of this back-translation effort, the author could understand the potential range of distinction of answers between the two countries, and make allowances on this basis. Moreover, it was useful to prepare the author in coping with the different information from each country and eventually analyse the information in a more valid and un-biased way.

### Data analysis

There are two main points to explain the strategy of data filing and analysis of the present thesis. At first, during the initial reading of the data, a main analytical device – CSR process – emerged. From the literature, I undertook thematic coding and looked for instances of ‘motivation’, ‘organisational culture’, ‘employees as stakeholders’ and so on, and their link with CSR. However, the variables were rather scattered and not enough to holistically explain the phenomenon even though it contributed to the development of ideas. Then from my initial reading of the data, I developed the ‘CSR process’ which enabled me to explore the research paradigm more systematically, and decided to use each stage of that as a broader analytical and organising device.

During this thematic coding, a ‘CSR process’ emerged inductively from the empirical data (initiation stage → implementation stage → maturation stage → competing stage). The reality of IHRM issues was explored in a more concrete way in accordance with this CSR process. Using this process-oriented approach, I found that identity, interest and action of CSR were divergent according to the CSR implementation process. Hence, it is more efficient to explain CSR dynamics in conjunction with other management themes (here in this thesis – IHRM dimensions). A good example of process analysis is offered by Kakabadse *et al.* (2009) with the exploration of ten CSR leadership skills and capabilities which are needed at different stages of CSR. The investigation is carried out to discover which kind of CSR leadership emerges (and needed) from an early decision making stage to the sphere of full enactment of CSR. From this exploration, the nature of CSR and its interaction with various leadership skills are identified and, hence, the rigorous road



map of leaderships according to the CSR implementation process is suggested in the final stage. To reiterate, it is expected that this kind of process-oriented approach will be vital in the consolidation of the scrutiny of CSR's correlation with IHRM in a more holistic way.

In this regard, all interview data are coded according to the CSR process. One of the CAQDAS (computer-assisted qualitative data analysis software) – Nvivo7 – is used as a supportive tool in order to bring together all the material and look for emergence and interaction of each code efficiently as shown in Appendix 7. It is assumed that one of the important responsibilities of the researcher in this exploratory stage is the systematic management of the extensive and scattered data. In contrast to the coding of quantitative data for some numerical summary to apply a statistical test, the coding in qualitative analysis is a way of organising and managing the data (Gibbs, 2002). Therefore, instead of counting and showing the numbers of the code, I used Nvivo to enable ready access to codes in the context of their surrounding text.

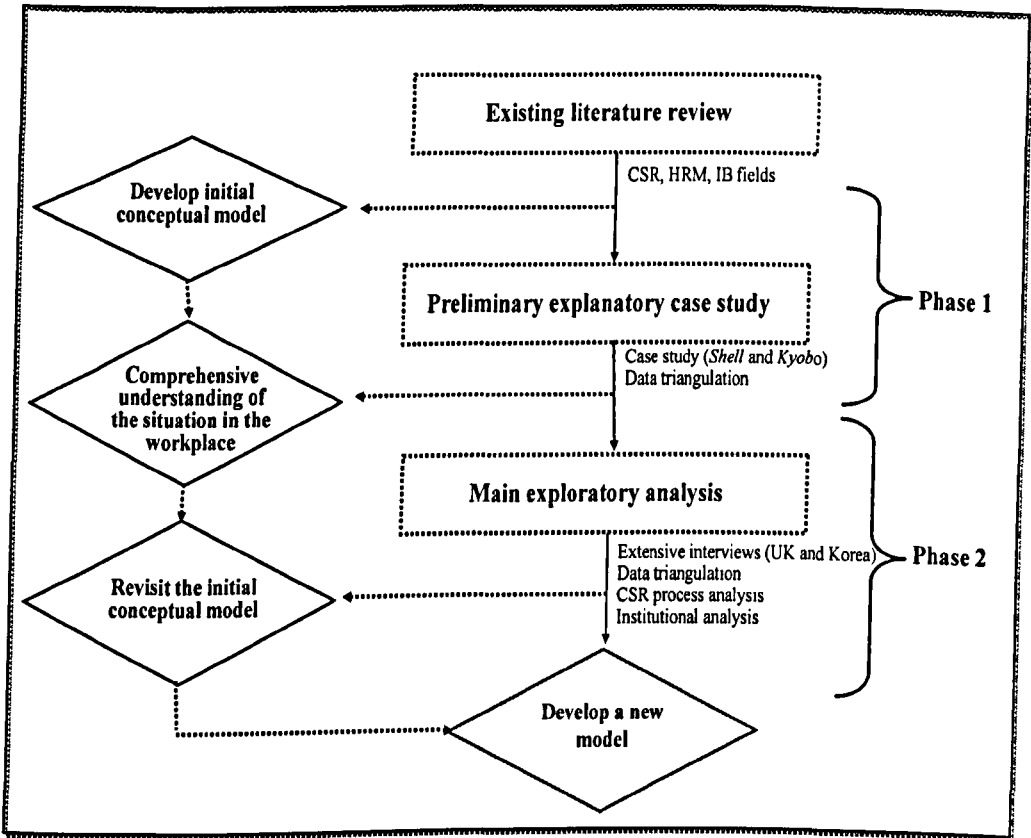
In addition, after exploring the important and emerging themes based on the CSR process analysis, the main comparative analysis between the UK and Korea was accomplished by drawing on '*institutional perspectives*' as a methodological lens. That is, the debates are interpreted and constructed by reflecting on the approach of each institution's three pillars: i.e., the regulative, normative, and cognitive pillars reviewed earlier in this thesis, originally outlined by Scott (1995) and supported by a number of scholars, such as Meyer and Rowan (1991), Zucker (1991) and Kostova (1997). It is suggested that this institutional approach is necessary and timely for MNCs to investigate the dynamics of CSR and its work with IHRM by elaborating a way of distinguishing between the pressures of divergence and convergence, and checking the possibility of 'transferability' in management practices across nations.

## **Summary**

This chapter explains the methodological approach of the present study and justifies it with a detailed explanation of the research background (see figure 5-2). Considering the limits in understanding contemporary CSR and its relationship with IHRM, the case study method was selected as 'phase 1', and designed to provide a

fertile contextual and comprehensive understanding of the facts and experiences in the workplace. The in-depth investigation in selected workplaces (the Shell Group in the UK and Kyobo Insurance Co. in Korea) was provided to further this aim. There are, however, some challenges towards accomplishing the aim of the present study, as the study pursues not only recognition of contemporary practice in action but also model-building with a suggestion of a new approach to CSR in connection to IHRM strategy.

Figure 5-2: Overview of the research procedure of the study



While acknowledging this limitation, at the second stage of the main exploratory analysis, more extensive and comparative investigation was conducted to delve into the 'how' and 'to what extent' sections of the questions. The primary data collection entailed numerous interviews with key informants in the UK and Korea, supported by various supplementary data such as observations and documents. With the application of institutional theory, the data investigated by the CSR process was analysed with attention being focused on distinguishing between the pressures of divergence and convergence of CSR and its relationship with employees. It is

suggested that the inclusion of the two empirical methods, therefore, is appropriate to increase the richness and robustness of the present research and to support the plausibility of the result.

To reiterate, the central purpose of this study is not to test and generalise a well-defined and rigorous phenomenon but to pursue a sophisticated understanding of the complex contents and contexts of the issues and check the possibility of transferability in management research and practice. It is, hence, suggested that the result of the thesis should be assessed in this criteria. In this regard, the research is conducted by the two major methodological phases – (1) the case study for examining the reality which is undertaken through various means, and (2) extensive interviews with the aim of presenting a comprehensive comparison of the relationship between CSR and HRM in the two countries. A refinement of the research model: *the CSR and HRM link in an interactional context* is suggested at the final stage, and some implications to researchers and practitioners are then posited based upon the results.

The empirical findings will now be presented. Chapter 6 examines the cases of the UK and Korea, Chapter 7 explores the phenomenon of CSR and its association with institutional dynamics, and CSR's relationship with IHRM based upon institutional settings in Chapter 8. Consequently, the two research questions which were generated at the later stage of theoretical analysis are deliberately addressed in the final Chapter 9 – discussion and conclusion chapters – with analysis of the limitations and contributions of the present research to the overall field of criticism.

## Chapter 6: Two case studies

“Beyond thinking CSR is a fad, there must be a big case to understand that it is not the matter of money.”

(Junior manager, energy industry, Korea, 2007)

The author concluded the preceding methodology chapter by arguing that the present research employs ‘the mixed qualitative research methodology’. As a first step, the preliminary case study is accomplished in this chapter to suit the goal of the present thesis, which is to delve into the actual experience of CSR in two very different contexts.

Mostly, businesses show an interest in how CSR activities play out in action in order to understand certain issues. They have a desire to hear of best practice including an honest appreciation of both success (how business enjoys the fruits of CSR activities) and failure (how business overcomes barriers to CSR’s successful implementation). The Shell Group and Kyobo Life Insurance Co. are deliberately chosen from the UK and Korea as case study companies due to their rich contexts and background which resonates with particular appropriateness to the issues of the present study. It is worth reiterating that this case study is not aiming at a comparison of the two companies. The national context, industrial character and market places of the two companies are totally different. Rather, it is expected that these two firms can ‘show and tell’ the story of CSR and its relationship with the contemporary workplace in two very different settings.

Based on the reflection of a full set of concerns from the literature review, the case study asks the same three questions to each case, which motivates the present research’s main research questions: How was CSR motivated (initiated); how was CSR implemented?; and what was and is the result of this implementation? With a similar approach to Kakabadse (2009) in exploring CSR according to the ‘evolving process’<sup>24</sup> and Ying (2003a) in scrutinising the different situation of the same scenario, the present study tries to discover the ‘process’ of CSR and its link to HRM of the two selected companies. Additionally, the elaboration of answers to each question is accomplished using the case analysis by Dutton and Dukerich (1991), as

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<sup>24</sup> The reason why this approach investigates CSR in accordance with its evolving process is elaborated in detail in Chapter 7 with key findings.

it is assumed to be an efficient way to specifically explain the situation with actual words: key 'events', major 'interpretations', and the following 'actions'.

### **UK Company's Experience: The Shell Group**

Established in 1897, the Shell Group is one of the representative example MNCs in the global market. As a British registered company with its HQ in the Netherlands, it is the third largest global company with sales of \$312 billion and net profit of \$25 billion. It operates in 145 countries and employs more than 112,000 people, and hence has an embedded international organisational culture. Shell is now engaged in six main business areas: Exploration and Production, Gas and Power, Oil Products and Chemicals, Renewables and Hydrogen, Shell Global Solutions, and Trading and Shipping. The main businesses for generation of revenues are oil products (79.4% of the total revenues in the FY2007) and chemicals (11.5%) (Datamonitor, 2008). Shell has around one million shareholders and is serving more than 25 million customers a day. Along with various experiences of tackling problems in relation to CSR, Shell has sought to integrate CSR (and SD [sustainable development]) into their management principles in a concrete way as one of the first in the world. Therefore, it is proposed that Shell has tangible stories which may provide a useful insight into understanding the research themes not only in the UK context but also in the global market.

#### ***Question 1: Why CSR was initiated?***

**Key events.** The energy business is, by definition, an industry engaged in a long term supply of products to consumers. Therefore, there has been CSR and SD for Shell previously, so these are not new concepts for employees of Shell. The reason why Shell considers these dimensions so critical is rooted in a single event in the mid 1990s, that of 'Brent Spar' in 1994. 'Brent' was a floating North Sea oil storage vessel operated by Shell UK. With the completion of a pipeline connection to the oil terminal, the storage facility had continued in use but was considered to be of no further value as of 1991. There was a supportive *regulative* environment for Shell. In other words, under the approval of the British government, Shell planned to decontaminate the vessel and then sink it in the Atlantic Ocean. Also, with backing

from an Aberdeen University study, Shell had confidence that it was the cheapest and safest solution (Crooks, 2006). However, this plan was severely challenged and became a controversial issue in public debate in 1995. There had been a campaign against this plan lead by Greenpeace. Shell became a target of major international protesters (e.g., boycott of Shell service stations, and some physical attacks on a service station in Germany) and the Brent Spar incident dominated media reporting around the world (Frynas, 2003). Owing to this adverse public reaction, Shell faced a sharp decline in sales (e.g., some Shell stations in Germany reported a 50% loss of sales) and finally abandoned the 'Brent Spar' plan.

“Greenpeace’s success in forcing Shell to reverse its decision to dump the Brent Spar oil platform at sea marked a turning point in industry practice. We succeeded for the first time in mobilising consumer power as a united, highly effective force to change the course of a vast multi-national: a company which was behaving in a way which was neither ethical nor environmentally responsible.”

(Greenpeace International Annual Report, 1995)

“The single incident which made Shell think that even if we are doing everything right, unless we persuade people that we are doing the right thing, our business is not going to be sustainable.”

(Country Chairman, Shell Korea, 2007)

This event came as a surprise to Shell (de Wit et al, 2006). It appeared to violate Shell’s responsibility towards society. Shell believed that the way to dispose of the platform was no problem. The ‘problem’, however, was that society did not believe Shell. Shell had looked at the cost-effectiveness of getting rid of this platform, they had looked at the environmental impact, which was acceptable, but they had forgotten about the ‘*societal impact*’ — the fact is that people and society did not believe what Shell was doing and did not agree with Shell’s analysis of the correct method of proceeding. There was another crucial event in Nigeria in 1995, the so-called ‘Shell-Ogoni conflict’.<sup>25</sup> Because of these incidents, there were criticisms of

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<sup>25</sup> The Shell Petroleum Development Company of Nigeria Limited (SPDC) is the largest gas and oil company in Nigeria; accounting for 40% of the country’s oil production and about 53% of Nigeria’s hydrocarbon reserve base. The company’s operations are concentrated in Niger Delta, the population is about seven million, largely drawn from some 20 different ethnic minority groups. There is a history of ethnic conflict with the Nigeria government. Shell studied the institutional contexts of the places and communicated in which they operated. However, discussion with NGOs, resulting in part from contacts made during the Ogoni crisis — a crisis that led to the execution of Ken Saro Wiwa — convinced Shell that it needed to change its approach; that is, adopt a more participatory approach to community projects and to understand their situation and work in an open and consultative way (Holliday, Schmidheiny and Watts, 2002; Shell homepage).

Shell's work in the global village, and hence the company's reputation was tarnished (Wheeler *et al.*, 2002) to the extent that Shell was forced into changing its policy and behaviour.

**Major interpretations.** Shell realised their crucial failure to integrate 'normative' pressure (i.e., external stakeholder's request for trust) and 'institutional change' (i.e., public's change of view on the business, especially big MNCs) into its business plan. Problematically, Shell management heavily relied on government support to pursue their business targets and to solve their problems (Frynas, 2003). The energy industry has been at the forefront of CSR and sustainable development because of the 'nature of the business' (Frynas, 2003). It attracts a great deal of attention and can be controversial in the ways that they exploit oil and gas production, the ways in which they damage the environment, and because this is the way they make profit. Energy firms provide a critical product for the world, and without affordable energy, today's economies would come to a standstill. At the same time, they provide a product that has many associated environmental concerns. As a result, they are always trying to be at the forefront of CSR discussion due to the nature of the business.

With their mistake of overlooking normative and social factors, Shell identified the necessity of 'trust' and 'consensus' with stakeholders for doing business. That is, 'trust' can be a management premise tool. These cases support the theoretical arguments (*e.g.*, Bakan, 2004; Berube, 2002) that without trust business cannot survive. For Shell, even though from a *legal* and scientific perspective, as well as an internal business perspective, it was the correct way of proceeding, once society did not believe in it, problems arose.

"We understand that if you are an important leader of the country, people expect you to be more honest, to have more integrity; you have a higher ethical standard, because you are influential and powerful. We know as our impact is so high, we have to have very high standards."

(Senior Manager, Shell HQ, Netherlands, 2007)

In this respect, Shell asked "why should society begin to criticize Shell?" and understood that it was not so much about new policies that Shell introduced – it was more about a realisation that society has changed – institutional change (Chia, 1995).

This is where, for Shell, 'stakeholder management' emerged as a means of mediating public opinion. To elaborate slightly, this was the realisation that business had to share decision making aspects of their business with stakeholders, and hence understand them and their reactions. Shell acknowledged that they had to perform better at identifying the stakeholders, understanding the stakeholders' concerns and making sure they understood what Shell was doing. In hindsight, Shell realised that it was not unreasonable for people to question what Shell was doing and their methods of operating. Therefore, Shell was about to actively engage with society and to answer the question "what is Shell doing?" So the case supports Porter's (2002, 2006) argument that CSR is an unavoidable procedure to gain a 'license to operate' from society, particularly one in which the day-to-day operations of a company infringe upon institutional considerations (regulative, ethical, environmental, or cultural) inherent in that society.

**Major actions:** By acknowledging the institutional contextual situation related to trust and legitimacy, Shell carried out 'strategic change'. For instance, there has been a 'Shell General Business Principle (SGBP)' since it was first crafted in 1976. This is a collection of principles by which Shell presents itself to shareholders and society at large, and all Shell companies are expected to comply with these principles in question. It has also been critically used as a collection of all 'internal promises' and consequently it is translated into a number of languages (at the time of writing, a total of fourteen), which Shell uses for its operations in the global market.

In 1997, Shell leaders decided to integrate two additional concepts into the SGBP: one is 'sustainable development' (SD) and the other is associated with 'human rights' as a result of accepting and understanding the significant changes that were needed to Shell's operations. Shell put forth SD as one of its major commitments to society, because people at the time wanted to know and understand how Shell set its business standards when it comes to their country in order to make money, and also how it protects their environment and respects their communities while engaging in these practices.

It is revealed that Shell was about to record the situation as one of an 'evolution of thinking' and a 'changing of the expectations of society' with which business had to be concerned, with a critical eye on their own practices and approaches. Therefore,



even though Shell has had SGBP since 1976, they inserted SD into it in 1997 as society was changing, and there was an expectation that Shell would adapt to meet the shifting needs of society. Shell interviewees have reiterated that it was the best decision for their 'business opportunities'. The interviewees from outside Shell also realised the strategic position of Shell by scrutinising Shell's performance and communication with them, as one of the NGOs mention below:

"BP and Shell are now performing CSR even though they are oil companies. I think the most important thing, of this age, is a complement between market, economy and ecology. Actually, till the 1990s, the company existed only to produce for profit maximisation. But really these days if they do like that, they cannot survive and take the sustainable development – Yes, it is about their business."

(Executive Director, NGO, UK, 2007)

Shell's management were sure there would be many business opportunities related to improving environmental and social performance. So, in the term 'responsibility' Shell has found that CSR may not be seen as a myopic action, which focuses on ad-hoc 'damage control' or 'PR'. Rather, as Porter (2006) argued, it was the consequences of the firm's dramatic change of mindset regarding 'social investment' for long-term business opportunity. This kind of idea is more vigorously shown in the CSR implementation stage with more actual programmes and strategy. The next section will consider the implementation of CSR, and the methods by which this implementation was achieved.

### *Question 2: How was CSR implemented?*

"The more important thing is how the employee implements this in his field and actual working place."

(Vice President, Shell Korea, 2007)

**Key events:** As part of Shell's demonstration of commitment to implement SD and CSR, the corporation initiated the 'sustainability report' in 1998. Having gone through a process of change and development, it is currently written according to 12

key performance indicators<sup>26</sup>, which have been developed with the cooperation of external stakeholders. It includes ‘what others say’, which is an assessment by external experts who are affected by the operations under consideration. The sustainability report is regarded as one of the main means of communication with external and internal stakeholders, although the standard and trustworthiness of data in the report has been criticised by NGOs and scholars for its improbability in achieving single best practice or a rigorous standard in different institutional contexts along with various business sizes (Borga *et al.*, 2009; Overell *et al.*, 2008). As a result, the SD report is not only a reporting of data, but can also become a ‘management system’, that the firm uses to ‘measure’ the performance of each department and their employees according to the “SGBP”.

Additionally, Shell has a unique process of on-line dialogue with various stakeholders from all over the world. Through the ‘*Tell Shell Forum*’, Shell gains feedback on its performance and reports, and analyses this feedback systematically in order to gain an understanding of current shareholder worries and expectations. It is a commendable way of communicating with a much broader audience, beyond some specific NGO panel, who have a large representation. Through this uniquely open debate, and listening to various opinions from stakeholders, Shell can improve stakeholders’ relations and trust, and promote its business and influence continuous improvement in an honest manner. This is an example of openness that is still unusual in the corporate world. Here is an example posting:

“As a shareholder I am disappointed at how little capital is employed in renewable energy. We are still spending most of shareholders’ funds on extracting oil and causing global warming as a result. Much more effort needs to go into renewable energy.”  
(Tell Shell Forum, USA customer, 2004)

Shell realised that the response to the above pressing issues meant more than reducing their own emissions. The rise in carbon emissions will remain as a major

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<sup>26</sup> They are divided into two kinds of indicators: 1) **Social data** – fatal accident rate (number of fatalities per 100 million exposure hours), injuries (total reported case frequency [TRCF]), gender diversity (% women in senior leadership positions), favourability – Shell versus nearest competitor; and 2) **Environmental data** – total greenhouse gases (million tonnes CO<sub>2</sub> equivalent), flaring (exploration & production only), volume of spills and discharges, energy intensity in refineries (Energy Intensity Index), in chemicals plant (Chemicals Energy Index), exploration & production, external perception of environmental performance (Shell versus nearest competitor). (The Shell Sustainability Report, 2007).

challenge for Shell – as one of the biggest energy producers in the world. In this regard, Shell prepared five major priorities for responding to concerns about energy: (1) converting energy (e.g., to develop cleaner burning fuels for diesel engines using gas to liquids technology); (2) boosting international natural gas and oil production; (3) maintaining a wide range of oil and natural gas sources; (4) reducing environmental impacts (e.g., spreading the use of natural gas as an alternative to coal); and (5) commercialising new energy sources (e.g., increase production from renewable sources (like wind, solar and bio-fuels) and from hydrogen, and growing the Liquefied Natural Gas (LNG) business) (The Shell Report, 2004) .

As well as being an important means of external communication, this ‘Tell Shell’ system is also used as a key tool for internal dialogue. It is about ‘communication with employees’. Beyond the best practices, Shell people share the problems of their business all over the world: for instance, even though it is not a problem in Shell Korea but a problem in Sakhalin,<sup>27</sup> setting the Korean office as a benchmark helps to overcome problems that hinder progress and may come with similar issues. Actually, many valuable issues come from employees in the front lines, who have more daily experience of the ground-level problems and issues faced by the company across the world, rather than from the managers, the more expected conduit for communicating with the company in a wider sense. Therefore, internal communication on business identity is truly beneficial for Shell’s future strategy on a number of fronts.

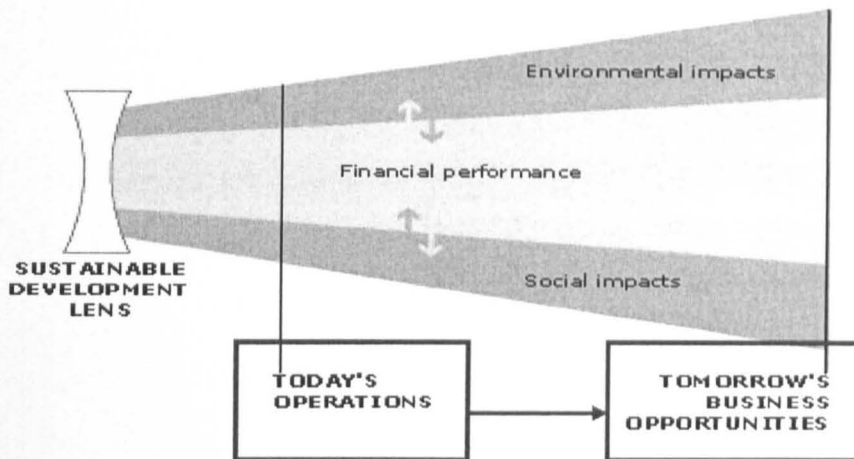
**Major interpretations.** The issues of employees can be seen and a more in-depth examination of the institutional environment can be carried out for CSR implementation in the workplace. It has been seen that Shell’s corporate reputation among opinion-formers started to recover after the implementation of SD and CSR (Boele *et al.*, 2001; Vidal, 1999). Shell has applied the idea of triple bottom line (Elkington, 1997) into the business strategy, and has been trying to incorporate all

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<sup>27</sup> Sakhalin project is an oil and gas production joint venture project operated by Sakhalin Energy (Shell 55%, Mitsui 25%, Mitsubishi 20%) on Russia’s Sakhalin Island. It is a US\$20billion project to start supplying LNG to Japan, Korea and other countries from 2008. It raises high environmental concerns specifically - ‘oil and gas activity carries risks for the whale population’ (World Conservation Union). The scientists’ advice was taken seriously and hence, they re-routed pipelines away from the whales’ key feeling area. Also, there are trials to understand and address the concerns of indigenous people (population of 3,300) who have a traditional way of line-fishing, hunting and reindeer herding.

the related fundamentals (i.e., environment, marketplace and community, and overall corporate governance) into the workplace and in the whole process of their business activities. To expand upon this, they see CSR as a part of sustainable development, as shown in figure 6-1.

Figure 6-1: Shell's Sustainable Development Lens



Source: Shell.com

“The three basic pivots of SD are: the first is ‘economical’. Whatever business we do, we have to generate profit to distribute to shareholders and give salary to employees at the right time, and invest in society. The strong economic background is crucial. The second is we have to do ‘social-friendly’ work. Social means community. CSR belongs to this. CSR has to correspond to our business purpose. The last is the ‘environmental’ perspective. Whichever business Shell does, it must not give any harm to the environment. We have continuous education about the group’s SD.”

(Vice President, Shell Korea, 2007)

In this way, Shell interviewees have reiterated that today’s operation, which considers the three dimensions, is the best formation for tomorrow’s ‘business opportunity’. Shell management are sure there will be many business opportunities that will emerge as a result of implementing environmental and social performance as a key factor in decision-making. For example, they have participated in community and environment related incentives such as the ‘Biogas initiative for

Africa'<sup>28</sup> and the 'Asian clean-air initiative'.<sup>29</sup> As a global company, Shell realised that it must become actively involved in social and environmental actions to run a successful business operating in numerous countries around the world. Certainly, these projects mentioned above are closely related to developing future business opportunities through their interaction with society on a larger scale. Therefore, the case contributes to numerous scholars' arguments on the link between CSR and approaches to business (e.g., Pedersen, 2007; Windsor, 2001), when the business case for CSR is still weak (Vogel, 2005).

In addition to this, the above events are interpreted as a strategic decision by a multinational corporation on how to manage 'local people' in different institutional environments who are (and will be) important given that they provide a license-to-operate, and are extremely valuable assets for the firm in certain areas. Shell realised that it is irresistible to study and prepare the different local institutional environments and hence reflective implementation towards the culture and people in each local market. For example, in the case of Korea there are general working practices that are possibly unique, some of which are related to the local culture which emphasises networking and relationships. Certainly, CSR is closely linked to local cultural tradition (Welford, 2005). Shell in Korea would be expected to operate personnel policies, which were expected in Korea as part of ordinary business life. To attract good quality Korean people to work for Shell, Shell has to offer them a package, which is fundamentally designed to resemble standard Korean approaches to employment benefits and opportunities. So Shell has to practice 'discretion' in these areas as a result of operating within this institutional arena. It supports the argument of Adler and his colleagues (1990) that HRM matters tend to continue to manifest cultural based dissimilarities. This is certainly a major dilemma that they have to cope with and hence it has been indicated that there needs to be an intellectual

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<sup>28</sup>Biogas initiative for Africa initiative has been launched to bring renewable energy to 20 million households in some 25 African countries. The initiative is being supported by a consortium consisting of African countries (including Benin, Ethiopia, Ghana, Kenya, Mali, Nigeria, Rwanda, Senegal and South Africa), implementing agencies, local NGOs and donors (including Finland, Germany, the Netherlands, Norway and the Shell Foundation) (Ministry of Foreign Affairs, Netherlands, 2007).

<sup>29</sup>The Clean Air Initiative for Asian Cities (CAI-Asia) is a multi-stakeholder network of institutions and individuals committed to improving air quality management (AQM) in Asia. It was launched in February 2001 The CAI-Asia Partnership consists of representatives from local governments, national governments, civil society, academe, the business sector, and development organizations who are committed to promote better air quality management in the cities of Asia (The Clean Air Initiative for Asian Cities).

localisation strategy for dealing with such a heterogeneous number of countries and practices. For example, there are detailed guidelines for Shell Korea which displays a fundamentally different approach and philosophy to meet the expectations of the Korean people. It contains very practical guidelines which reflect the unique institutional context of Korea, such as:

- ✓ All gifts given are subject to the approval of your line manager (Limited to Won 100,000)
- ✓ A small souvenir given but not exceeding Won 50,000 in value
- ✓ A small congratulatory or condolence cash gift on the occasion, for example, of a wedding or funeral not exceeding Won 100,000 in value.

Source: The meeting of Shell with Korean CSR delegation to London  
(20 April 2006)

In this regard, it is suggested that the efficient setting of implementation strategy of IHRM and CSR is salient for MNCs. Recollecting the question during the theoretical analysis – ‘is there a best way to implement CSR and IHRM in international business?’ – leading MNCs to consider the distinctive pattern of institutional settings which leads to a different approach towards CSR and IHRM.

**Major actions:** One of the most difficult perspectives to implement in CSR is communication with employees who are not generally interested in this. In other words, it is revealed that one of the critical factors determining the action which decides the success or failure of CSR implementation in the workplace is ‘communication and consensus’ with the employee as admitted by an advisor in Shell:

“So the question is, how do you try and tag on aspects of sustainable development, aspects of corporate social responsibility for somebody who are engineers, and sometimes it’s very, very difficult, as you can imagine.”  
(Advisor, Shell HQ, Netherlands, 2007)

In this regard, there are various actions that can be seen in operation in the workplace, and Shell has initiated a variety of ‘*custom-made actions*’ for employees. For

example, Shell has published a tailored report for staff: 'Sustainability Review for Staff' designed specifically for employees to communicate on SD.

"I am sure you never have seen this one. This is a similar report, but this is written for our own internal employees. The staff is also a very key audience, so we have to report to them what is happening. I can assure you that not too many companies have been developing sustainability reports for their own staff like us."

(Senior Manager, Shell HQ, Netherlands, 2007)

With an open and transparent way of communicating with staff, the management tries to inform the staff with information regarding what Shell did during the last year, and persuade and motivate them for the next year based on this information. Here is one of the communications of the CEO with employees through the review for employees:

"I deeply regret that 37 people (2 employees and 35 contractors) lost their lives working for Shell in 2006.... However, I am proud of the improvements we have made."

(Chief Executive's message, Shell Sustainability Review for Staff, 2006)

The other example is an 'annual letter'. It is an official text, and one of the most important publications of the year. At the end of each year, the annual letter is sent by the country chairman to his/her managing director at the headquarters. It is a representative implementation of monitoring and appraisal procedures with employees. In the annual letter, the country chairman has an obligation to mention what they have done for SD and CSR or compliance training, etc, for the last year. Some selected sentences of the letter (quoted here from that of Korea) show clearly its concreteness and practicality: e.g., 'do you understand that failure to adhere to the SGBP may lead to dismissal?', and 'you have a responsibility to report any suspected breaches.' Similarly, it contains questionnaires and employees' own expectations. Consequently, it is a good process for monitoring and communicating with employees. Beyond the "just do it", they review and plan for the next year.

"The most important reason why Shell does this is to let all employees know the company's intended value and vision continuously."

(Junior Manager, HRM Department, Shell Korea, 2007)

Additionally, Shell puts emphasis on training, and there are various illustrative cases of such a process being carried out. There is 'SGBP training' every two years, which is compulsory training for all staff in order to remind and update them about the company's core value and principles. There is also on-line training. This is a useful tool to remind and educate local people on SD with actual business cases, which are easily overlooked by staff. There is a unique 'on-board programme', which has the aim of helping on-board senior executives understand the organisational context and performance expectations. They come from outside Shell and are people who have worked in various different industries. This is both a communication and training method concerning sustainable development and what society expects from Shell.

There are also a wide range of communications and awareness programmes to improve the knowledge and skills of Shell employees about SD, such as the 'SGBP portal' and workshops, discussions and face-to-face meetings. These are supported with various supplementary materials which consist of a series of business integrity dilemmas or grey areas (e.g., dealing with bribery and corruption) that can be used as case studies in training events. During these various occasions, they share challenges, dilemmas, real life examples of implementations in their own country, and challenges in the local business environment. The management of Shell proposes that these kinds of interactions with employees are fundamental in achieving business goals and generate benefits for the company. Actually, this idea has materialised as a result of CSR, which will be elaborated in the following section: what is the result of CSR's implementation?

***Question 3: What is/was the result of CSR?***

“Unless the company starts to see that feedback then it's hard to see where their incentive is.”

(Manager, Shell HQ, Netherlands [worked in Korea], 2005)

**Key events:** Shell has seriously questioned the major impact for employing SD and CSR, and found that there was a broad range of 'social' impacts as a result of Shell's operations in the global village. Among them, a greater and unexpected result has



emerged beyond external impacts, such as PR, and environmental and social legitimacy: it is a positive impact for the 'employee'. In the era of 'War for Talent' in international business, Shell has tried to find ways to employ talented local people and help them get the skills they need through their work. SD and CSR are at the very heart of this discussion and are certainly one of the main contributors to developments in this area.

There is one important example to support this argument: the 'Shell People Survey'. It is a global survey of more than 100,000 employees across the world, which has been carried out every two years by a third party. It has more than 100 questions structured in a random way and on numerous subjects, including SD and CSR, and responses are treated with total confidentiality. The results are analysed across the whole Shell group, country by country, by individual Shell companies, and even reach individual department level. Comparisons are made with the results of previous surveys. In some areas they can critically compare with other similar companies also. So, it is a concrete method of measuring the impact of CSR on employees. This enables essential analysis of those areas to identify where improvement is being made and areas where future work is necessary.

In addition to the employee survey, the other indicator that can provide insights into employees' ideas on CSR is 'voting with the feet'. This is a system whereby if an employee decides to leave Shell, then Shell tries to uncover their reasons (e.g., related with family or manager or company and so on). There is an 'exit interview' which is critical for the company in assessing the motivations behind the decision on the part of those leaving the company.<sup>30</sup> Every employee who wants to leave Shell is invited to go for a confidential third-party interview with the HR department (i.e., not his manager) to understand why they are leaving the company:

"If the reason is about complaining about the employer's direction, then we have to go on a little bit more in detail. If an employee questions about 'What kind of direction Shell has?' or 'The company is telling lies, it is not good for environment...' So this kind of exit interview is very powerful because they are very truthful."

(Senior Manager, SD Department, Shell HQ, Netherlands, 2007)

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<sup>30</sup> In the UK, exit interview is the first method used to investigate why people leave from the workplace; Exit interviews (90%), Exit surveys (anonymous questionnaires) (26%), Word of mouth (23%), and Information from staff attitude/satisfaction surveys (18%) of respondents (CIPD, 2007:33).

If one carefully analyses the number of people who are leaving the company (the labour turnover rate) together with these reasons, this data would be an important indicator as to whether CSR performance does have a positive or negative impact on employees. Shell has a relatively low and stable rate of labour turnover and is satisfied with these figures because it indicates that employees are content in working for Shell. Certainly, the turnover level of employees is associated with a variety of reasons in conjunction to employee's salary, working conditions and day-by-day life and vary considerably from industry to industry, region to region and economy and economy. However, at least it could be proposed that the company's CSR stance and its interaction with employee (e.g., lack of development or career opportunities [33%], stress of job/role [19%], perception of job security [13%]) are motives behind this phenomenon (CIPD, 2008).<sup>31</sup> Additionally, according to Shell's 'at a glance' report on social performance, 80 percent of employees are proud to work for Shell. It shows the employer's social performance is closely related with the employees' loyalty and pride, as people want to work for a responsible organisation. That is why a range of scholars (e.g., Brammer *et al.*, 2006; Turban and Greening, 1997) argue that CSR-driven companies might be able to attract and retain better or more motivated staff as a result of policies in these areas.

**Major interpretations.** Most of all, it is to be interpreted that the above events make businesses realise the strong relationship between CSR actions and 'employees'. If the firm does not identify the criticality of the people and hence cannot reflect CSR ideas towards employees, it will continue to have a myopic view, such as the outward-focused PR that many companies still apply.

"I think that certainly in terms of the importance and the focus on engaging with the workforce, that has to be central. If you don't get that right, there's no buy in from the workforce. So there it is an issue of trying to get... trying to make sure the policies we were developing were building on the values of the individual, the employees and then getting the organisation to approve those and then give them legitimacy. So, it wasn't coming down from the top. It was actually from the bottom up."

(Head, NGO, UK, 2006)

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<sup>31</sup> According to an annual survey report by CIPD (2008), the median labour turnover ratio of the UK is 17.3% and the highest labour turnover rate is in the private sector in the hotel, catering and leisure industry having a ration of 20.4%. Change of career is deemed to be the most common cause of voluntary turnover (55%) followed by promotion opportunities outside the organisation (45%).

In this regard, the cases described above show Shell's long-lasting endeavour to communicate and monitor the impact of Shell's mission in the fields of SD and CSR on employees. More specifically, it is suggested that CSR and SD activities contribute to Shell's 'organisational culture of empowerment' and its employees' 'motivation to development'. For instance, there is a process of dealing with the 'Shell People Survey', in which the results are sent to the person in charge of each country. They view it as a crucial internal dialogue for empowerment, and a way of comparing their performance with other countries and departments. Below are two selected quotations concerning the results of this survey:

1) As an internal dialogue for 'empowerment':

"Among 9 items, we select two items which are lowest among them. We inform our employees about the result through off-line sessions and organise a task-force team to investigate the two lowest items. Employee groups try to find the issues of the result and address the solution of the problem in fixed times and then we gather again. They present it to all staff and select an agreed action. After that, the person in charge starts to address the action."

(Junior Manager, HRM department, Shell Korea, 2007)

2) As an 'assessment' of comparison with other countries or departments:

"In the case of the satisfaction rate, Shell companies in Europe are higher than Asia; especially, Malaysia and Singapore are quite low. Why is the rate of Singapore low unexpectedly? We analyse it not by management but by the cooperation with employee: brainstorming of action items. Of course, there are unhappy staff in every organisation. I would like to reiterate, the open system is crucial."

(Vice President, Shell Korea, 2007)

Similarly, employees are central in the discussion of SD and therefore freely discuss related factors in quite an 'open manner'. Employees (at all levels) investigate 'why the result' and try to find the way to solve it. This is interpreted in the view of 'corporate culture of empowerment'. This idea is supported by scholars who are experts in organisational culture (e.g., Hayhoe, 1991; Williamson, 2005); while the predominant culture of East Asian organisations is 'hierarchy and harmony', the culture of European companies emphasise 'empowerment'. For Shell, throughout the

survey process (implantation, analysing, and future planning) they attempt to generate staff's empowerment, which can be the critical differentiator for business success. It certainly contributes to the firm's endeavour for staff training and development.

The other aspect, which was revealed, is 'motivation of self-satisfaction and self-development'.

"Integrating internally, in terms of particularly our HR function, is very important, because we see one of the big benefits of CSR and sustainable development being in motivating staff, attracting a new generation of staff, and building loyalty."

(Director, Shell HQ, Netherlands, 2005)

Employees are always looking for motivational aspects. Therefore, they are continuously monitoring and auditing the performance of the company. Employees belonging to younger generations, especially those who are more individualised than earlier generations, are always trying to find company value compared to their individual value (Turban and Greening, 2000). Consequently, providing a chance for talented young individuals to find their value through their work is a crucial strategy for a leading company such as Shell. In this regard, Shell is concerned with and respects individual responses to SD within the Shell People Survey, and regards these as good indicators to determine whether employees are satisfied or not with the company's performance and the company's CSR. Of course, there are a variety of aspects in relation to employees' motivation to work (e.g. wage, incentives, working conditions).<sup>32</sup> It is indicated that the company attempts to link CSR with employees' motivation and tries to make the most of the link; it can be a useful contributor to the business' better performance, as proposed by scholars (e.g., Basil and Weber, 2006; Branco and Rodrigues, 2006; Collier and Esteban, 2007; Zappala, 2004). In other words, an employee's (dis)satisfaction with the company because of CSR climates, which can (de)motivate individuals to work, can be a critical aspect in exploring CSR's link to the competitive advantage of the business.

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<sup>32</sup> The academic argument on different aspects of motivation can be found in section 'two contributors of the link: motivation and organisational culture', Chapter 3.

**Major actions.** It is argued that the issue of ‘differentiator’ to attract and retain employees in the results of CSR is one of the most important aspects that require action in the present and future. To elaborate, Shell believes that CSR issues are important differentiators or qualifiers for the company in the markets and countries they currently, or will, operate in. They realise branded companies who operate in Western markets and increasingly participate in markets like China will need to do more than just keep up with others. They have found that differentiating themselves and maintaining differentiation is crucial because it contributes to businesses sustaining themselves in the global market.

Through this differentiation strategy, CSR-related issues are used as a ‘differentiator’ to ‘attract’ and ‘retain’ employees. There are two selected examples to support this argument:

1) Differentiator to ‘attract’ talented staff:

“If I speak to people who are new in Shell, one aspect of why they want to work for Shell ‘amongst many’, I think, is that Shell is forward thinking about the future long-term sustainability issues. I’ve heard from people those are what they most value from Shell. And so I find it is very heartening that we’ve managed to attract people like that.”

(Adviser, Shell HQ, Netherlands, 2007)

2) Differentiator to ‘retain’ talented staff:

“I didn’t know how SD is worthwhile for myself before I came here. But, I know now. I am very proud of my company and enjoying my stay and work here.”

(Employee, Shell HQ, Netherlands, 2007)

Shell has a special policy to ‘recruit’ international talent and this can be seen in their specific recruitment website designed for this purpose. The most important aspect that Shell ensures is that the potential employee’s personal values and company values are consistent; e.g., if you are not interested in the environment, you are not suitable to work in Shell. The other point to note is that Shell is an international company that has 112,000 employees in 145 countries. For Shell, it is expected that the management shows every endeavour to attract and retain workers, specifically by emphasising its commitment to ‘diversity and inclusiveness’.

“The staffs in my department come from: Nigeria, myself – Netherlands, America, one PhD student as a part-timer and Hong Kong. We are a very internationalised company. Therefore, we are seriously concerned with diversity.”

(Junior staff, Shell HQ, Netherlands, 2007)

By integrating diversity and inclusion into the mainstream of the business, they appreciate that they can improve the values of integrity and respect for people, and hence improve the business performance in the international market. So, for Shell, HR has a very deliberate and specific sustainability strategy. It is about getting as many diversely talented people from all over the world into Shell as they can. In this regard, the management clearly understands that to manage different people who have different cultural and functional backgrounds is truly difficult but it can be a valuable ‘differentiator’ when it is deliberately considered and applied in the workplace.

It is a difficult part of the business, and hence a major challenge for Shell, to sustain such aims and ideals in the global market. On this point, Shell tries to implement a rational and successful HR policy which concerns an integrative approach, focused on attracting a diverse range of people, both geographically and nationally speaking. It is about how Shell ensures that all operations are beneficial to staff (diversity) and encourage the different nationalities to talk and actually benefit from one another, as opposed to clash (inclusiveness). The success of the implementation of ‘diversity and inclusiveness’ means Shell is stronger than the competitors as a ‘differentiated workplace’ which is composed of people who understand the environment and stakeholders. It is interesting and thought-provoking to discover that CSR was originally introduced in order to allow the business to continue and to gain legitimacy in the marketplace. But after it was introduced, it became the central topic of the CSR result; more specifically, it has been used as a differentiator for IHRM strategy.

In summary, it is clear that the case of Shell demonstrates the character of leading MNCs, where they are trying to integrate CSR and SD into the business mainstream, and hence use it as IHRM strategy. At the beginning of the 1990s, with the opportunity of realising the gap with stakeholders and the legitimacy problem, Shell ‘motivated’ SD and CSR more vigorously. They added these issues into their main business principles, and sought to understand and persuade stakeholders. At the CSR

'implementation' stage, Shell tried to communicate with tailor-made programmes and take a consensus from employees in a variety of means. Shell management has tried to measure the impact of CSR and SD and realised that it is strongly related to the employee's positive mindset and behaviour towards the company, such as motivation through self-satisfaction and self-development. Therefore, Shell has put it into the mainstream and treated it as one of the main 'differentiators' of the firm and hence, makes use of it in the actual IHRM strategy. Likewise, 'employee' issues are critical in the process of CSR. The case supports the author's argument that CSR and IHRM are working closely together in the workplace.

So, there then arises the challenging question of whether there is a similar situation in a purely East Asian company. With the case of Kyobo Life Insurance, which has one of the longest histories in CSR and business ethics in Korean domestic business, an in-depth examination is offered in the next section.

### **Korea Company's Experience: Kyobo Life Insurance**

The family owned Kyobo Life Insurance is one of the top three local insurance companies in South Korea with annual revenue of US\$12.044 billion. Established in 1958, with a current staff of 4,250 and 16,000 sales(wo)men (called life planners) and telemarketers, it provides a wide range of life insurance products, including accident cover, annuities, plans for education, health, pension, retirement, and savings. Kyobo is widely regarded as one of the most respected companies in Korea (KMAC, 2004; Choi and Park, 2005). More recently, the company has made more concerted efforts to achieve Vision 2010: to become the preferred life insurance company in the target market in Northeast Asia by 2010. In association with their CSR performance, their clear 'people' centred management paradigm throughout the management history has continuously attracted Korean public interest and hence researched by Korean scholars and practitioners in various ways (e.g., Koh, 2006; Park, 2004). The rate of labour turnover is 2.3% which is relatively low in comparison with competitor insurance firms in Korea.<sup>33</sup> In this regard, by

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<sup>33</sup> The situation and reasons of labour turnover ratio significantly differ with that of the UK. Korean has a norm and culture of 'life-long workplace'. The rate of labour mobility is very low in the Korean context (4.66% in comparison with US's 6.80%) and hence, it is difficult to find a new job after resignation (Samsung Economic Research Institute, 2008).

investigation of Kyobo's story in relation to CSR and its interaction with HRM, it is expected that one can catch a glimpse of the research issues in a Korean institutional context.

***Question 1: Why CSR was initiated?***

**Key events.** Since its foundation in 1958 by the late Yong-ho Shin (1917-2003) with the vision of making Korea a nation with a developed education, Kyobo has placed its priorities in identifying the invaluable elements in management: human resources and conducting business along with an appreciation of the society in which it operates. It is difficult to explain Kyobo's journey to CSR without mentioning the founder Yong-ho Shin. He has been regarded as a true representation of entrepreneurship in Korea, who combined creativity and ethical business management with business success (Koh, 2006). For instance, he combined education with insurance and created the '*educational insurance*' system as a world first. It has been regarded as one of the most creative products in Korean business history.

His son, Chang-jae Shin (current chairman and CEO), continued this mission and strongly promotes Kyobo's devotion to 'justice, transparency and trust management' as the realisation of the society and environment. In this regard, Kyobo announced its 'Codes of Ethics' in 2000, when the term was new in Korea. In 2001, Kyobo proclaimed a 'Kyobo Vision' and unveiled a new corporate identity: 'our mission is to help people not to despair of hardships in their lives and one of our core values is working with honesty and integrity'. At that time, there were various *institutional* and *economic* challenges from outside Korea such as the Asian financial crisis, and hence Kyobo has been trying to understand the changes in society and its own institutional context.

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The main motives of selection and resignation of workplace are: salary (25.1%), possibility of staying longer (23.4%) and work environment (19.2%) (Jobkorea, 2004) – very different reasons in comparison with the UK – voluntary turnover (55%) and promotion outside the organisation (45%). In this regard, there is an illustrative case of a Korean firm – Yuhan Kimberly – in relation to the link between CSR (especially CSR-oriented corporate culture) and turnover rate. Yuhan's turnover rate is 0.2% which is  $\frac{1}{12}$  of the average rate of the manufacturing industry in Korea. It is suggested that their CSR-oriented culture is a key reason for this phenomenon (Hankuk Economic Newspaper, 2008).



There is a 'pinpoint' event that underscores Kyobo's dedication to the above mission and management. In December 2002, Kyobo established a dedicated unit for CSR, called the 'Kyobo DASOMI team'. This event was an official expression of the management's commitment to CSR, and its intention to integrate CSR into the management system in a more complete and systematic manner. The team reported directly to the CEO, and hence was not so much affected by the typical problems of the Korean bureaucratic system. It is a symbol of the CEO's strong commitment in regards to this topic, and is regarded as a totally different approach from other Korean firms who generally regard CSR as a simple action of donation. As of 2007, under the management of the DASOMI unit, Kyobo had 166 grass-root volunteering teams and over 4300 employees had joined the various programmes. The beneficiary and type of activities are mainly chosen by employees, and the company supports the operational expenses for their employees' activities. There are three main kinds of activities carried out: hardship-assistance, such as cleaning and providing meals (101 of the 166 teams); emotion-assistance, such as teaching and sports events (36 of the 166); and culture-assistance, such as cultural experience outings (29 of the 166). It shows the unique approach towards CSR of Korean business in unique institutional settings, especially in the social-contribution activities, which focus specifically on those suffering hardship and require assistance for basic necessities.

**Major interpretations.** The situation described above answers the question "why CSR?" especially with regard to the unique Korean context. Two specific dimensions are investigated in the implementation and positioning of the CSR idea: high affiliation with the regulative context and internal philosophy and settings such as 'the leadership of management'. It indicates that the motivation of CSR is due to the complex integration of external pressures (especially regulative pressures) with internal willingness to search for a business identity during the turbulent history of management, as expressed by the CSR manager and the founder in different ways:

A CSR manager says:

"The role of 'government' is big. We have nursing volunteering service team. This initiative is also facilitated by the government's policy which eager to promote the current job market with difficulty."

(Manager, CSR team, Kyobo, 2007)

The late-founder said:

“Although I am 80 years old, I am still young at heart with strong beliefs and a strong will. I will continuously create something new and build the value of the insurance company.”

(the Late Founder of Kyobo Dr. Yong-ho Shin’s remarks in accepting the Insurance Hall of Fame, Amsterdam, 1996)

First, it is revealed that CSR is closely associated with the regulative environment. More specifically, one of the most serious problems that the Korean government had to cope with at the beginning of the 2000s was significant job loss in Korean society. During and after the financial crisis in the late-1990s, a large number of workers had to quit their job because of the pressure to restructure for businesses such as IMF and international institutions. Business’ engagement to solve this social problem was essential for the government. Kyobo was concerned with this crucial situation. In this regard, Kyobo initiated a variety of programmes which met both business and governmental needs. This institutional interaction became clearer when Kyobo implemented a course of action in the society, which will be elaborated on further in the next section.

In this regard, Kyobo has been trying to identify how they can connect their business with this institutional setting and asked themselves “who are our key stakeholders?” for the business. The insurance business is a business dealing with people, and much of its day to day operations involve a consistent degree of interaction with the customer. Kyobo views CSR as a discipline fundamentally related to dealing with people. Therefore, it is predicted as an essential step to examine Kyobo’s pioneering movement towards linking CSR with human resources. In this regard, current Kyobo staff emphasise the change of mindset in viewing stakeholders. The old mindset of Kyobo was to view stakeholders (and neighbours) as a substitute to whom to sell the product, but this view has modified over many years. It views the stakeholders and community as ‘human beings’ who have a family to be loved by. Therefore, Kyobo’s approach to them is identified as: “let’s see neighbours (community) first and do our business, not regard them as substitutes for our business.” Accordingly, the value and process of work of CSR has been accomplished based on this identification.

Second, it shows how the top level leadership is crucial in CSR decision-making. Leadership is essential in order to build, nurture, and sustain the core capability of business whatever the sphere of influence and power (Leonard, 1995). In particular, the leaders' capacity of awareness, reflexivity and discernment of goals is salient in the early CSR decision-making stage (Kakabadse *et al.*, 2009:53). To elaborate, the result of CSR is generally not directly related to the income of business in the short term, and it also does not increase the firm's reputation suddenly, hence, the owner's humanistic-gear'd philosophy, awareness of social issues and reflexive willingness to live with stakeholders, are the most important motives in CSR.

To view CSR as a 'good word or good work', which is the approach for some rich or large companies and many ordinary Korean CEOs still think like this - the true CSR idea cannot be created. In effect, in the case of other ordinary companies, CEOs are often only looking for an immediate result from the CSR behaviour of today, and find importance in its ability to garner positive propaganda in media outlets.

"That is why I argue the most important factor for doing CSR is philosophy and will of CEO. The other reasons such as reputation or competitiveness or investment for the future cannot overtake this. Owner's philosophy as a human being and willingness to live with employee and community is the most important fact in CSR."

(Professor, university, Korea, 2005)

In this regard, Kyobo's leadership tries to take a much more subtle and understanding approach. As a result, the founder Shin's management philosophy has been selected as a teaching course on 'Korean entrepreneurship' in some universities in Korea, for example in, Soongsil University (1999), Suncheonhyang University (2003), and Wonkwang University (2003).

### **Major actions.**

Accordingly, there are two main areas of action of CSR initiation, on which Kyobo focuses. The first action is to choose the best stakeholders to work in these unique institutional environments. This kind of 'stakeholder inclusion' strategy is regarded as a key dimension of the company's success (Wheeler and Sillanpa, 1997) and a winning plan for driving corporate power (Walker and Marr, 2001). It is differentiated with other companies' work with stakeholders, which is designed

around working with them as an ad-hoc response to annoying external pressure without any linkage of business and without any human interaction with them.

More specifically, there are four main NGO counterparts of Kyobo. It can be seen that all of them are deliberately selected according to Kyobo's business identity and the stakeholder's status of sincerity, professionalism, and power. For example, Kyobo's action for the needy is carried out through 'World Vision'; for the unemployed through the 'Korea Foundation for Working Together'; and for the immature infant through 'the Beautiful Foundation'. It has been discovered that all of the actions described above are closely related to Kyobo's business identity as an insurance company, and Kyobo and its counterparts are promoting each other for their achievements in a win-win partnership. Here is an example from Kyobo's NGO partner:

"There are some companies which donate large amounts of money. But, I don't think that is a true CSR. Kyobo is doing well with the excellent strategy of selection of stakeholder partners and concentration on appropriate activities."

(NGO, Korea, 2007)

The second action is to show Kyobo's devotion to CSR and business transparency from the management level. Management, including the CEO, tries to take the initiative and set an example for CSR. It is related to the principle of change and innovation which was initiated by the founder; "from myself, from easy one and from leader". For instance, in 2004 Kyobo Life reported an inheritance tax of 133.8 billion South-Korean Won (equivalent to 69 million British Pounds) paid to the National Tax Service (NTS), the largest ever for a domestic company (Korea Times, 2004). It was a hot issue in Korea, as this was an unprecedented situation in Korean corporate history as shown in the editorial article below:

"The last founder Shin, who worked for the economic development of Korea, left the 'best PR product in Korea' for the market economy after his death".

(Chosun Newspaper, Korea, 2004)

Accordingly, other chaebols were allegedly considering their wrongful practices of transferring wealth (Hankyoreh Newspaper, 2006). Even though some critics argue about Kyobo's true intention on this initiative, the Korean society generally values its

performance as a model case for CSR at the management level, and hence this action is regarded as a good example for other 'chaebols' in Korea.

***Question 2: How was CSR implemented?***

**Key events.** Based on the ideas and experiences in the CSR initiation stage, implementation is undertaken focusing especially on how their value and business character is applied in the market and workplace. Additionally, its interaction with other institutional environments is more concrete as hinted at in the answer to Question 1. To elaborate, Kyobo tries to choose appropriate approaches and programmes regarding CSR as an 'insurance company'. It valued the argument of Porter (2006) that CSR cannot be fragmented, and it has to be integrated with business and strategy. To reiterate, they deny the so-called 'department-way of CSR', which includes everything in CSR activities from helping the needy to sports sponsorship. Instead, they seek to strategically select related programmes that revive vision and business character as an insurance company along with the consideration on "what does society want?" As a result, the CSR scheme is mainly implemented with a strategic focus on the needy, such as low-income single mothers and the elderly.

For instance, the 'Kyobo DASOMI nursing volunteers service unit' was established in 2003. The programme aims to provide working opportunities for low-income single mothers to help them gain economic independence by working as nurses for low-income patients. When it started in 2003, the number of nurses totalled only 20. In 2007, there were 250 individuals providing nursing care to 25867 patients for free in seven cities in Korea. It contributes to the Korean society especially for its initiative of 'creating jobs', especially for women. Therefore, this unique programme has interacted well with Korea's unique institutional settings. It has come into the spotlight not only within the Korean community but also in the government, especially in the Ministry of Labour where the difficulty of creating policy and programmes for the unemployed is most keenly felt. This scheme was recognised by the Korean government as a representative case of a 'social job creator' in the Korean community. In 2007, Kyobo established a separate 'social enterprise' with this scheme of nursing services. They officially registered this

'nursing unit' as the first Korean social enterprise to the Korean government. Currently, it is managed as a scheme of independent foundation: half the directors come from Kyobo and half from partner NGO – Korea Foundation for Working Together. It is one of the model cases to show how CSR works in Korea and hence how business can employ it within the typical Korean institutional context.

### **Major interpretations.**

“I think the main driving force of CSR in Korea is the system and political pressure, as the nature of business is not work for the society. Therefore, Kyobo is an exceptional (best) case for this.”

(Professor, University, Korea, 2007)

It is interpreted that the main condition that business has to consider in Korea is regulative pressure. CSR is employed as a result of the corporation's embedment in a context of changing societal institutions (Dubbink, 2004). The case of Kyobo's CSR implementation can be interpreted as an illustrative example of business intellectual understanding of contextual contingencies, institutional change (North, 1990), and hence 'the rule of the game' (Sterns and Reardon, 2002). For example, there is a case of the sudden emergence of business' interest in 'social enterprise' in recent history. This is mainly due to the concerns and policies of the government: unemployment status is a national problem that is threatening the sustainable growth of the country, and hence the government initiates various systems and regulations to create jobs (e.g., Social Enterprise Promotion Law; Social Enterprise Support Committee). There is a necessity for the business sector to respond to this national initiative, and work alongside it to achieve their aims. In this regard, Kyobo has established the first Korean social enterprise – 'Kyobo DASOMI nursing volunteers enterprise' as a result of a legitimacy-seeking behaviour in a continuously changing environment. It confirms Bonini and his colleagues' (2006) argument that incorporating an awareness of social and political trends into corporate strategy has become crucial and overwhelming to ensure successful business operations and social standing.

Kyobo's case is suggested as an example of a good combination of business needs and institutional (especially government) needs. Moreover, it is valued as a new CSR model suitable in the Korean context. By establishing this social enterprise, Kyobo

can show its commitment to CSR by providing social services and creating jobs, thereby attracting the cooperation of NGOs and government. Hence, it raises the corporate image and is fundamentally related to the development of corporate 'value'.

Institutions are imperative for business and determine business opportunities in a society (North, 1990). Every country has a unique institutional background. Most significantly, Kyobo's case supports the argument of several scholars (e.g., Campbell, 2006; Doh and Guay, 2006) that a regulative condition is significantly important in CSR. When one investigates in greater depth, Kyobo's case has to be seen more than the regulative pressure: it is a mixture of institutional context and business' forward looking view and endeavour to have and share a clear identity in CSR.

"I established the CSR team in Kyobo. As an initiator, I don't think there is a kingpin in CSR. It doesn't matter where the starting point is or why you start CSR. Most of all, we have to arrange exactly what I want and what I am willing to do through this. Without this, just to follow-up quickly or chase-up other competitors, is not the way I think. Rather, we have to be concerned with and exactly confirm which figure our company wants to become through CSR – which identity and image our firm wants to accomplish in our society."

(Senior Manager, Change Management Team, Kyobo, 2007)

Therefore, it is indicated that CSR is not a passive result of the wider stream of CSR implementation. In this regard, such a suggestion is intended to avoid Porter's (2006) claim that the prevailing approach to CSR is disconnected from business and strategy. Even though there should be some external pressures, at least for many of the leading CSR companies, it is a strategic action concerned with the value and identity gained through CSR, demonstrating the business to be a leading corporate citizen. Because of this proactive business approach, there has been an endeavour to share this vision and behavioural approaches with various stakeholders, especially with employees.

**Major actions.** Kyobo's attempts to integrate institutional environment and communicate with society and its employees in CSR implementation have been pursued vigorously in the company's recent history. Most of all, it can be noted that Kyobo dramatically transformed its management focus from product to intangible resource, especially to 'people' – people's dignity in the business. Therefore, the typical Korean bureaucratic, top-down, organisational culture in Kyobo has been

changed in a dramatic manner to accordingly mirror this change in priorities. More specifically, they focus on two intangible resources: customers and employees.

For customers, the nature of insurance is a business of humans not of products (Bang, 2007). Therefore, attracting the confidence and trust of customers is of paramount importance for success within this market. In this regard, they did initiate various differentiated actions for customers. For example, the 'Voice of Customer Service (CS)' was initiated to respond more quickly to customers' diverse demands, ranging from complaints to enquiries. In addition, the 'Da-win Service' allows CS consultants to offer CS consulting and training wherever customer satisfaction is required: from businesses to hospitals. As a result of this, Kyobo won the grand prize in the Customer Satisfaction Management categories in 2004 and for five consecutive years.

On the other front, the management realised that they had to share its values with employees. In December 2001, Kyobo proclaimed its vision as a product of communication with employees. Unlike other companies, the management did not ask some intelligent planning staff or any professional consulting company to prepare the vision. Rather, they communicated with employees over the course of six months, and finally set up the vision with them as follows:

"My CEO frequently visits the places and communicates the vision with us. In the old days, the vision was made by some staff in the planning team. However, since 2001, we all staff create the vision together."

(Junior staff, Corporate Strategy, Kyobo, 2007)

The management shares the idea of business identity — "which is our corporate existence? And what is our role in society?" Kobo people share the changes of society and the institutional context, and hence a new mission and vision was announced as an action. In any company, there is a boss — the CEO. But in Kyobo, they argue that there is a 'big boss' — the vision. Therefore, in Kyobo's situation, the vision is considered superior to the CEO, and vital in determining the actions of the company. In addition to vision sharing, the management's various initiatives including listening to the staff's concerns, were continued. For example, Kyobo prepared an intranet communication page called the 'Chairman's small talk corner' and the CEO answers staff queries and issues himself. Through this open



communication throughout the organisation, the result of CSR has been promoted and it can be integrated into the organisational culture.

**Question 3: What is/was the result of CSR?**

**Key events.** Kyobo's CSR implementation shows the typical approach of Korean business' CSR in the unique institutional environment in Korea. Based on the CEO's leadership, professional consideration of institutional background along with management and staff's active communication contributes to the positive assessment not only from their partner NGOs but also from the wider Korean society.

To elaborate further, since the beginning of this decade, Kyobo has seen the result of their CSR endeavour in situations occurring both inside and outside the workplace. Most of all, the awareness is growing that the company is gaining respect from various stakeholders. For example, Kyobo has received various prizes especially related to its management ethics and CSR leadership: e.g., the gold prize in Management Ethics Awards (KMAC, 2002/2003/2004), Korea CEO Awards (Korea CEO Academy, 2004), the most respected enterprise in Korea (KMAC, 2004; *Dona-a Ilbo*, 2005), and CSR award (FKI, 2008). These are examples of a positive assessment by the business community and the customers themselves. Of course, while there are various reasons for gaining this result, Kyobo's long-lasting endeavour to accomplish CSR in association with the management paradigm in the Korean context is certainly regarded as one of the major factors contributing to the above results (Chung, 2008).

“This is because of Kyobo's commitment to consider each stakeholder's duty and responsibility. The central point is to make the business clear and trustworthy. As I can see the posters in many offices in Kyobo with the claims – *Ethical Management in an ethical way is the key to global competitive advantage.*”

(Research by Bang et al., 2007: 185)

More significantly, it affects employees; their work and life. According to the result of a survey (KMAC, 2006)<sup>34</sup> to check the competitiveness of Kyobo, employee's confidence and motivation based on the realisation of corporate identity (especially

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<sup>34</sup> The survey is done by KMAC (Korea Management Association Consulting) by the request of Kyobo and the data is confidential, so that the exact figure of the comparison with competitors cannot be revealed in the present thesis. From the survey, the author tries to delve into the facts related to its CSR activities – How CSR affects outside and inside.

in CSR related issues: “my company is good at business ethics and contributes to society.”) is highest in comparison with other competitors. Employees point out that ‘the clean image of the company’ is the best aspect of their employer. More specifically, in the loyalty satisfaction score among telemarketers, the biggest reason why they select Kyobo as an employer is because of Kyobo’s transparent image in relation to its business ethics and CSR. It can be noted that Kyobo’s CSR activities could influence future employees to select and stay with Kyobo, and for current employees to stay at Kyobo. More specifically, an employee can experience the matching of the company’s value to their individual value through CSR activities.

“Even though the motive was given from the company’s issue, it matches with my own internal desire. Through this activity, I can feel value and pride in my company. If my company doesn’t give this kind of opportunity, we cannot do it. But, as they give, our colleagues are changing like this. And they feel value in this. This makes us appreciate the significance of human beings.”

(Telemarketer, Call Centre, Kyobo, 2007)

By volunteering in the various programmes, employees can realise their employer is providing a chance to develop their own values. It is closely related to ‘self-satisfaction’ and ‘self-development’. Hence, their loyalty to the company is growing, and so, Kyobo is enjoying this positive result from CSR, too.

### **Major interpretations.**

“Insurance is an intangible business. It is a business of ‘In-ji (人紙)’ — people and paper. Customers do decision-making in the view of our people and the trustworthiness of our company.”

(The late Founder of Kyobo Yong-ho Shin)

As an insurance company, Kyobo has appreciated the importance of human resources since the foundation stage. With the realisation that pursuing a sustained high-performance workplace reinforces corporate profitability and survival (Dierickx and Cool, 1989), they have sought to interpret and measure CSR based on the idea of the ‘intangible asset’ which is often overlooked in the measurement arena.

“There must be intangible effects from CSR that we’ve overlooked. Business has to build an ability to view it and be satisfied with it. It can be loyalty, pride and so on.”

(Senior Manager, Kyobo, Korea, 2007)

What is the main result from the volunteering of Kyobo employees? The Koybo CSR unit realises that employees do not volunteer because they can get incentives, or because they can be chastised, or even because it is helpful in getting a promotion. Rather, they can feel ‘happiness’ through participation (Pelozo and Hassay, 2006) and they ‘like’ the organisation they work for (Bruyere and Rappe, 2007), which gives this kind of valuable chance for them. It is closely related to ‘motivation’. In this regard, the present case strongly confirms the argument of scholars (e.g., Basil and Weber, 2006; Branco and Rodrigues, 2006) that CSR is closely related to motivation, and shows the relevant picture of its link. Utilising a RBV of the firm, it might be suggested from this case that if the organisation members are motivated, the employer can expect loyalty and, ultimately, more efficient work from them. It has to be also considered that CSR is not the only contributor for motivation. Employee motivation is a very complex phenomenon in which a variety of resources – drivers, forces and influences – interactively influence each other (i.e., wages, health and safety, learning and development, participation and democracy) (Graham and Bennett, 1998; Penrose, 1980). Nevertheless, with Kyobo’s case, it can be indicated that the behaviour of CSR contributes to the motivation of employees, and hence, it may be one of the facilitators of their productivity and also the competitiveness of the company.

There is another point to observe: if CSR is not integrated into the ‘organisational culture’ and system, it is impossible to succeed. In Kyobo’s case, the typical pattern of shared values and belief – so-called organisational culture (Deshpande and Webster, 1989) – can be seen in relation to RBV. Below is a selected example of one employee’s expression after volunteering to help orphans.

“I appreciate this culture. I am so happy and enjoy this work, as I like it. Since my son and daughter are similar ages with the orphans (I have secondary 3rd year and primary 3rd year children now), I could feel something more for it. Very important values... You know my company’s value is to help people who are under difficulties to overcome them.”

(Telemarketer, Call Centre, Kyobo, 2007)

It confirms the debated point that the CSR-embedded organisational culture can help employees to understand the organisational mission and functioning. At earlier points in the history of corporate strategy (still current in many other companies), the organisational culture of business in Korea was focused on material-productivity, and hence the creation of benefit only. As can be seen in Kyobo's case, however, the focus is broadened – although surely the profit maximisation is one of the primary goals of the business – towards the positioning of corporate identity in stakeholders (internals and externals) and creating a 'sharing' organisational culture. In this regard, the Kyobo case is considered as one of the reliable practices of how CSR and business ethics are integrated into the organisational culture by Korean scholars (*e.g.*, Chung, 2008; Koh, 2006) and the management and employees are proud of this as it is related to the typical Korean organisational culture of 'sharing and unity'. It has been noted that the people from a Confucianism country are more concerned with the positioning and relationship with others (Hofstede, 1991). Therefore, once they feel pride in their employer, they can feel pride and be satisfied about themselves. This case shows the contextual understating of CSR related to staff and organisational culture; the fact that people are concerned more seriously with relationships, environments and contexts in comparison with European companies.

**Major actions.** How can CSR be made a true differentiator? That is the key issue for Kyobo in its current consideration of its activities and strategies. When Kyobo proclaimed CSR and business ethics management at the beginning of this decade, it was a new approach and Kyobo enjoyed the first-mover advantage in terms of developing corporate image. However, not any more. Almost all firms in Korea mention and behave with a CSR context nowadays, even though many of them are not performing this with a genuine belief in the concept but just as lip-service. Therefore, how Kyobo pursues its genuine idea on CSR and utilises it as a 'differentiator' is the present focal point of concern for Kyobo's management.

In this regard, there are two main actions, which can be seen in an analysis of the company's efforts. The first one is the endeavour to establish the CSR model which

fits into the Korean institutional context as a company's major differentiator, and share it while implementing CSR.

“We are planning to build a model of CSR and suggest to other firms who need this. We want to be a company to provide help.”

(Executive Director, mentioning in Kyobo Community Relations Report, 2006)

It is about '*transferability*'. Beyond the benefit of the result, Kyobo would like to share its know-how, which has been achieved throughout a long history of successes and mistakes. Kyobo acknowledges that CSR is not a simple action of philanthropy or PR: instead, it has dynamics, which are affected by complex institutional pressures of the time and place (Kunmar and Worm, 2004). CSR may be drawn as a more complex and interactive picture.

Secondly, as pointed out in the literature investigation (see Chapter 4, p. 101-102), Korean business has a limited ability to combine human resources with business and social activities (Phoon-Lee, 2006). It is suggested that even though they put the emphasis on human and relationships in everyday life, they do not think it is a matter of business: hence CSR and HRM are not fully compatible. This is related to the mode of thinking, in which work and life are not linked. Kyobo realises the gap and has initiated an extensive programme to search for the balance of work and a pleasurable life, in a Korean context of the so-called 'Family Love Project'. It is an initiative to combine CSR and human resources (especially with the relationship of family, which is the basic place of human actions) with an attempt to change the mindset of Kyobo people. In other words, as an insurance company, Kyobo changed their views on employees and customers, understanding that they were individuals who have families to care for and had to prepare for their future. Kyobo has started to investigate how they can professionally help people and neighbours with their business activities. As people are so busy with their work, they do not have much time to view their lives seriously.

“We encourage them to have a chance to think about their lives and find out which part they want to develop. We help them to find the most reasonable way. If people select the solution of insurance, we can supply it to them. Also, it is related to our marketing strategy and creates benefit. Through this process, we are concerned with what is our core competence.”

(Senior Manager, Kyobo, Korea, 2007)

Likewise, the viewpoint of the company is transferred from Kyobo to the customer. They have a strategic concept of marketing on this project: once Kyobo supplies reasonable solutions to their customers, they will be selected by the market. Kyobo are now making tools, systems, and products, and are preparing to supply these in the actual field in question. They have confidence that with this differentiated product, Kyobo may help customers and employees for their value creation through the company, and the company can grow as a consequence. Hence, Kyobo's strategic approach to CSR linked to human resources demonstrates convincingly how the two dimensions can interact with each other in the Korean context.

### **Conclusion and further suggestions**

What the author has done in this chapter is to present the two case study companies in detail and explore their approach to CSR issues and its link with HRM. With the selected cases in the UK and Korea, internal aspects of CSR (e.g., policy, programme and actions) are deliberately investigated and it is indicated that there is a process of CSR and its issues vary accordingly. Also, the institutional context matters for its implication.

Throughout the holistic process, employee issues (on which this study focuses) are emerging as key influential factors of CSR, and the interaction between CSR and HRM emerges as a contributor to a 'differentiation' strategy for business success. More significantly, it is predicted that the ability of management to view people as assets and resources (according to RBV), even though the approach is somewhat different according to their institutional background, should be one of the most critical indicators of business success. At the heart of this argument, there is CSR in both cases discussed above. In other words, the cases of Shell and Kyobo provide a picture of and insights into the critical implications that CSR and HRM produce when working closely together in different institutional environments. However, we may postulate the questions: how and to what extent does it differ? And is there any convergence and divergence dynamics among countries?

Once we recognise the importance of the situation described in this chapter, we can then understand the development of this topic detailed in the next chapter. There,

the author will delve into 'how' and 'to what extent' it can be explained logically, with the application of institutional theory, and build the model with the suggestion of the implications to academics and practitioners. The author proceeds to exploring the different institutional contexts and carries out a comprehensive illumination and comparison of the relationship between CSR and HRM in the two selected countries by primarily using extensive interviews with selected key informants in the CSR and HRM fields in both countries.

## **Chapter 7: CSR emergent process and institutional dynamics**

A case investigation into the workings of CSR with respect to employees in the workplace was accomplished in the preceding chapter with selected cases from each country: The Shell Group of the UK and Kyobo Life Insurance Co. in Korea. Throughout the examinations of the long-lasting history of CSR in each company, it is indicated that there is an emergent process of CSR and the main issues vary according to the process. In this regard, it is suggested that by more fully analysing CSR in relation to employees and also corporate strategy according to its development process, one can understand the argued themes with greater precision.

There are two main sections in this chapter. First, the chapter starts with an in-depth investigation of 'CSR dynamics' based on the assumption that the case studies of the last chapter provide us with the background picture of the issues. In this major exploratory stage, comprehensive illumination of CSR issues in the two countries are carried out based on the analysis of 53 extensive interviews including case study interviewees and supporting secondary data.

During the procedure of scrutinising the data, the author provokingly discovers that IHRM's interaction with CSR can be explored throughout the CSR development process. To explore, the author views the consideration of CSR by business as a dynamic process that interacts externally with institutional factors and stakeholders such as NGOs and local communities and internally with the design of business strategy and stakeholders such as employees. In this regard, the author explores CSR in conjunction with IHRM issues in a more systematic way in accordance with this dynamic CSR process, similar to Kakabadse *et al.*'s (2009) approach towards CSR leadership skills and capabilities in accordance with the evolving stages of CSR. The present investigation critically reveals four steps of CSR evolvement as follows: stage 1 – initiation stage; stage 2 – implementation stage; stage 3 – maturation stage; and stage 4 – competing stage. It is worthwhile to point out that employee issues emerge from necessity and hence, the link between CSR and IHRM is actually an emergent process worthy of careful examination.

Second, there is an acknowledgement of the limitation in exploring the CSR phenomenon only with one specific theory (such as Variety of Capitalism, Culture of



Capitalism, or Hofstede's cultural theory)<sup>35</sup> or with one specific nation, the research presented here will utilise ideas from institutional theory with the example of the UK and Korea in order to engage in a more comprehensive analysis of institutional differences in the various stages of the CSR process and the link with IHRM. It is proposed that this is a critical factor worthy of further investigation. Drawing particularly from Scott's 'three pillars' an analysis of CSR in terms of regulative, normative and cognitive institutional pillars is presented.

Accordingly, the exploration of the four CSR processes, and the emergence of IHRM dimensions in each process, is accomplished at first. This is accompanied with an exploration of the explicit character of CSR's differences and similarities according to institutional logics. Let us take each stage in turn.

## **CSR emergent process**

### ***CSR initiation stage (What and why CSR?)***

#### **CSR: business-driven action**

In the early stage of CSR in the workplace, the key issue regarding CSR concerns underlying questions such as "why CSR?" and "what is CSR?" It was hinted from the case study that CSR is a business-driven action born from necessity (e.g., Shell – necessity of trust from society, and Kyobo – high affiliation with the regulative context and CEO's leadership), and there is little consideration of the employees when firms initiate CSR. In the theoretical consideration, the question of 'what motivates businesses to start (or pursue) CSR?' is mainly discussed with ideas derived from a stakeholder perspective (e.g., Freeman, 1984) and corporate citizenship (e.g., Carroll and Buchholtz, 2003). And it is argued that CSR debates predominantly emphasise external stakeholder features, and hence has a tendency to focus on PR and social contribution aspects. On this point, it is suggested that CSR initiation has little connection with any given business' strategic objectives (Jawahar and McLaughlin, 2001; Porter, 2006), and hence it has a passive nature in responding to the external pressures.

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<sup>35</sup> Refer to section on 'various claims' in chapter 4.

In reality there is confirmation of the above theoretical arguments. Nevertheless when scrutinised in depth, it is revealed that there is a particular point which needs further investigation: a serious concern for stakeholder 'power' and 'divergent approach' towards corporate citizenship. To explore, it is worthwhile to point out the differences between the conceptual and operational level, and that the 'approach' towards these issues is different. CSR is much more a 'proactive business initiative' approach rather than a passive set of actions. To expand on this slightly, it was found that CSR motives are not isolated; rather they are a mixture of internal, external, and, most crucially, business demands. They are inter-connected and complementary. The current result of the KPMG survey (2005) is that 74% of companies clearly state the economic reasons of CSR in their CSR reports (p.18), and that businesses fully and proactively contemplate CSR in relation to their business performance.

Therefore, the theoretical emphasis placed on external pressure (such as NGOs and reputational and philanthropy) on CSR by academics needs to be reconsidered in light of this information, as such emphasis lacks the holistic approach towards CSR in different and changing institutional contexts. For instance, one manager said quite clearly that business initiative for CSR comes not as a reluctant response to external impetus, but as a proactive business initiated action, perceiving it as a long-term investment, rather than as a myopic contribution to society.

"We want to develop the local community, not just giving money like Santa Claus. The company is not Santa Claus. We view it as an investment, not a contribution. When the local community develops, accordingly the business in the local community can develop. We see a win-win chance of development. That is why we call it corporate social investment (CSI)."

(Junior manager, UK tobacco industry in Korea, 2007)

The recent survey in Korea (KAIST and Korea Chamber of Commerce, 2006) supports the view that there is a general misunderstanding of the motivations of CSR that excessively emphasise external or risk-related elements. It is revealed that business would like to act proactively towards different and very complex demands on their business activities. They acknowledge that companies are naturally under much greater pressure to comply with demands mainly because of the ideas of 'distrust towards business' and 'globalisation', which were raised with considerable force in the theoretical argument as main reasons for CSR being a way of gaining

social legitimacy (e.g., Bakan, 2004; Boxall and Purcell, 2003). What companies are more concerned with, however, are not only the pressures listed above. Instead, how they can enforce and establish something with those pressures related to business performance, such as how they can identify its legitimate sphere of influence, what the reasonable expectations are as to how it should be operating responsibly in order to meet the expectations of a range of stakeholders and shareholders. One consultant in the UK identifies:

“In the UK, generally corporate social responsibility has been driven by the corporate sector. It hasn’t been driven by government or standards or legislation. It’s been driven voluntarily by the corporate sector and it has attracted the attention of a number in the business community because there has been possibly a perception there’s a lack of trust in business.”

(Sustainability consultant, UK, 2005)

In this respect, the business response is much more proactive than passive, and there is a spirited attempt to explore the connection between CSR and business performance. It is expressed as a dynamic factor in the relationship between business and government, and between business and NGOs.

#### The missing employee

As pointed out in the case examination and speculated in the theoretical examination, IHRM issues were seldom discussed in the CSR initiation stage. From the case study, it was witnessed employee matters are not issues involved in the motivation to implement CSR. It was also conceptually argued that the notion of the employee is conspicuously absent from management discussion on CSR (e.g., Matten and Crane, 2003; Winstanley and Woodall, 2000). This observation can equally be discerned as operating in the workplaces of the UK as well as Korea. One manager in Korea illustrates the phenomenon by mentioning:

“I think at the beginning stage of CSR or SD, business did not think about the relationship with HRM so seriously because the general thinking of business is that the biggest stakeholder of CSR or SD is external.”

(Top manager, UK energy industry in Korea, 2007)

Even though current ‘human rights’ issues are appearing at this stage, when looked at in slightly more detail there is much more discussion related to human rights ‘by

external affairs' rather than about human rights 'of the employee'; that is, human rights arguments have a tendency to focus on pressures such as globalisation (e.g., Welford, 2005; White, 2004), international or domestic political circles, and NGOs (e.g., Aaronson, 2005; Cragg, 2000). In particular, it is discovered that for East Asian companies, the issue of human rights is considered too sensitive to mention in relation to CSR, since it is generally viewed as closely related to current political issues of that region (HERI, 2008). In this regard, the focus on 'human right' is squarely placed on external pressure and legislation rather than on the realities of the employee's everyday life. It is critically noted that this kind of unbalanced approach in relation to CSR introduces a countervailing lack of concern with true employee issues.

It will be made clear in the next section, however, that when CSR is in the actual implementation period, businesses are about to acknowledge crucial factors related to the employee, as CSR has to be actually implemented by people within the organisation. How CSR meets employee expectation and behaviour in its implementation stage is deliberated upon in detail in the next section.

### CEO Leadership

Not surprisingly, there is little discussion of 'employee' issues in the CSR initiating stage. On the other hand, there is a vigorous discussion on the crucial role of the 'CEO' as one of the leading factors in this stage. It follows the claim of Kakabadse *et al.* (2009) that the leaders' capability of awareness, reflexivity and discernment of goals is crucial in the CSR decision stage. Also, it is closely related to the argument of Dixon and Clifford (2007) that entrepreneurial flair of the CEO is one of the important enablers for the pursuit of CSR. As this junior manager confirms:

"The CEO is important for the motivation of CSR. The influence of my ten words is less than the CEO's one coughing."

(Junior manager, high-tech industry, Korea, 2007)

Compellingly, a careful analysis on CSR suggests that such significance of the CEO is divided into two streams, namely whether CSR is brought about from the CEO's

'normative philosophy' or the CEO's 'business-focus strategy'. The two contradictory views of this debate are illustrated below:

"Frankly speaking, it is not so much related with the CEO's commitment on philanthropy. Rather, it is the CEO's business-focus strategy to let the community know about our company and himself. I don't think it is a bad approach. It is natural and essential as a business identity."

(Junior manager, hi-tech industry, Korea, 2007)

"Most business leaders who are addressing these issues seriously are doing it because they personally think it's the right thing to do. Their values are telling them we need to do this in order to live. Then when they have to justify that in the press, to their shareholders, to their customers, to their suppliers, to their staff, they say we need to do this because it will give us business advantage and we need to do this to save us money. So their own personal motivation will be from a values perspective. Yet when they communicate that to others, they talk about it from a business perspective."

(Head, NGO, UK, 2006)

As a result, the implication is that even though the role and relevance of the CEO is significant in the motivation to introduce CSR, the CEO's approach that results in CSR's inception is still vague. Moreover, a CEO's motivation for involvement in initiating CSR initiatives can be seen to be questioned or criticised because of its relation to the individual CEO's personal motivations, i.e individual self-aggrandisement, or a 'pet project'.

Nevertheless, despite such negative connotations, it is argued that CSR initiation is much more linked to the CEO's emotion and philosophy (e.g., values, norms, mission and will) rather than the CEO's business-focused strategy. It is suggested that the CEO needs CSR when he or she starts or continues their business to show their identity of willingness to share and cooperate with society. The following interview excerpts support this argument:

"Our chief executive of corporate division M is a big advocate of CSR. He openly issues bulletins talking about our CSR agenda and how it is encouraged. So there is a definite leadership in terms of making it happen. Again, it is actively encouraged but not enforced. If it is related with PR, it is so wrong."

(Manager, finance industry, UK, 2007)

"Our new CEO thought there must be a new CEO's philosophy to let our business become known to the market."

(Junior manager, high-tech industry, Korea, 2007)

In short, in light of in-depth analysis in relation to the CSR initiation stage, it is discovered that CSR is a proactive business initiative, as a reflective action in response to various demands that emerge out of internal and external factors. While employee perspectives are of little concern in this beginning stage, the salience of the CEO is heightened as one of the key issues in CSR initiation.

Based on the consequence of CSR ideas in the early stage, the next section will inquire into how CSR moves from concept to implementation; what the main concerns and claims to carry out CSR are; and finally where the position of the employee in this debate lies.

### ***CSR implementation stage (What does CSR claim?)***

Business-driven CSR motives in close interaction with external and internal contexts are extensively discussed in the previous section. How, and to what extent, CSR claims to act in the workplace is examined in this section. While there has been little focus on the 'employee' in the early stage of CSR, the HRM dimensions have become visible in the CSR implementation period focusing on employee *communication* and *consensus* issues.

#### What does CSR claim to do?

“My CEO comes from the sales part. He recognises how important it is to persuade and negotiate with others to sell products. It is not a trick. It is a skill. Therefore, he has initiated and implemented CSR.”

(Manager, high-tech company, Korea, 2007)

It is noted here that the significant issue in the CSR implementation period is 'how does business justify itself with appropriate claims of CSR to a range of different members of society?' In the literature review, the two limited approaches to CSR are debated: one is the unbalanced stakeholder perspective (excessive PR or social contribution focus) and the other is a fragmented CSR approach (disconnected from business and strategy). The review reveals the notion of 'true stakeholder issues' can be found in Hillman and Keim's (2001) suggestions, and the necessity of more holistic and strategic approach towards CSR based upon Porter and Kramer's (2006)

CSR strategy argument. As a result, it is proposed that there must be a serious consideration of the 'employee' in the realities of stakeholder arguments, and for manifesting CSR in a more strategic way. It is compelling to note that the above argument is observed in the practical arena especially in the CSR implementation stage, as follows.

**Claim as a business strategy.** As a result of the general assumption that CSR does not directly relate to the short term increase of income for the business, and that it cannot quickly increase a firm's reputation, a business needs to be convinced that CSR is not only 'the right thing to do', but that it also makes 'good business sense'; that is, there is a need for a serious attempt to reconcile the moral and economic case for CSR (Driver, 2006; Jawahar and McLaughlin, 2001). In this respect, there is little doubt that businesses (at least CSR leading companies) try to find a way to associate CSR activities with actual areas of business development. In the workplace, two recognised features of CSR in conjunction with crafting a business strategy can be seen: reports and measurements, and the case of PR.

The first issue of CSR related to business strategy is 'CSR report and measurement'. In recent years, a growing number of management scholars argue the significance of report and measurement as related to CSR issues (e.g., Midttun *et. al.*, 2006; Thomson and Bebbington, 2005). Even though business practitioners also recognise its importance, the business sector expresses confusion about the diversity of issues involved and the inconsistent range of CSR reports demanded (such as whether such reports are voluntary or mandatory, and how to analyse the contents). Moreover, businesses also feel 'survey fatigue' in CSR measurement, which needs to be done with dozens of different organisations, as there is, as yet, no rigorous and comprehensive agreement on how to measure and create indicators to assess the success of CSR. It has been fundamentally questioned whether CSR performance can be measured by quantified data, and moreover, whether business has necessarily quantified it or not, as it is mainly related to intangible assets. Therefore, even though there is an identifiable trend towards mandatory reporting or assessment of CSR, still there is a serious discussion to be held on this issue, especially focused on ways of measuring its comparative 'effectiveness'.

Secondly, as suggested from the literature analysis (e.g., Frankental, 2001; Tilson and Donald, 1985), it can be demonstrated that PR is one of the main areas discussed in relation to the business aspect of CSR, and that this is much more critical in the Korean situation. As one Korean interviewee from the business sector notes:

“Currently in Korea, CSR is mainly estimated whether and to what extent it works to a company’s PR benefit. If a CSR programme doesn’t create a good result for PR, it could easily disappear. If one firm promotes one particular CSR programme for one hundred million won, the PR budget for this event is three hundred million won. It is a clear contradiction.”

(Junior manager, energy industry, Korea, 2007)

In a different approach, it is intriguing to discover that there is vigorous deliberation amongst practitioners whether the PR approach towards CSR has positive aspects or not. Whereas scholars and NGOs generally argue about the limits and side-effects of a CSR approach that focuses on a PR perspective (e.g., Hillman and Keim, 2001; Porter, 2002), workers in the business sector articulate CSR’s association with PR more positively. Practitioners argue that it is natural and essential for them to connect CSR to their business operations. To elaborate slightly, “to be silent is a virtue” or “do not let your left hand know what your right hand is doing” may have been perceived as a positive form of morality in the past. In this very competitive age for business, however, it is no longer sustainable as a principle on which to model business. Rather, it is argued that the real problem related to PR is to create something from nothing (to play with it) or to manufacture or distort the facts. For example, in the words of a Korean senior manager:

“I don’t think that linking CSR to PR is so bad. We are not a charitable organisation. It is natural for business to let people know what we are doing. If the fundamental purpose of business is sustainability and profit, to let people know the exact fact and to create positive images for business is not a bad thing. The problem is some firms are just trying to pack without contents. To let people know the exact fact is not a problem, I think. After making the inside well, let the outside know the factor is reasonable.”

(Senior manager, construction industry, Korea, 2007)

Overall, it is perceptible that corporations are struggling for justification of using CSR with more palpable business strategies in mind. The two contributing factors for this claim are ‘report and measurement’ and ‘PR purpose’ on CSR. Even though



businesses are seriously concerned with these two matters bringing about criticism from academia, or other sectors, nonetheless businesses try to pull out all manifest business possibilities from CSR and adapt them as a tangible business case and strategy.

**True stakeholder approach.** In confirmation of the case study discussion that CSR is about stakeholder management and hence a genuine stakeholder approach is needed,<sup>36</sup> 'stakeholder' is one of the most vigorously discussed issues in the CSR implementation stage. In the case study, it was witnessed that international NGOs are the most important stakeholder for Shell as a MNC and for Kyobo, the regulative condition along with appropriate selection of domestic NGOs partners are seriously discussed for CSR implementation.

Based upon the result of the case study, it is helpful to demonstrate further with national circumstances that, beyond the central argument of the criticality of stakeholders, the approach of business to various stakeholders is entirely different; for example with regard to CSR implementation with government and NGOs.

With government, business posits '*complying and joining*' actions, either by direct compliance with regulations or by joining public awareness campaigns. On this matter, there is little disagreement with the theoretical arguments (e.g., Campbell, 2006; Doh and Guay, 2006) that government is one of the most important stakeholders in business, especially in international business. Business realises that it is actually an efficient way to gain access to local markets, because as with governments, businesses understand very quickly what the real priorities are in the society in which they operate. Once businesses follow the leadership of government by complying with the rules or joining local government projects, it should foster a firm's long-term business competitiveness in the local market. Therefore, businesses (especially MNCs) make every effort to promote its relationship with host governments as one of their strategic actions to broaden their market.

On the other hand, business takes a more '*dialogic*' attitude toward NGOs. Beyond the recognition of the influence and big power of NGOs that was strenuously argued in the theoretical discussion (e.g., Doh and Guay, 2006; Smith, 2005),

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<sup>36</sup> Refer to chapter 2, section on 'what does (and should) CSR claim to do?'

businesses try to communicate their approach with NGOs in more interactive ways. It can be noticed, however, that there is a grievous credibility gap between the two sectors and hence, limitations in high profile dialogue and relationships. In other words, it is worthwhile to point out that businesses realise the current NGOs related phenomenon not as 'NGO pressures' but rather as a 'gap or confrontation between NGO and business'. Related with that, the places wherein the two distinct points of view clashed were discovered. Individuals engaged in business tend to lean towards the idea that they are doing CSR on their own initiative with productive communication with NGO counterparts, and hence feel uncomfortable with the NGO's aggressive approach in dictating actions for businesses in their area of activity. Meanwhile, NGOs or other stakeholders value CSR as just a business gesture for responding to external pressures, increasing product sales, or hiding their wrongdoings. Here is a selection of examples, which illustrate the sharp conflict on this point:

Business says:

"We regularly invite Korean NGOs to have communications. It's very difficult to explain our will. Even though we are trying to sincerely communicate with them and listen to what they want and show our promises transparently and objectively, they think that we are just making a show."

(Junior manager, UK tobacco firm in Korea, 2007)

Government says:

"NGOs view CSR as a business way of strategic behaviour just to sell a firm's product well...Meanwhile, the government regards this as a business gesture to show to them. Every sector interprets CSR from its own interest and position."

(Top official, government affiliated organisation, Korea, 2007)

This phenomenon indicates that there is a serious discrepancy of interpreting CSR between business and external stakeholders. To interpret it somewhat differently, as well as slightly more positively, it is suggested that there is also a possibility to work together by endeavouring to close the gap as one UK businessman points out:

"NGOs have development experts. We are not community project leaders or developers. That's not our business. Moreover, an NGO has much more credibility and therefore more impact for the international village. So in terms of credibility and community engagement, we need them."

(Top manager, energy industry, UK, 2005)

On this point, more efforts to understand different characteristics and interests of each organisation throughout a genuine communication process are crucial. Then, both the NGOs and the corporations can explore where there can be a common framework, and a common language developed which allows them to do that. For each party to achieve this, however, it is better to be prepared to move out from their comfort zones.

Overall, businesses recognise the necessity of concerning themselves with the stakeholders' affairs and communicating with them in connection with their performance. Accordingly, a corporation's approach towards various stakeholders will differ in strategic ways. It is a significant, reflective process of the business to identify what is needed and what the concerns of their stakeholders are. In this respect, it is articulated that a strategic and deliberate reach towards stakeholders is crucial for business to bring about successful CSR.

#### The emerging employee

In the CSR initiation stage, little consideration is given to the 'employee' and hence there are few attempts to link CSR with IHRM issues. It is, however, interesting to discover in the CSR implementation stage that employee issues are about to be contemplated, as businesses realise the necessity of using employees to implement the procedures themselves. How to communicate and achieve consensus from employees is one of the major issues in relation to HRM at this stage. This factor was also hinted in the case study: for instance, Shell has tailor-made a 'Sustainability Review for Staff' to communicate CSR to staff, and the CEO of Kyobo has opened direct channels of communication with staff to create a new company vision with strong ties to CSR and business ethics.

Without employee engagement or agreement on CSR implementation, it is difficult to put into effect and make CSR thrive in the workplace. Businesses need to concede the employee's power (Macleod, 1993/1994, Mendelow, 1991) and legitimacy (Carroll and Buchholtz, 2003) to carry through CSR. To elaborate, to employ CSR, employers have to justify the CSR initiative with the employee. In this regard, CSR involves interaction with HRM dimensions when first implemented.

One senior manager of a UK firm in Korea underlines the significance of employee consensus for putting CSR into action:

“Without the internal stakeholder’s consensus and achievement of the work, whatever and however you raise your voice on CSR to externals, it is all a castle in the air. Because, who basically ‘implements’ CSR to externals is the employee.”  
(Vice President, energy industry, UK Company in Korea, 2007)

To avoid CSR initiatives failing before even reaching implementation, there appears to be a question whether the idea and vision of CSR can be successfully nurtured within employees themselves. Even though businesses initiate CSR for various reasons, they can face difficulties in implementing it. It is acknowledged by employers that without consensus with employees, who are actually carrying out CSR, it cannot be considered sustainable in any shape or form. In this regard, some CSR practitioners argue that the most difficult step in implementing CSR is ‘internal communication’:

“The most difficult thing to do with CSR in my company is a difficulty of internal communication. In the case of external communication, we can use media or other PR tactics. It is easy to donate some money to the community for certain reasons with some extra budget... Therefore, if a CSR programme is accomplished through employee consensus and sympathy, it is easy to do. But, if it is done by the order of CEOs or social pressure, it is difficult to progress.”  
(Junior manager, energy industry, Korea, 2007)

Most of all, it is revealed that there is a necessity of agreement with employees to implement CSR. In other words, it has a characteristic of mutual interactivity. Therefore, it can be seen that there are plenty of communication media for CSR between an employer and the employees such as intranet, books, and off-line meetings. Through these processes, the employer tries to share the firm’s CSR initiatives with employees and search for an alignment of values between the employer and employees.

Related to this matter, plenty of interviewees raise the issue of ‘training and education’ with regard to CSR. That is, continuous education being given to employees for them to understand CSR values in relation to their everyday life has emerged as a key issue. Nonetheless, it is witnessed that many employees do not

concern themselves with CSR in their work and question “why CSR is needed for my work?”

In this respect, businesses have arranged various CSR training programmes for current employees, as well as employees recently added to their workforce. Many forward-thinking companies offer focused CSR training with an expectation that employees will attend on a compulsory basis, as can be witnessed in the case of Shell. On the other hand, some companies have a more integrated approach towards training, which involves addressing the key points of CSR as part of other learning and development activities, i.e. those related to improving the employee’s confidence, their ability to work with others, and have a better understanding of problems. Through various developmental activities employees can come to understand the necessity of CSR, and why CSR has to be regarded as a matter of importance by them. If a business communicates CSR only with external stakeholders by a restricted social conceptual approach, members of the workforce who carry out CSR on behalf of their employer may not actually understand what CSR is and what they have to do as a result. Once employees understand the aims through this communication process, however, and perceive that the approach of the company towards CSR needs their consensus, and is ultimately related with their everyday work life, then it is easy for the employer to proceed with CSR to further stages.

In summary, it is important to note that employee issues are emerging from necessity in the CSR implementation stage. As analysed in the earlier section, there is little concern with employees at the CSR early stage. Business is about to acknowledge the significance of employees, however, as they have to have communication and consensus to implement CSR continuously. Therefore, ‘communication’ and ‘consensus’ factors with the employee are rigorously discussed at this stage. The following questions follow on naturally from this stage: how does business move CSR from the implementation stage to the maturing stage when businesses can appreciate the result of CSR, and are there any issues related to IHRM? The next section examines these issues in detail.

### *CSR maturation stage (What is the result of CSR?)*

When the implementation stage is developing, businesses realise that CSR has a more rewarding and enjoyable impact when they behave responsibly and in tune with the various institutions in the society in which they operate. For business performance, two factors are revealed as positive results of CSR: gaining trust and the subsequent PR effect. That is, CSR contributes to the business to gain trust from stakeholders, and hence positively affects PR resulting from these activities. Where workers are concerned, this is the time to speak about CSR's relationship with IHRM in concrete terms. The issue related to employees is of paramount importance for the discussion of CSR results. That is, it is suggested that CSR is able to motivate employees in their work and create a firm relationship with the company based on shared values which, in similar ways, contributes to the creation of consensus building organisational cultures. In turn this illustrates the integral relationship between CSR and IHRM. This suggestion is empirically supported through an exploration of the two major dimensions, motivation and organisational culture, which will be carried out comprehensively in the next chapter.

#### Gaining trust and the PR effect

The problem of gaining trust from society was revealed in the investigation of Shell's case in association with the issues of institutional change and the significance of stakeholders. Issues of trust were also raised and discussed previously in the theoretical chapter as one of the crucial factors for considering CSR in relation to social legitimacy.<sup>37</sup> Throughout recent history, trust is one of the central issues in the CSR debate which enables business to survive and thrive in the market place. On this point, some scholars propose that highly-regarded organisations make good use of trust in the function of a PR campaign (Frankental, 2001; Tilson and Donald, 1985).

The argument posed above is endorsed in the present empirical data analysis. It is noticed that two main effects of CSR on business performance (gaining trust and PR effects) are not separated, but are consistently interactive with each other. To elaborate, there is an intense discussion regarding CSR's beneficial effect for

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<sup>37</sup> Refer to section on 'Why Now?' in Chapter 2.

showing the trust and sincerity of the employer and that it ultimately contributes to a company's PR efforts. It is important to point out that the investigation of PR in the present empirical study is differentiated according to stages. In the CSR implementation stage, the consideration with regard to PR is whether the company engages with CSR related activities purely for a PR 'purpose', whereas in the CSR mature stage, the discussion is about CSR's contribution to PR 'consequence'. That is, there are debates as to whether CSR's approach towards PR is good, or not, in the precedent section, but it is to be recognised that CSR surely impacts on PR if it is executed with sincerity by the company. To reiterate, in this CSR mature stage, PR, as an interactive result alongside the issue of trust, which is identified as one of the main results of CSR, significantly contributes to business performance.

It is suggested that a company can show its trust to global society through CSR, as CSR is emerging as a key global branding theme of our time (Bakan, 2004; Werther and Chandler, 2005). In other words, trust is closely related with the PR effect, as society would like to see business sincerely concerning themselves with the principles of CSR. For example, there is one incredibly demonstrative case of CSR — volunteerism. Volunteer activities are regarded as one of the most trustworthy and emotional behaviours of business, as it reflects the 'humans' in the organisation, and hence it shows effectively the sincerity of the company. As argued by de Gues (1983), the nature of an organisation is a community of individuals, and thus it is proposed that fulfilling CSR by utilising human interaction is accounted as an efficient way for a firm to gain trust (especially from the local community) and the desired PR effect at the same time. Also, CSR is a good way to let the community understand the corporation's existence in the local market, and contributes to positively persuading people concerning the business' endeavours or products. The claim is supported by the argument of one UK manager:

"This is not our selling point as a case of Co-op Bank. But it is a part of doing business. It's about giving something back to the community and the community understand it."  
(Senior Manager, finance industry, UK, 2007)

Moreover, by engaging in CSR activities (which is acknowledged by the community for its sincerity), firms can communicate with their business partners efficiently without undue caution, especially when a business starts communication with

potential partners. During the negotiation process, they can be shown more favourably, and with sympathy, as one Korean manager shared concerning his own firm's unique experience:

"If there is a problem during the business negotiation process, our partners may try to understand us with things like 'they are not originally or entirely bad!' Like this, it exactly works for our business."

(Senior manager, construction industry, Korea, 2007)

In terms of the PR perspective, this is usually discussed within the dimension of reputation and corporate or brand image. The key is to approach PR through 'consistent' (this dimension is emphasised during the whole course of the CSR process), and 'sincere' approaches towards CSR which may help develop the corporate image and reputation in ways which cannot be easily gained from a product only in short times, seen in examples like the Body Shop (UK) and Yuhan Kimberly (Korea). One senior manager illustrates the PR effect through CSR:

"We are happy to see that it is covered with a big article in Joong-ang newspaper. We finally succeeded. We succeeded not only in helping blind people but also helping our PR."

(Senior manager, finance industry, UK & Korea joint firm, Korea, 2007)

Businesses recognise and enjoy CSR's PR effect (even though it is an unintended consequence). As one Korean CSR practitioner argued "I think there is no better PR effect than CSR." This PR effect can attract customer investment, fulfil customer aspirations, and it can actually provide business with a good licence to operate in local countries. Ultimately, it is related to business productivity. If CSR is implemented with consistency, and it shows the sincerity and trust of the company, it naturally contributes to PR, and hence business performance, despite this not being the primary factor in beginning the CSR programmes.

Overall, CSR serves the employer's needs in helping to obtain trust from society. Additionally, a further point here is that trust which is gained by employing CSR positively affects a corporations' PR endeavour. In this respect, it is critical to note that the holistic approach towards the CSR process can make one realise that 'trust' and 'PR' are not separate dimensions, but that they work closely together and are



fundamentally interlinked. As a final step, the next section explores how firms use CSR as a way of gaining competitive advantage.

### ***CSR competition stage (Can CSR become a dimension of competitive advantage?)***

The conceptual argument that CSR will become more important to the competitive advantage of the firm (Branco and Rodrigues, 2006; Porter and Kramer, 2006) is outlined in Chapter 2 and as a consequence, the author supports the idea that CSR may be considered as a form of strategic value and investment (McWilliams *et al.*, 2006; Molteni, 2006). The competitive advantage discussion made with regards to CSR-related issues (such as Michael Porter)<sup>38</sup> is a catalyst for bringing CSR into the business spotlight, changing CSR's point from 'just doing good' as a view of virtue and generosity (Reich, 2007) to 'doing well for competency'. In the cases of Shell and Kyobo, it was witnessed that they tried to make use of CSR as a 'differentiator' for business competitiveness.

Instances of the association between CSR with competitive advantage can be observed in the final stage of CSR, and at the core of the discussion about CSR's competitive advantage, there is also IHRM strategy. To expand upon this slightly, at the final stage of the CSR process, business' strategic effort for creating value through CSR is perceived. Few business firms just stop concerning themselves with CSR at the stage at which there is enjoyment of its benefits. They try to develop it and transfer it as a 'differentiator' of the firm. The present research discovers the key points that the issue of building the competitive advantage of a business by CSR can be usefully classified as issues of CSR and economic competitiveness, CSR and international competitiveness, and CSR and intangible asset competitiveness, all of which are inextricably linked.

#### **Economic competitiveness**

"The current CSR and environmental policy of our company isn't driven by the market or customers. It is our strategy. It is important for our profitability because we think that it gives us an economic competitive advantage for the future."

(Director, Energy industry, UK, 2007)

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<sup>38</sup> Refer to Chapter 2, section on 'Why CSR?'

It is truly difficult to explain whether CSR is directly related to economic competitiveness in the short term and hence, there is little solid theory and definitive evidence from real-world business activities on this topic (Balabanis *et. al.*, 1998; Vogel, 2005). Even though the discussion of socially responsible investment (SRI) is emerging in international financial organisations, it is still not enough to rigorously justify the link between CSR and economic competitiveness.

Why does this phenomenon occur, and how can we link these two dimensions? One of the main arguments is that we have to understand the true characteristics of CSR; CSR is not like the 'quality' or 'price' of a product, which directly and immediately impacts on profit in the short-term. Rather, CSR is about 'corporate value' which needs patience and a long-term strategy to cultivate (and to reap the benefits of its implementation). That is, the discussion of CSR (or SD) related to corporate value is still being actively pursued in current business performance. This argument is frequently heightened in the theoretical discussion on 'sustainable management' with the claim that current capitalism is transformed from a profit-driven motivation to a value-driven one (de Gues, 1983). Current proactively-minded companies are tackling more CSR issues (such as climate change, social contribution, and volunteerism) with strategies that seek both value and profit from being able to contribute towards a sustainable future. Businesses cannot raise corporate value or loyalty with only tangible aspects of business, such as quality of products. It is fundamentally based on the mixture of contributions by various parts of the business. The key point here is that CSR is certainly one of the important spheres of this initiative. CSR affects corporate value, and hence indirectly, but profoundly influences the business profile. As one of the UK managers points out:

"We want to have a good reputation. If then, brand and reputation is retaining and attracting good people. It raises our profile. So, I don't think it is the only thing for organisations to want to be more in line with CSR. It is a mixture of things."

(Junior manager, Consulting industry, UK)

Overall, the analysis discovers that CSR can be a supporter for shaping economic efficiency and effectiveness. More specifically, through the appreciation about CSR's real value, the firm can use CSR programmes as a competitive advantage over

its competitors. Business is about to acknowledge that CSR can be related to the core competency of the company through raising corporate value and hence creates economic benefits for the long-term.

### International competitiveness

“CSR contributes to international competitiveness, not just in the sense of being the most financially successful companies, but also being the best companies in the world, the companies that people are most proud to work for.”

(Director, University, UK, 2007)

Chapter 2 proposed that CSR’s contribution to the international competitiveness of the MNCs is an argument appearing with greater frequency, especially in the era of globalisation and it was clearly witnessed in the case of Shell. Shell has used CSR related activities as decisive ingredients for gaining legitimacy in the international market. Likewise, leading global companies are much more concerned with international competency created from CSR (Hirsch and Horowitz, 2006). More specifically, intangible assets generated from CSR can help MNCs overcome nationalistic barriers, facilitate globalisation, and out-compete local rivals at the same time (Gradberg and Fombrun, 2006: 329). This event is explored further in two aspects: ‘international leadership’ and ‘localisation’. It is related to leadership in the international arena, as one UK scholar points out:

“There is this sort of a tradition of British thinking; that they can be the best in the world at things. And also there’s been a long tradition of philanthropy in this country going back to the Quakers, founders of Cadbury Rowntree, for example; Boots, all of these people were great believers in charitable giving. So there’s something about wanting to be seen as leaders in CSR.”

(Scholar, University, UK, 2007)

It is suggested that the various current or forthcoming standards and assessments of CSR’s effectiveness and its reflective influence on organisational performance are crucial concerns for MNCs regarding CSR in relation to leadership competency. While the leadership issue is moving toward ‘international convergence’ in the global market, ‘localisation’ takes legitimacy as one of the key demanding issues of CSR in international business, particularly emphasising ‘divergence’. MNCs who try to do business in other local communities have to understand local people and their

culture and do perfect 'localisation', as one Korean businessman cites in an exemplary LG example:

"The most prominent case is LG's success in China. When there was 'SARS' happening in China about 3 years ago, almost all MNCs in China returned to their home countries. Whereas, LG did a campaign 'I love China' and didn't close their shops. They've contributed medicines to Chinese hospitals and promoted and advertised their true love for China. LG were there in China's difficult times."

(Junior manager, Energy industry, Korea, 2007)

In China, there is a saying. "*The true friend is the friend of the most difficult days.*" It is related to the historical Confucian idea; to be the first to face difficulties and the last to reap benefits can be considered benevolent (The Lun Yu, Chapter 6, verse 20)<sup>39</sup>. Because of this cultural background and philosophical stance, China was impressed by LG's behaviour and sincerity. One local person in Santung province said, "I am very proud that the plant of LG Electronics is here." This image was disseminated around China. Accordingly, LG could raise market share by over 30 – 50 % in China.

Similarly, to behave in a manner beneficial to CSR initiatives, it is suggested that MNCs are better to come to local countries with the strategy of capturing local culture, norms and people's hearts. It strongly supports the theoretical argument of Sethi (1975) and Scherer and Palazzo (2007) that CSR, based on the humanities, is a congruent with prevailing social norm, values, and social expectations of that region. In this regard, it was found that many big MNCs have a qualified CSR manual, which contains instructions and information on what they have to do in certain local communities according to their culture and people. For MNCs, to have different strategies towards different nations is a necessity if their projects are to succeed and raise international competitiveness. There are different labels in different countries for basically the same idea. Although many countries have imported a similar label of CSR, sometimes there is a more appropriate local term, as one UK businessman points out:

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<sup>39</sup> The Lun Yu (Theoretical Discussions) is the analects of 499 sayings of Confucius (Kongzi 孔子; trad. 551-479 BC). It is one of the Four Books (*Sishu* 四書) that belong to the main corpus of Confucian writings. (<http://www.chinaknowledge.de>)

“I understand you feel almost guilty about making lots of money in Confucianism countries such as China and Korea. Therefore, for Western companies, if we come there with a raw on the tooth sort of shareholder value story about — I’m here to make lots of money, by the way I’ll make you rich as well — you’ll hit lots of trouble with the authorities and all sorts of local problems. It’s very important to be able to understand the sensitivities around making so much money, and understand the difference. It is very far away from an Anglo American model.”

(Director, Energy industry, UK, 2007)

Last and foremost, it is obvious to stress that in the competitive advantage discussions on CSR, intangible asset competitiveness throughout CSR’s interaction with IHRM strategy is one of the most discussed issues in the period concerning CSR competition. CSR is a valuable (though hard-won) social asset. It contributes towards promoting various management paradigms. This research focuses on CSR’s work as a vehicle for IHRM strategy; IHRM strategy itself is highlighted as a domain theme of an intangible asset, which includes recruitment, retention and human resource development (HRD) strategy. On this point, the synergetic work between CSR and IHRM strategy is one of the focal findings of the present research. To what extent CSR and IHRM work together is subsequently illustrated in the next chapter of CSR-IHRM strategy and its institutional dynamics.

### ***Conclusion: CSR in the emergent process***

It is critically revealed that CSR works as a developing process, and businesses’ interests and approaches differ according to each process. More to the point, it is indicated that IHRM dimensions are emerging out of necessity in accordance with the improvement of the CSR process. There are four main stages of CSR, as categorised above: the CSR initiation stage, the CSR implementation stage, the CSR mature stage, and finally the CSR competitiveness stage. Within these stages, the key issues of CSR differ accordingly. And, although it is an unintended consequence, it is suggested that CSR plays a crucial role for business by creating the internal dynamics of organisation by being a useful tool for obtaining competitive advantage through interaction with IHRM strategy.

In the CSR early stage, there are various arguments on CSR that focus on ‘what’ and ‘why’ CSR questions, i.e., the reasons for its selection and the forms that it takes. This chapter clarifies the inconsistency between academic and business applications.

That is, there has been excessive emphasis on external stakeholders in relation to CSR in conceptual discussion, and hence CSR is usually described as a passive action of business. Yet from a practical point of view, it is contended that CSR is not purely motivated by external impetus. This does not indicate that CSR is implemented without any sort of external pressure. Certainly, as described in the last chapter on Shell and Kyobo, businesses are under tremendous pressure from several external settings such as government and lobbying organisations and this makes them re-think their approach and completely overhaul how they approach CSR issues. However, it is worthwhile to note that businesses see this phenomenon not as external pressures which have to be responded to in a passive way, but by an interactive approach that responds proactively towards external, business and internal concerns. In this stage, there is little discussion of the 'employee' in comparison with vigorous discussion on the CEO's role and leadership.

In the CSR implementation period, 'how' can CSR engagement be rationalised as business action is perceived as the main issue. In this regard, businesses seek to find the way of claiming CSR as a strategic approach along with certain business cases. The issues of CSR measurement and PR are explored in relation to this perspective. Then, the significance of the intellectual stakeholder approach is suggested. In this stage, it is critical to highlight that the HRM dimensions have gradually emerged in the discussion of CSR, particularly focusing on communication and consensus issues between employer and employee, based on the realisation that CSR is fundamentally accomplished in the fabric of the company — by the employees.

CSR's positive impact can then be seen in the CSR maturation stage. Employers realise the fact that CSR has a more rewarding impact to business performance and organisation. Firms intensively argue two factors of CSR: gaining trust and the resultant PR outcome, both of which contribute to business performance. In terms of the CSR impacts on the organisation, HRM issues are actively discussed in this stage focusing on CSR's contribution to employees' motivation and organisational culture.

At the final stage, it is revealed that firms view CSR in line with their strategic vision. Leading CSR companies perceive CSR as a new tool for competing as they believe, from their experiences, that CSR contributes to a firm's competitiveness if the nature of CSR is well understood inside and outside of the organisation and

implemented strategically. It is closely related to corporate value, which needs a long-term, patient, strategy for delivering sustained profitability. In particular, in the era of globalisation, CSR's contribution to the international competitiveness of the firm is of growing importance. Advanced global companies or nations put much more emphasis on this issue. Most importantly, it is implied that CSR becomes one of the crucial intangible resources of the firm to gain competitive advantage throughout close interactive work with the IHRM strategy.

Throughout the investigation of the CSR process, it is hinted CSR is affected by various institutional contexts that have a potentially huge scope, and it clearly transcends any one issue. CSR is related to historical backgrounds, political (domestic and international) conditions, economic situations, and people's normative and cognitive thinking at the time. It is hence in a process of continuous change according to the institutional context. In this regard, it is proposed that this is a critical factor worthy of further investigation. The next section will delve into the point on 'institutional dynamics' of CSR with a comparison between the UK and Korean context.

### **CSR: Do institutional settings matter?**

“CSR is so different and expectations are so different. What is right for the UK isn't necessarily right for Korea or America. You'd always have regional and local slants and things.”

(Junior manager, Finance industry, UK, 2005)

The investigation so far highlights how approaches to CSR differ depending on their development process and where employee issues arise. Additionally, it is indicated that CSR actions are diverse and might be explained by the institutional perspectives of each country (e.g., Jeurissen, 2004; Kumar and Worm, 2004). This proposal is echoed in the realities of the workplace. CSR actions certainly encompass the institutional context of the nation.

Therefore, acknowledging the limitation in exploring the CSR phenomenon only with one specific theory (such as Variety of Capitalism, Culture of Capitalism, or

Hofstede's cultural theory)<sup>40</sup> or within one specific nation, the research presented here will utilise ideas from institutional theory with the example of the UK and Korea in order to engage in a more comprehensive analysis of institutional differences in the various stages of the CSR process and the link with IHRM. Drawing particularly from Scott's 'three pillars' an analysis of CSR in terms of regulative, normative and cognitive institutional pillars is presented.

Additionally, it is worth noting that the argument in the present research is that it cannot be said whether the specific approach towards CSR (of either the UK or Korea) is better or worse than each other. It agrees with the argument of Welford (2005) that one cannot assume that Asian countries are less developed than their Western counterparts in CSR. Rather, the main suggestion of this study is that a business has to reflect itself in the institutional contexts of its market, which affect the mindset and attitude of people to try to compare CSR and CSR-IHRM dynamics between countries. To understand that each nation has different institutional environments is an important and useful step in a holistic analysis of CSR and its relationship with IHRM.

### ***Regulative environment of CSR***

#### **International rules and regulations: Towards isomorphism**

During the whole process of CSR, regulative settings and pressures are one of the predominant issues for CSR. As can be seen with the case of Kyobo, government, as one of the important stakeholders to business, plays an important role for business' CSR initiation and implementation. Whilst when one witnesses the Shell case, it is revealed that international organisations' pressure is also important especially for MNCs to pursue and survive in local markets.

To explore further, according to institutional logics, there are more similarities than differences between Korea and the UK in terms of the approach towards international standards and regulations. Specifically, a convergence approach towards CSR in matters of international standards is observed in both nations, as international regulative pressure is the dominant cause of current CSR motives. This

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<sup>40</sup> Refer to section on 'various claims' in chapter 4.



international pressure coerces businesses to engage with CSR and to imitate other competitors. To survive and gain legitimacy in the global market, therefore, following the rules and regulations of international organisations is regarded as an essential prerequisite.

Globalisation is one major reason for convergence in relation to CSR practises. Globalisation continues to create trade between countries and peoples, and ease domestic regulations. Domestic regulation is becoming more and more similar between states in order to attract foreign investment, while also protecting domestic businesses. Accordingly, the ability of domestic government to exert social control has decreased and instead, its business role is rapidly expanding. As a result of this process, the pressure towards businesses to act soundly and responsibly has increased. For instance, a serious ‘anti-globalisation movement’ has appeared, which directly challenges the business community as a whole.

In this regard, the ‘NGO’ has a critical role for businesses planning to employ CSR as can be seen in the case of Shell’s Brent Spar. NGOs have developed considerable power and attract much media attention; in particular, multi-national NGOs such as Green Peace and OXFAM have tremendous power to influence people and therefore contribute a great deal to raising the issue of CSR of MNCs in the global village.

Another critical issue with which to be concerned is ‘international standards’. The most prominently discussed standards are the ISO26000, GRI, and Global Compact. These institutional standards on CSR demonstrate the current significant change in perception, where businesses are no longer only assessed by its products. Rather business is and should be understood and assessed by its values towards issues inside and outside of the business: stakeholder and resource-centered socio-economic perspective (RSP).<sup>41</sup> Therefore, to do business in other countries, it is proposed that firms should concern themselves with this divergent and complex phenomenon, as practitioners both in Korea and the UK state:

“I think sustainable development including CSR is very analogous or resonates quite well in other parts of the world.”

(Director, Energy industry, UK, 2007)

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<sup>41</sup> Moldaschl and Fischer’s (2004) resource-centred socio-economic perspective (RSP) approach is theoretically discussed in chapter 3 – section ‘A critical lenses on RBV’.

“The international standard movement of CSR is a big burden on MNCs to do business in other countries. Therefore, there are a lot of companies in Korea preparing that kind of convergence situation. It will be the must component in an international business.”

(Junior manager, Energy industry, Korea, 2007)

### Domestic governments: Leading versus backing approach

It is observed from the case of Kyobo and endorsed by the further investigation of the Korean institutional context that the CSR phenomenon in Korea is closely related to its unique political and economic history, and hence is strongly affected by changes of government policy and interest. Therefore, coercive pressure by government authorities is one of the most discussed topics in Korea.

“The problem of the cozy relations between politics and business was serious in Korea. But the current government has cut this relation and hence, businesses look to social contributions instead. Originally, the money was used as an illegal political relationship. But, as the new government arose, they had been pouring huge amounts of money into the society. Therefore, the current CSR phenomenon in Korea is developing in a very unreasonably quick way and it is somewhat exaggerated. Our company is in the same situation.”

(Junior manager, Energy industry, Korea, 2007)

In the early stage (1980s – mid-1990s), there were serious problems of business transparency (e.g., double accounting, illegal political relations) and in order to hide their unethical behaviour, businesses had to pursue CSR. It has been suggested that in Korea the most influential factor in unethical decisions made by individuals engaged in business is ‘the political climate’ of the country (Christie et al., 2003). Therefore, it is difficult to say that Korean CSR has been developed rationally through appropriate business procedures and organic growth.

There was a turning point in Korean history – the Asian financial crisis in 1997 – not least for the country’s economics but more importantly the politics of the state. Kim Dae-joong’s government (1998-2003) pushed for the restructuring of the powerful ‘chaebols’ and CSR therefore emerged as an issue in corporate governance, transparency in accounting practices, and worked in a top-down manner. In terms of budgets, it grew tremendously and with an exceptionally sudden ascendancy. Many parts of budgets of corporations related to political donations transferred to social parts now classified under the banner of CSR. According to various expressed and

implied pressures, businesses had to concern themselves with the interests of the wider society. Therefore, much of the work on CSR was done inefficiently and with a distinct lack of strategic planning. This was a critical situation for CSR in Korea during 1990s.

The succeeding Roh Moo-hyun participatory government (2003-2008) tried more vigorously to enhance CSR with various policies by amending regulations and legislation. They placed the emphasis on sharing between society members, and therefore put serious pressure on businesses to join in this initiative. In addition to the government, the activities of NGOs and civil organisations had developed, and business had to concern itself with pressures from these kinds of external sources as well. As one Korean interviewee points out, the current emerging phenomenon of 'social enterprise' in Korea also shows how politics leads the CSR of business.

“The most important factor of CSR motivation is political reasons such as the sudden case of current businesses' interest in 'social enterprise'. This is mainly because of the pressure of the government to create the jobs in this era of difficulties.”

(Professor, University, Korea, 2007)

On the other hand, the UK government views CSR activities as voluntary actions that business can take over, with minimum legal requirements, to address both its own competitive interests and the interests of the wider society.

“In the UK, government doesn't want to lead industry. They want to let the market deliver. There is a huge belief in markets like the recently published Energy Green Paper.”

(Director, NGO, UK, 2006)

The UK government believes that CSR is something that can help the nation to achieve its aims. It views this as an opportunity for the country, and hence approaches CSR as a business' voluntary compliance with agreed norms and high standards. Currently, the UK government's stimulation for renewable energy industries illustrates perfectly the government's desire to view CSR as an opportunity. In relation to CSR, the UK has various related policies and rules to support business

activities: e.g., a CSR minister (the first in the world), the Pension Act Amendment,<sup>42</sup> and Companies Act 2006.<sup>43</sup>

There are criticisms, however, with regard to the UK government's reluctance to go down a rigorous regulative path on CSR. The government is criticised as it may be largely influenced from lobbying by the business sector as in the current case of the OFR (Operating and Financial Review).<sup>44</sup> Here are two UK interviewees' opinions on OFR:

"OFR was mandatory, and then it was voluntary but mandatory. Then it was taken all together. It was the Chancellor's move as red-tape. Then, there was a legal challenge — a judicial review of it. And it seems to be back. Nobody really knows actually what is going on."

(Reader, University, UK, 2006)

"It is horse trading. The government suddenly announces they will get rid of the requirement to report on social, environmental and ethical issues in the OFR. Therefore, Friends of the Earth is challenging it in the high court at the moment. Politics has to understand that in the forefront of CSR, they welcome it. They want it because it makes them different from their competitors."

(Consultant, UK, 2005)

In sum, international standard organisations and NGOs push the business to behave with respect to CSR towards isomorphism. On the contrary, it is suggested that different countries have different policies and approaches regarding CSR. It depends on the interest and security of the country which MNCs can only respect in order to earn legitimacy in host countries.

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<sup>42</sup> This legislation came into effect in July 2001 and requires trustees of occupational pension schemes to state their policy regarding the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments. (UK CSR Policy, 2008)

<sup>43</sup> The Companies Act 2006 brings the regulatory framework up to date to reflect the modern business environment. It enshrines in statute the concept of Enlightened Shareholder value which recognises that directors will be more likely to achieve long-term sustainable success for the benefit of their shareholders if their companies pay appropriate regard to wider matters such as the environment and their employees. (UK CSR Policy, 2008)

<sup>44</sup> It was a requirement for all listed companies (the Fortune 500) to report on social, ethical and environmental aspects of their business in their annual reports. However, the Chancellor at the time, Gordon Brown suddenly announced that the OFR would be withdrawn (November 2005). The DTI minister Alan Michaels, has now set in charge of repealing the OFR regulations. In place of the OFR, companies will need to include a Business Review as part of the Directors' Report, in compliance with the EU Accounts Modernisation Directive requirements. (sd3-global, 2008)

## *Normative environment of CSR*

### Fragmented versus Holistic Approach

Normative settings of a country are important issues to be considered when businesses implement CSR with actions in the workplace and with society members. That is, the actions of CSR vary according to institutional pressures in particular normative settings of society. When it comes to the cases of Korea and the UK, the CSR implementation in Korea tends to be more pragmatic, with a focus on social contribution (philanthropy) and volunteering activities, whereas the UK approach is more holistic and strategic as demonstrated by activities such as relating to the environment and social investment.

To explore, in many countries like Korea with a Confucian culture and background, there is a certain amount of stigma attached to being extremely profit driven. People in Korea (as in other Confucianism countries, like China) feel guilty about making visible amounts of money. Koreans seem to think that money and ethical righteousness are incompatible. As the Confucian tradition goes, a man who pursues only profit cannot be of high moral character.<sup>45</sup> In Korean tradition, and indeed in the minds of many Koreans, wealth and righteousness often do not go hand in hand as a result of this philosophical and normative background. Therefore, to suggest approaching CSR from the viewpoint of marketing or business strategy will create unwelcome side-effects for business in these countries. They may doubt and criticise the motivation, the sincerity, and ethics of the CSR programmes in question.

Therefore, MNCs who would like to do business in Korea are recommended to be seriously concerned with this unique normative setting with regards to riches and profit, which is quite different from western ideas. Additionally, to apply appropriate strategic localisation processes is significant in Korea, as one MNC practitioner points out below:

“Frankly speaking, as a CSR person in charge, I wonder if I have to speak with Korean employee exactly about the two different concepts. This (social investment) is our company’s word and philosophy for CSR. However, we cannot ask Korean society to transfer the concept of social contribution (as it is widely used) to social investment. Even though internally we call it as an investment, when we talk to Korean society, we call it social contribution.” (Junior manager, UK tobacco company in Korea, 2007)

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<sup>45</sup> The gentleman understands righteousness; the petty man understands profit (The Lun Yu, Chapter 4, verse 16). Conduct guided by profit is cause for much complaint (The Lun Yu, Chapter 4, verse 12).

In this regard, the implementation of CSR in Korea highly focuses on the two phenomena: 'social contribution' and 'volunteerism'. Under excessive normative pressure from external judgment and public commentary (such as government, NGOs, and media) and inside influence (from the top to bottom), Korean business regards social contribution as the main sector in which CSR should be considered for action. Even here, the bubbled social contribution phenomenon is closely related to political interaction. This occurrence is corroborated by the claims of several management scholars (e.g., Campbell, 2006; Doh and Guay, 2006) and the exploration in the last section that regulative pressure gives a significant impact on CSR actions. In terms of the amount of business donation itself, it is higher than other huge MNCs in the world. For example Wal-Mart, which donates the largest funds to the community in the USA, donated \$119,638,289 in 2004.<sup>46</sup> In Korea, Samsung Group donated about \$452,000,000 in the same period, about four times larger than that of Wal-Mart. Moreover, the overall amount of social contribution from Korean businesses is four times bigger than that of their Japanese counterparts, according to a FKI report (2001).<sup>47</sup>

Another good example is the recent Korean volunteerism phenomenon. Korean volunteerism is regarded as one of the most successful features of CSR actions which embrace unique Korean normative settings. It is argued that volunteerism can be a seed and core of CSR in Korea. It is closely related with the Korean tradition based on Confucianism such as *Pum-a-si* (품앗이) — exchange of work; *Du-re* (두레) — cooperative group; and *Hyang-yak* (향약) — promise for community. The effect is provided in two ways, namely those of community and business. To reiterate, Korean businesses have developed 'volunteerism', which can efficiently meet people's normative request and regard it as a best way of CSR implementation in the Korean institutional context. Some Korean business groups say with pride that their

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<sup>46</sup> The data is accessed from the web-site of Wal-Mart Foundation, USA.

<sup>47</sup> <http://www.accessphilanthropy.com/funderinnews.php?funderID=36>

The Federation of Korean Industries (FKI) compares the amount of social contribution of Korean business with Japan based on the Korean business White Paper and Japan's '*Keidanren*' report on CSR (2001). According to this report, Korean firms' social contribution amount is 0.37% of net sales, whereas for Japan is 0.1%. It shows the donation amount of Korean business is four times bigger than its Japanese counterparts.

employees' volunteering rate is over 90% in comparison to 30-40% of employees in Western countries.

However, the serious limit of fragmentation in Korean CSR action is revealed. The tendency of Korean business, with too heavy an emphasis on philanthropy (in particular, volume of donation of the money) and volunteerism (in particular, the number of participants), only leads Korean CSR to be disjointed from holistic management aims and strategies. It is revealed that one of the main reasons of this imbalance is closely associated with the gap between the majority of society members beyond the business itself. For example, the current rampant ratings of CSR by quantity (amount of money donated) instead of more accurate or reasonable ways of measurement, by various organisations in Korea (from economic, NGO to media), is heavily criticised. It is proposed that without providing an appropriate institutional platform for businesses, just pushing businesses to pursue CSR makes them consider it as unavoidable work on which to spend extra money. It negatively affects businesses to think of CSR in this fragmented way – CSR becomes a problem to throw money at rather than an opportunity from the perspective of business aims.

To return to the case of the UK, however, it is true to say that businesses approach CSR as an opportunity to create business *and* do right at the same time. For example, it is revealed that the social contribution initiative is relatively lower in Europe (Welford, 2005). On the other hand, it has been extensively illustrated that the key topic for discussion in relation to the CSR implementation in the contemporary UK business is the environment. Many interviewees claim environment is the 'must' investment for contemporary business, and is also closely related to societal pressure and business opportunities such as the eco (green) market and Clean Development Mechanism (CDM).

“The interest in green issues began as doing good things (pleasing NGOs). If we were seen to be a good company, people were more likely to buy our products. So, in terms of emissions to air, acid rain, climate change, promotion of renewable energy, promotion of energy efficiency – all of those things certainly have moved to issues of business. They became part of CSR for a bit, but for some time now it moved into the area of corporate strategy.”

(Director, NGO, [ex-director of marketing in energy industry], UK, 2006)

Moreover, international NGOs exert significant pressure (many NGO's headquarters are located in London), and government leadership is also playing a significant role in this action of CSR towards strategic intent. Key individuals, in a variety of forms and media in the UK, think environment is presently the front step of society.

“UK companies have claimed to be environmentally friendly as being a leader for a substantial period of time.... It's economically driven and a symbolic recovery of their business. It's a part of the image package of a successful firm. I think it is related with reputation. It's almost like a norm in the UK.”

(Reader, University in the UK, 2007)

Likewise, businesses in the UK seldom neglect that in the context of corporate responsibility the key purpose of business is to create business opportunities and provide return to its shareholders. That is, fundamentally, the whole model on which capitalism is based in its Western form. The model dictates that an effective business should deliver value to shareholders. UK business seems to believe that by developing responsible and long-term business they may create better shareholder return than a short-term and less responsible business. In the *process* of CSR, contributions might be made to the environment and society, but the fundamental role of a business is to raise the profit and to return more than that to its shareholders. Everything else is peripheral in this absolutist philosophy.

“Most people who work in CSR jobs and who are interested in CSR are now more interested in basically how companies make their money rather than how they spend it. So, it is making money in an ethical way rather than how you contribute to programmes. I mean, community investment is vitally important and it is very popular with staff. It is popular with customers. But in actual fact, our community programme is £40 million, but we make profits of £7 billion.”

(Junior manager, financial industry, UK, 2005)

In this regard, UK businesses have a holistic approach towards CSR; they regard CSR not as a separate or additional part of the business, such as social contribution or volunteerism. Rather, UK business popularises CSR as a management idea. To explore, it is regarded as one of the normal parts of the business which operate to create profit and this idea is endorsed by society. There is a much more comprehensive approach from the perspective of business performance. That is why



various things concerned with contemporary business, such as environmental investment issues, are appearing in the discussion about CSR. In this regard, the CSR issue and the CSR agenda are now seen in the UK as being part of good management, progressive business, and essential in leading corporate governance models.

“CSR for us is a number of things. The first thing to say is that we see CSR as an ‘umbrella’, that sits over and above the good work, that is undertaken by lots of different parts of the company. So, CSR, to us, takes in concepts of accountability or transparency, so there is quality corporate reporting about everything. It is not just good for PR. It also takes in the manner in which we make our business and make our money.”

(Junior manager, financial industry, UK, 2005)

With the case of the UK, it is indicated that the normative settings of the country highly influence the businesses’ implementation of CSR. Therefore, there is a provoking issue in conjunction with the ‘balance of normative pressures’ towards business and overall society. That is, CSR is closely related to a nation-wide institutional climate, in particular, normative settings that businesses are expected to follow. Therefore, CSR is a matter of not only business but also all members of the society. It is irrevocable to concern the responsibilities of various stakeholders (e.g., customers, governments, media, and society at large) in relation to CSR implementation.

To summarise, it is indicated that to aid business employing a holistic approach towards CSR, society as a whole also develop their views on CSR. Thus the absence of a holistic approach towards CSR, as with the case of Korea, does not totally mean that there is not enough capacity for business practitioners, but there are institutional environments (i.e. societal norms and people’s understandings of business) in which the corporation has to concern itself and act accordingly. On this point, there is a more important responsibility for society, which endorses business to view the clear disparity between creating shareholder value and creating social good. A business’ understanding of how to pursue CSR related to opportunities lies in the community’s normative understanding and development as one Korean scholar argues:

“There must be an identical endeavour from the government, NGOs and social community parts, too. Without this holistic change of the society, only asking the business to be cleared, it cannot be possible....Therefore, the current approach towards CSR puts a quantity of constraint on all the business activities.”

(Professor, University in Korea, 2007)

## *Cognitive-cultural environment of CSR*

### Short-term versus long-term approach

It is revealed that the short-term versus long-term can be explored by complex interaction of institutional pillars. It is more than just culture, as it is supported by regulative structures and normative pressures along with the economic situation. To explore, there is a Korean characteristic – especially in relation to the short-term approach towards business. It is significant to note that institutional dynamics have modified recently to stress rather short-term attitudes since the 1900s. Even though Korea had a long-term mindset in the earlier periods of history from common cultural roots which lay in Confucianism, through the Japanese Colonial period (1910 - 1945), and the Korean War (1945 - 1948), many of these social morals and customs changed and diluted. As people were starving and destitute, survival was the main driver in their lives. Moreover, during the industrialised period (1960s – 1970s), with a growth-driven economy, the situation was more severe. CSR became synonymous with contributions to the national economy (HERI, 2008). It is argued that this stream of thought was influenced not by culture, but by political controllers who led this economic development. It is assumed that the views of contemporary Korea have been changed from traditional long-term to short-term perspectives in the course of this period. It is connected with the fact that the traditional Korean institutional environment has been changed because of globalisation of the Korean economy.

Paradoxically, this short-term approach is regarded as one of Korea's great strengths for current economic development. With this mindset, Korea could rapidly catch up with Japan and other developed countries in their economy in a relatively short period of time. The phenomenal economic success of Korea during the last 30 years, the so-called '*Miracle of the Han river*' emphasises this short-term perspective. What became important at that time was having a job, having somewhere to live, and having a vibrant market economy; everything, therefore in terms of priorities was subordinated to economic matters. So there is a 'mindset' in Korea that the short-term end result of current economic success is what is most important. How you deliver the end result (what form the process itself takes) is not

as important as the final result. Therefore, Korean people tend to seek the end result with a view to the relatively short term: better wages and better working conditions for the moment. This short-term attitude places more importance on values associated with the past and present, rather than the future (Christie *et al.*, 2003). That is, contemporary Koreans tend to have a cultural resistance to looking at the future picture of a business in terms of ‘sustainable development’. Even though they have succeeded in the economic arena, their cognitive-cultural attitude of viewing business in a holistic way for the long-term is less developed than those of other countries and other economies. In this regard, it is argued that Korea has a paradoxical situation in that it has undergone a phenomenally quick economic success (the 13<sup>th</sup> economy in the world), and yet remains so far behind in terms of the sustainability race.<sup>48</sup>

Since the tipping point in Korean contemporary history, the so-called Asian financial crisis (1997 – 1998), Korean business has had to face a new CSR approach focused on more orientation towards long-term sustainability and an integrated approach of business concerning economic, environmental, and social contexts. They were required to restructure the business system and modes of corporate governance. The financial crisis compelled Korean businesses to be concerned with the true identity of corporate social responsibility and transformation of social contributions to CSR’s core values. Korean companies made every effort to ‘quickly’ catch up with this global request (HERI, 2008). This had limitations, however, as one Korean CSR expert points out: “even though there were endeavours, it is not totally in-depth and sincere.” In this regard, it is reiterated that CSR is very much related to the social and political context of the time.

“IMF crisis is an important event for Korean CSR. After the IMF, government was about to emphasise the social part and push CSR to business. At least, the political donations to government had to be transparent. Hence, there must be money for CSR and must be social pressure (at least implied pressure).”

(Professor, University, Korea, 2007)

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<sup>48</sup> For example, according to the World Competitiveness Scoreboard 2008, Korea is ranked 31 out of 55 (IMD, 2008); 51 out of 56 in the Climate Change Performance Index 2008 (Germanwatch, 2008); and 122 out of 146 in Environmental Sustainability Index (ESI) (WEF, 2005).

Stimulated by a series of accounting scandals and illegal political funds of Korean large corporate entities – ‘chaebols’, the time of active discussion of CSR and sustainability had arrived in the new millennium. Since this period, Korea’s short-term growth-driven economy has been restructured, along with an acknowledgement of the sizable disadvantages for competing with other countries in the era of globalisation. There appears, in short, the question of ‘sustainability’. The position, above, which outlines the Korean sustainability rating demonstrates how this short-term and growth-only Korean mindset negatively affects international competitiveness.

On the contrary, in the UK where economic development has taken place over a much longer period, it can be seen that corporations have begun to develop a more ‘holistic’ and ‘long-term’ philosophy in relation to CSR issues and yet maintain a reputation for a much shorter term outlook concerning economic returns to shareholders. This paradox is explored by a UK senior manager:

“It means UK business has very strict and concrete profit targets. We are a very advanced capitalist country. Capitalism is based on profit and it is a proper mechanism. However, it does not mean we do not concern ourselves with the long-term business sustainability target. Rather, we view business with an umbrella perspective and hence we integrate society and environment into the business aim for the future. We have a clear understanding of business.”

(Former top manager, energy company, UK, 2006)

To elaborate slightly, the history of this development during the Margaret Thatcher period (1979–1990), capitalism was introduced more vigorously than before, when Thatcher tried to reduce the role of the state in the economy. As a monetarist, she sought many economic reforms. Many public companies were privatised, including BT, which had been a publicly owned monopoly since 1912. Therefore, a short-term perspective on profit rapidly developed as a norm as free market tendencies were encouraged and regarded as mainstream. During the later leadership of Tony Blair (1997-2007), social justice and economic prosperity was emphasised instead and issues such as the minimum wage and reduction of unemployment grew in importance. It encouraged businesses to clearly understand a version of CSR which encompasses profit with long-term sustainability as good corporate citizens.

It has been discovered in this research that current UK business understands CSR as a tool for the aim of profit and sustainability: if they did not implement CSR, then it would damage the business in the longer term. They tend to think today's operation versus tomorrow's business is a trade off that has to be carefully negotiated. It is about balancing short-term and long-term futures.

“We are not talking about CSR or environmental responsibility of business. It's about what their business is all about for today and for the future.”

(Head, NGO, UK, 2007)

It is estimated that those kinds of things stem from cognitive long-term and holistic attitudes. For example, the UK's great progress as *'investors in people'*<sup>49</sup> nationally reflects how UK business attempts to deal with matters with a long-term and holistic point-of-view. In this mode of thought, the emphasis is on people and encompasses a variety of issues in people management with a long-term perspective. Launched in 1992, refreshing every five years, this standard is now embraced by nearly one third of the UK workforce (IIP Report, 2007-2008). To witness IIP's dissemination over the time helps to understand the UK's attempt to introduce a longer-term view into corporate strategy. Additionally, many UK investors, especially in pension funds, operate with very similar long-term goals.

“UK investors have a clear and strong interest in encouraging companies to bolster long-term success by behaving responsibly.”

(Address by Stephen Timms, MP Minister of State for Pensions Reform, UK)<sup>50</sup>

In the UK, where capital is more widely spread, various investors are assessing businesses with the development of ethical investing, particularly with a long-term view (Maignan and Ralston, 2002). Likewise, society as a whole, including government, NGOs, and the media facilitate business with long-term CSR planning.

This short-term versus long-term discussion is hard to resolve with a single concrete conclusion in relation to CSR such as with the Korean traditional view of

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<sup>49</sup> It is a UK principal standard for business improvement through people. Almost 8 million employees are currently benefiting from Investors in People, equating to 32% of the UK workforce (Investors In People UK [IIP] report, 2007-2008).

<sup>50</sup> The author joined the conference titled *'Investing in the Future: A European Conference on Corporate Social Responsibility and the Financial Sector'* which was held at London on 1 & 2 December 2005. During the conference, the UK Minister of State for Pensions Reform, MP Stephen Timms, addressed the speech with main contents on government's facilitation policy towards business social investment.

long-term. Rather, it can be suggested that this cognitive-cultural phenomenon is affected by various regulative, normative changes and contexts. Accordingly, the UK and Korean mindsets, and subsequent approaches towards CSR, differ and are changeable.

***Conclusion: CSR – Institutional settings matter.***

Cross-national comparison results, using Scott's institutional typology, indicate that CSR is strongly affected by national institutional environments which interconnect with each other, and the corresponding instances of institutional change. It is discovered that even though the international environment pushes business to pursue CSR in convergent ways, there are different approaches towards CSR between countries where institutional backgrounds and economic realities fundamentally differ.

To elaborate, there are vigorous discussions on the importance of *political* (international and domestic) environments in order to employ CSR in the workplace, unlike the theoretical arguments which mainly emphasise the cultural and normative environment. International institutions push businesses to employ CSR towards mimetic isomorphism. It positively contributes to corporations understanding the change in the stream of thought that business is evaluated by values beyond profit making. Business, in short, has to include a stakeholder and *resource-centered socio-economic perspective (RSP)*. Whereas, when it comes to the domestic governments, CSR shows divergent profiles according to each country's political history, government system, and economic policy. It depends on the interest and security of the country which MNCs can only respect in order to earn legitimacy in host countries.

The *normative* setting of society shows significant difference between the two countries. Consequently, business approaches towards CSR differ for those operating within these environments. UK business regards CSR as investment and opportunity to create profit by developing long-term business relationships and reputational capital. The advanced culture of capitalism embedded in the UK's system of thought and people's normative understanding of businesses make corporations approach CSR in a more strategic and holistic way. On the contrary, for corporations in Korea,

it is revealed that the implementation of CSR is more fragmented focused on mainly two actions: philanthropy and volunteerism. This stems from the normative nature in the Korean context. People in Korea, whose work and family lives are influenced greatly by Confucian ideas, generally think money and righteousness are incompatible, and thus encompassing CSR with voiced aims towards strategic-driven ends may create a negative effect.

The *cognitive-cultural* exploration of CSR clearly shows the significant phenomenon of 'institutional interaction' and 'institutional change'. Korea, which has been classified as a long-term oriented country from the influence of Confucianism, seems to be employing a problematic short-term approach towards CSR. This shows that Korea has been changed because of recent historical political upheavals along with the impact of globalisation, the introduction of capitalism, and hence the economic and political processes resulting from these. This change may also be attributed to Korean companies' efforts to 'quickly' catch up with global demand (HERI, 2008). Whereas the UK, with a long history of capitalist thought, tend to see CSR in a more 'holistic' and 'long-term' perspective, even though they are classified as a short-term oriented country. UK businesses view CSR in terms of both business aims of profit and sustainability.

In summary, it is revealed that CSR is affected by national institutional environments. More importantly, it is critical to note that there is complex institutional reciprocation and change which lead assorted approaches towards CSR, which have often been overlooked in existing theoretical investigations. In other words, it was predicted that there should be clear cut and static differences in the way CSR was employed based on Scott's three pillars. Nevertheless, empirical analysis suggests that there should be a re-thinking of these over-simplistic expectations. That is, although the long-lasting institutional setting is important, the complex institutional contexts and the possibility of interactions and modification that lead to a mixed (convergence and divergence) approach towards CSR have to be seriously considered. In short, Scott's three pillars have proved to be a valuable analytical device but we need to recognise their interdependence and the temporality of institutional logics.

In the light of this, the next chapter will concentrate on the author's central and most valuable claim on the nature of CSR: CSR's relationship with IHRM and institutional logics. The arguments of this chapter will provide an empirical basis from which to explicitly explore CSR/IHRM dynamics further.



## Chapter 8: IHRM – An emerging issue in CSR

“Integrating CSR internally, in terms of particularly our HR function, is very important because we see one of the big benefits of sustainable development being in motivating staff, attracting a new generation of staff, building loyalty for the company. So our training programme, our initial selection process for new staff, the initial introduction, and the induction process for new staff all has a very strong sustainable development dimension to it. It’s certainly one of the themes that come out.”

(Director, energy industry, UK, 2007)

The present research attempts to suggest a different dimension to the CSR function in its relationship with IHRM, and to illustrate the practical applications of this insight. In the last chapter, there were two main findings. First, CSR issues in the workplace were explored according to the CSR development process (initiation → implementation → maturation → competition). It is indicated that a key outcome of the CSR process is that IHRM issues become more important throughout the process of development. Even though it is an unintended consequence, CSR contributes to the internal dynamics of an organisation and can potentially be a genuine underpinning of competitive advantage through synergetic action with IHRM strategy. It was also proposed that for this to be the case, CSR had to be thoroughly integrated with corporate strategy for the process to reach its fourth stage of ‘competitiveness’.

Second, the institutional settings of each country matter for this process of CSR. CSR is motivated, implemented, evaluated and finally, transformed into a competitive advantage in the context of the interactive performance of institutional dimensions (e.g., regulative, normative and cognitive-cultural). Therefore, it would be difficult to suggest that there is a dominant institutional pressure for a firm’s engagement in CSR (such as culture or government pressures). Rather, it is important to realise that businesses are in constant flux in order to cope with the complexity of interactive institutional settings and changes and hence, a strategic approach towards CSR is essential in order to transform it to the final goal – creation of competitive advantage through CSR. At the centre of this discussion, there is the issue of CSR in association with IHRM strategy which will be elaborated in detail in this chapter.

To reiterate, the unique approach of the present research is as a result of the realisation that associated literature and practitioners have discussed the different

aspects of IHRM and CSR. This discussion has been rather diverse and under-theorised. Therefore, the present work tries to systematically synthesise the debate regarding the CSR process. To clarify, it has been suggested that a non-holistic approach towards correlation between CSR and IHRM only reflects a linear relationship and can obscure the case of a non-linear pattern. Alternatively, the research presented here inspects the holistic CSR process and demonstrates key factors of CSR's relationships with employees. This chapter undertakes this mission according to the key themes (motivation and organisational culture, competitive advantage of intangible assets) and institutional dynamics which are indicated in the last chapter.

### **Motivation and organisational culture**

The issue of motivation and organisational culture is raised specifically when businesses consider the result of CSR at the CSR maturation stage. Even though it is seldom the case that businesses initiate CSR mainly because of facilitating staff motivation or organisational culture, if businesses implement CSR based upon 'consensus' and 'communication' with employees, what is the result and impact on the organisation? The literature review finds two possible aspects to the linkage: 'motivation' and 'organisational culture'. These appear critical elements to study in order to explain the relationship between CSR and IHRM. In the case study, it is indicated that Shell concerns CSR in association with 'organisational culture of empowerment' and its employees' 'motivation to individual development'. For Kyobo, as a main result of CSR, it is discussed that employee's confidence and motivation in the corporate identity as an ethical company is closely related to the loyalty and satisfaction of personnel (from the top management levels to telemarketers). In this process of in-depth exploration with the cases of Korea and the UK, these two issues, which mutually complement each other as one of the main results of CSR, are continuous themes throughout the discussion with interviewees both in the UK and Korea, but from different perspectives.

## ***Motivation***

When businesses evaluate the results of CSR at the CSR maturation stage, the issue of individual motivation emerges as one of the main rationales of engaging CSR. What motivates employees in their work? In the literature review, it is argued that there are complex causes of motivation. Related with that, McClelland's (1961) idea of motivation was elaborated in detail, namely the need for achievement, affiliation, and power. If these are valid, how does the present empirical analysis support or criticise McClelland's analysis of whether workers may (or may not) be motivated by the mere need for money. Here is one example:

“It is an interesting perspective that before, we used to focus on financial rewards. However, people are acknowledging the other kinds of rewards which are there.”  
(Junior manager, energy industry, UK, 2005)

It was discovered that CSR motivates employees in their work in various ways. The result of one respected survey (KPMG, 2005: 5) reinforces the argument that employee motivation is one of the top business drivers of CSR. Likewise, the idea is strongly supported here in this empirical analysis. In order to examine the details in greater depth, the author divides apparent motivation-related dimensions of CSR into McClelland's three motivational causes: achievement, affiliation and power.

Most of all, CSR develops an employee's 'achievement' needs and hence motivates the employee to work. Various themes emerge as important in a consideration of this area of thought: employees' pursuit of pride, loyalty, fun and happiness, and learning and development. 'Achievement' is related to an individual's responsibility for performing to expectations and pursuing efficiency (McClelland, 1961). There appear to be several factors related to achievement. Among them, 'pride' and 'loyalty' are the most vigorously discussed themes in relation to CSR's link to motivation. Following them, 'learning and development' and 'fun and happiness' also often emerged as vital considerations in the search to motivate people.

An employee's feeling of pride through engaging in CSR activities is well observed in empirical studies. In this regard, there are also various surveys (employee satisfaction surveys which was investigated with the Shell case) to assess

and promote this. Pride, which is inspired by a firm's CSR behaviour among other factors, promotes high levels of job satisfaction because it gives people a sense of purpose in their lives. Here is one example:

“We claim to be a world leader in renewables. Well, it's important for the environment, it's important for our profitability because we think that that gives us an economic competitive advantage for the future. But it's important for our staff. When our staff are out at dinner on a Friday night, and someone says, ‘who do you work for?’ We want them to be able to say our company loudly with pride, rather than saying, ‘oh, I work for.....’ [lowered tones]. We want people to feel that they're working for a company that they can be proud of.”

(Director, energy industry, UK, 2007)

Pride is closely related to loyalty. Loyalty is one of the potential positive feedbacks from CSR; most CSR practitioners acknowledge and expound upon the impact of CSR for developing loyalty, even though it is not the primary intention at the initial stage of implementation.

Another interesting discovery is that CSR can contribute to the ‘fun’ and ‘happiness’ of the employee. One interviewee cites a new word in relation to this — ‘volun-tainment’, a combination of ‘volunteering’ and ‘entertainment’. It is argued that employees can like their company because they can experience this fun aspect at their work place. Therefore, visionary companies are regularly checking by various means whether their employees are happy or not at their work, and how CSR contributes to their happiness; as one interviewee from a case study company who is in charge of CSR (SD) policy points out:

“This is the employee's answer to whether they are happy or not. This is the opinion of our employee and the measure of our success.”

(Senior manager, energy industry, Netherlands, 2007)

CSR also contributes to staff needs for individual learning and development in both spiritual and skill-related spheres. As a whole, these related factors work interactively to engender motivation in the work place, as one example of a UK CSR consultant makes clear:

“It is efficient staff development. Staff are more productive as they are happier because they have done something for their community. If they are happier and healthier, they will come to work more often, so your absences virtually go down – and you can prove that quite conclusively compared to where they were before they started doing this. So firms have healthier, happier staff who are more loyal to the company because they see the company as being good for helping their community.”

(CSR consultant, UK, 2006)

As well as the achievement element to CSR, the concept significantly affects the individual's needs for 'affiliation'. 'Affiliation' is based on human nature's basic desire to be with other people, such as a sense of involvement, belonging within a social group, and 'love' (McClelland, 1961). Several themes emerge as crucial in a consideration of this area: family love and unity, sharing emotions and talent, harmony, unity and so on.

Interestingly enough, it has been discovered through a variety of means that CSR can contribute to employees' love and unity with their individual family. This idea is more predominant and part of open discussions more frequently in Korea than the UK. It is assumed that this family-emphasis phenomenon is closely related to Korea's traditional Confucian way of thinking, the so called 'family-centred' life culture. In Korea, the scheme of volunteering has gone further, towards family volunteering.

“The important change in Korea is 'family volunteerism'. It comes from the national system of 'five days in duty' which has been introduced recently. This is a big stream of CSR in Korea and desirable change.”

(Professor, University in Korea, 2007)

Through CSR work with family members, the children/wife can understand their parent/husband. They can respect their father/husband's work. Therefore, love and intimacy between family members can be created through this activity. More specifically, by having useful opportunities for whole families to work together, they may gain a better understanding of why their husband/wife/father/mother is working and hence increase affinity and intimacy among the family units.

CSR also contributes to an individual's needs for 'sharing' of emotion as well as of their skills (Bruyere and Rappe, 2007; Peloza and Hassay, 2006: 362). It is emphasised in workplaces both in the UK and Korea that emotional sharing has an

especially huge impact on the mentality of employees, as well as that of beneficiaries. Employees, for the most part, are happy to share their talent from their work with the community. CSR can develop an employee's sharing and harmony mindset in addition to the other psychological advantages outlined above, as proclaimed by both Korean and British managers:

“Emotion and tears is disseminated quite quickly and broadly for a long time. Therefore, when you view CSR activities such as volunteerism, it is much better for you to view it with focus on emotional perspective rather than business and profit focus. In this regard, ‘volunteer activities’ is the most emotional behaviour and well shows the sincerity of the company. Certainly, the most benefited are employees and it is closely related to loyalty.”

(Manager, Energy Industry, Korea, 2007)

“There is no one-size-fits-all solution to bring in inspiring and motivating people onto the sustainability agenda. You need a variety of things. Different things are inspiring and motivating different people at different levels. What engages people emotionally? I think it is human interaction.”

(Manager, HR Consultant, UK, 2008)

There is little discussion on the need for the ‘power’ of motivation through CSR activities. With this observation, it is assumed that people tend not to consider CSR as a way of aggressive control or as a medium for exerted influence of other colleagues or society. Rather people seek CSR with mild humanitarian aspects, which is lacking in other management areas. Through CSR, the employee tries to find human dignity and human value in dry profit-driven business activities. As one university director who works with business in the UK points out:

“I think it is kind of humanising. People who are so busy and so driven making success of business see our world in a spiritually uplifting way. I think that is what we are offering, a sense of humanity towards business. Our work keeps saying and reminds us of human dignity and values.”

(Director of corporate relations, university, UK, 2006)

Throughout the process of explicating various causes of motivation related to CSR, it can be seen that business is concerned with one of the big benefits of CSR, which is ‘motivating staff’. For the employer, it is important to motivate people to get involved in work. This, however, is not an easy task as the motivational prompts for every individual are different, as mentioned in the discussion above. Moreover, the

employee would like to experience their employer's sincerity towards them, whether they are respected as a human being, developed, and doing valuable work at the work place and for the community. Employees are sophisticated at detecting false bravado or illusionary gestures of employers (Context, 2007) as one member of staff of a case study company points out:

“We're very conscious of not wanting to turn this into a green wash or spin exercise.”

(Director, Energy industry, Netherlands, 2005)

There is, therefore, a case to be made that suggests the employer can efficiently make use of CSR to respond to the above staff expectations; CSR has been shown to positively and significantly affect employee motivation. To encourage employees' motivation, firms are processing a variety of events with huge budgets, such as regular HR training or financial incentive schemes. These are important policies and practices, however, they do not impact upon employees' sense of a shared vision with the organisation in a manner as profound or as comprehensive as CSR. As Harrington (2007) suggests, there is something more than material benefits that motivates employees. Sharing a similar view, several scholars (e.g., Basil and Weber, 2006; Larson, 2001; Zappala, 2004) argue that CSR can be one of the most useful tools to motive employees and this is reiterated by practicing managers:

“CSR is not only the matter of donating some money to the charities. We continuously give a chance to 7000 people to create new values and do something valuable with them through CSR activities. It is a dignified work, isn't it?”

(Senior manager, Construction industry, Korea, 2007)

“There is a whole variety of focus on CSR. Why a HRM focus? Satisfaction and confidence is built afterwards. You can see it visibly. You can see the change in their behaviour. HR has to endorse it. They absolutely cannot make it happen. The new link to CSR in any organisation, to make it happen, is the people themselves. We've got to do it.”

(Manager, Finance industry, UK, 2006)

### *Different views on motivation*

Throughout an in-depth analysis of institutional environments of the UK and Korea, however, it is provocative to find that there is a difference in CSR's work to motivate

employees between the two countries. To Korean employees, CSR facilitates more the affiliation motivation (satisfaction with relationships) such as loyalty, sharing, and harmony. Whereas UK employees are motivated by CSR activities more for their individual achievement (self-realisation) such as individual learning and development, and pride, more than other factors.

To elaborate, Korean interviewees offer a range of issues related to motivation. It is suggested that Koreans are more likely to look for CSR's work in relation to employee motivation towards 'affiliation needs' (which was elaborated in the last section as one of the main motivations based on McClelland's idea [1961]), such as loyalty, family love, harmony, and sharing. Among them, 'loyalty to the company or superior' is the most discussed topic in Korea. In this regard, it is argued that one of the crucial contributions of CSR may be the development of motivational feeling. As one of the Korean CSR experts says:

"Why I think CSR's link with HRM is important is, even though it is done not by intent at the beginning stage, the result and effectiveness of it will be bigger than any other aspects of CSR. It means instead of PR or reputation management, the result of the employee's 'loyalty' through CSR is a more critical result of CSR."

(Top official, government affiliated organisation, Korea, 2007)

The reason for 'the importance of loyalty' related to CSR can be found in terms of the traditional culture of Korea. Unlike Western countries, the ethics of work in Confucianism countries relies much more upon relationships, especially in terms of the employees' relationship with superiors and colleagues. Therefore, loyalty, diligence, and sincerity are crucial dimensions for Koreans in terms of conceptualising work in their lives. In this regard, CSR contributes to the employee developing loyalty, and this loyalty stimulates cooperation among employees. If the organisation's members are full of loyalty, the employer can expect efficient teamwork. In turn, the teamwork contributes to the productivity and competitiveness of the company. One interesting thing to add is that there was also some mention of 'loyalty' from UK interviewees, but it is about the 'employee themselves', and not to the company. The contrasting idea of loyalty is also argued by UK scholar Williamson (2005), who points out that the British describe 'loyal' generally in



reference to themselves or peers, whereas Chinese (East Asian) refer it to their superior.

There is an example to illustrate the linkage of CSR with employee loyalty to the employer – ‘Korean big volunteer group’<sup>51</sup>. It was hinted in the last chapter as one of the major CSR actions in Korea. It is almost a national ‘norm’ for employers in Korea. The government promotes (even urges) business to engage in this stream. To elaborate, it is almost a similar situation with the 1960s compulsory mobilisation system for industrial development initiated by the government administration of that time. One interviewee referred to this typical situation of the complex interaction of institutional dimensions as an ‘enforced dumpling’ as follows:

“Why is ‘volunteerism’ so important in Korea? I can say that it is a typical ‘enforced dumpling’ situation in Korea. It is closely related with the Korean tradition based on Confucianism (culture)...The effect is provided in both two ways – by community and business (normative)...However, there must be an economic, social and political side that we have to consider. Even though we had the above good traditions in the old days, through passing by Japanese Colonial period and Korean War, many of those social morals and customs are diluted (institutional change)...Beginning with the 1986 Asian Games and 1988 Olympics, even though it was rather artificial and official, Korea needed volunteers and cooperation activities. There were some volunteer activities organised mainly by the government (regulative)...It was a totally top-down enforced system...Even though it is not the intended result, most of all, after the employee volunteer activities, participants were about to understand the social problems and learned about the criticality of CSR. Naturally, it developed employee harmony and loyalty and company image (employee motivation of loyalty and harmony). Fundamentally, it makes people’s transformation, so that it was the right decision, I assume. Therefore, ‘volunteerism’ can be a seed and core of CSR in Korea.”

(Top official, government-affiliated organisation, Korea, 2007)

Therefore, it is difficult to say that the employee motivation in conjunction with CSR in a Korean context is mainly affected by cultural settings as vividly argued in the theoretical review. Instead, it can be explained through the ideas of institutional interaction and institutional change. Additionally, it is closely related to the ‘license-to-operate’ arguments. That is, volunteerism involves a strong emotional component and shows the sincerity of the company – in short it suits the emotional temperament of Korean society and proves more effective in persuading Korean people who have strong skepticism about business and CSR identity. In terms of employees, Korean

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<sup>51</sup> The background and current situation of Korean’s mega volunteering group is elaborated in detail in the former chapter of ‘A synthesis of CSR, HRM and institutional theory’.

businesses recognise that group volunteering is a useful method, which affects the employee's sense of unity and fellow feeling. For Koreans, if they do something together, they feel that they are performing a meaningful task. If they do something individually, the value of the task is lessened by some degree.

On the contrary, the UK's volunteering approach is crucially different as illustrated below from the perspective of a UK junior manager:

“We call it ‘learning in the community’ because we believe that using a word like ‘volunteering’ is very one-sided. If I say I am going to volunteer my time, I am giving my time to the community organisations, they will get the benefit, but I won't get anything because I am giving my time. So my managing director says we cannot use the word ‘volunteering’ because it has two ways. I learn and the community partner learns. We learn together. That takes it out of the volunteering arena into a learning environment.”

(Junior manager, consulting industry, UK, 2008)

It is much more focused on individual learning and training. Through engaging in community work, a UK business articulates what that development is, what the employee gains from it, as well as how employees develop their skills and prove their motivation. Likewise, there appears to be no disagreement that CSR activities serve to motivate employees.

When it is examined further, however, it is evident that the UK's approach is more about the individual's achievements such as individual development, pride, job satisfaction, and enjoyment. To elaborate, UK businesses tend to believe that CSR is an important part of staff's ‘personal development’. It is a useful way to help employees get the skills they need, including management skills. It is also about engendering a desire to learn, and a thirst for learning by employees. It can also be seen to be closely related to ‘personal pride’, as a CR director of a UK business mentions:

“We know that over 60% of employees are proud to work for BT as a result of knowing what we are doing in the CSR programme.”

(Director, Telecom industry, UK, 2007)

CSR as a means of encouraging pride is regarded as a main way of justifying CSR programmes, as it creates a culture of ‘happiness and pride’ for the employees in

question. Moreover, the employee can be more productive if they are happier because they feel they have done something positive for their community. As a UK CSR consultant argues:

“They will come to work more often, so their absences virtually go down – and you can prove that quite conclusively compared to where they were before they started doing this.”

(Consultant, UK, 2006)

CSR also results in high levels of satisfaction because it gives people a sense of purpose in their lives. Comprehensively speaking, UK businesses connect CSR with individual motivation towards personal achievement. Therefore, they strategically use it as part of the company’s training and development programmes.

It is worthwhile to note that there is a different interpretation of individualism in Asian countries: many people in Asian countries think individualism and egoism are interchangeable. In order to interpret the result more precisely, it is useful to draw the distinction here between individualism and egoism for the sake of clarity. Individualism is about respect for individual character and hence, acceptance of diversity. Anglo-American countries seek to maintain individuality and independence from others by attending to the self and by discovering and expressing their unique inner attributes. Asian cultures, on the other hand, insist on the fundamental ‘relatedness’ of individuals to each other, the emphasis is instead placed on attending to others, fitting in, and harmonious interdependence with them. (Markus and Kitayama, 1991).

In summary, the empirical analysis endorses the literature review that CSR works positively in terms of employee motivation. There are, however, limited explorations of how and to what extent there are divergences among the countries. Through empirical findings, the contents are enriched. In the Korean context, CSR motivates employees for mainly affiliation needs, whereas in the UK environment, it works for individual achievement motivation. It is suggested that this result comes from various institutional interactions and changes, which affect people’s perceptions and ways of thinking and behaving both in business and individual life.

## *Organisational culture*

“With this repeated experience of emotional change, employees and top management, naturally, but little by little change their mind – it creates a change in organisational culture. It makes the organisation more transparent and clear in their decision-making and management.”

(Junior manager, Joint-venture energy industry, Korea, 2007)

Does CSR matter in organisational culture? It was discovered that firms realise the result of enriching organisational culture by engaging in CSR. For instance, based upon the idea of a RBV (Resource Based View) of the firm, it was witnessed in Kyobo’s case that a CSR-embedded culture could help employees to understand the organisational mission and functioning and hence contribute to the employer’s endeavour of creating a ‘sharing’ organisational culture. This will be further investigated in this section. Through the literature review, it was suggested that CSR has become a key facet of organisational culture, and a driver for change in organisational behaviour and attitudes. It is worth noting that this discussion is related to the argument that the current CSR phenomenon is too focused on social and external affairs. As one CSR practitioner in Korea points out:

“I think the CSR approach in Korea seems to touch the surface itself as the response of social atmosphere. It is a fragmentary approach. CSR has to be integrated with the necessary things of the business and contribute to the day-to-day business environment, productivity and management ability – it is corporate culture. It is not a fashion. That can be an important part of CSR.”

(Senior manager, Construction industry, Korea, 2007)

CSR’s approach towards organisational culture is innovative and as yet still uncodified in scope, but potentially offers a very positive approach linked to creating a unified culture, organisational change, pride and satisfaction, enjoyable environment, innovative culture, learning culture and organisational transparency. Current businesses are trying to connect the two dimensions, CSR and organisational culture, as one of the important results of CSR from the businesses’ long-term perspective.

Most of all, it has been shown that CSR’s contribution to a ‘sharing and harmonious culture’ is the most critically acknowledged benefit to the psychological perspective of the employee. That is, for the employees, through working together for the community, they can share experiences, create better mutual understanding

and even reduce potential or actual discord as a result, thus enhancing the unity of members of an organisation. As revealed in the analysis of the case study, to do business sustainably, an employer seeks consensus and trust from employees on various management dimensions, such as their philosophy, values and the way to behave. Organisational culture is an embedding and expression of these shared values that acts as a frame for action. In the quote below a practicing manager explores his company's philosophy and feels that CSR activities contribute significantly to the sharing and understanding between employer and employees, and therefore create harmony among them. His company (construction industry) distributes one book to employees and selected stakeholders each month (about 7000 copies, including 1200 employees) along with the hand-written preface message of the CEO:

“You know the industry of my firm is construction. It tends to be local-focus, sales focus, more dynamic than calm and far from emotional management. So, how can we communicate with the internal members? Also, how can we create a positive image with internal stakeholders? The CEO concerns that. We think, therefore, we need a more emotional and cultural approach. Even though all people cannot read the whole book, they can understand what the employer thinks and is concerned with even only through reading the preface of the CEO.”

(Senior manager, Construction industry, Korea, 2007)

This manager feels that if there is a sharing culture, employees understand more quickly the issues of the business in which they are currently operating. Therefore, modern firms are continually trying to find new ways to communicate with employees and let them know what they are doing, and especially how it is related to business performance.

It can also be seen that current businesses are eager to change and develop organisational culture for various reasons: substantial environmental changes, external pressures to the business, and troublesome organisational situations. CSR is considered as one of the efficient tools through which to accomplish this, as one UK manager notes:

“Therefore, take CSR out of this arena and put it in this arena, and then you can develop your CSR and your people in an inspiring way. You can have better communications with your community partners, and you can start embedding CSR culture within everyone in the organisation in a more kind of structured way, in a more meaningful way.” (Junior manager, Consulting, UK, 2008)

Even though CSR is pursued for various reasons (e.g., as a gesture to “show up” or as a response to economic or external or CEO pressure), it contributes significantly to the overall process of internal ‘organisational change’. That is, it appeals to workers’ personal motivations to understand what they really want to do with their lives, where they are coming from, and what things motivate them in terms of the environment or social issues. This is closely related to Schein’s theory of organisational culture (1990; 1991) as a pattern of norms and attitudes of individuals. Employees want to see their personal values reflected in their organisation. In effect a sort of cyclical emergent process takes place – there is an issue of organisational culture and change, which tries to ensure that the policies and efforts of the employer are developed and built from the values and norms of the individuals. Then, the employees get the organisation to approve these, which in turn provides them with legitimacy. The legitimacy does not come down from the top, but is actually a bottom-up phenomenon. CSR contributes to the organisational change with respect to this bottom-up culture and process of legitimisation. In this regard, it makes the organisation more transparent as well as clearer in their decision-making and good management, as noted below:

“Volunteerism contributes not only to employee loyalty but also top management’s clear decision-making. When this situation is continued, the firm can be a truly respected company based on its organisational culture..... It is evolving.”

(Junior manager, Energy industry, UK, 2005)

The other fact of interest to note is that employees feel ‘happiness and fun’ from their organisation through CSR activities, and regard this as a significant part of their organisational culture. That is, CSR behaviour such as community investment creates a culture in which employees are happy and proud to work and operate. They are proud of these schemes and they are interested in how they reflect on the company as a whole, as well as their own lives.

“Employees can like their company as they can experience this fun from their work place. It is an indirect effect. It’s fundamentally related to productivity. The path of CSR has to go towards the effects on organisational culture.”

(Junior manager, NGO, Korea, 2007)

In a comprehensive way, CSR becomes a reflection of organisational culture and this phenomenon should be more emphasised in the critical literature. The other important point to note is that, as investigated in the literature review, organisational culture cannot be easily transferred over a short period of time (Barney, 1986). Many interviewees emphasise that 'it needs time.' It needs a long-term strategy to contribute towards the competitive advantage of the firm.

In summary, in the process of implementing CSR initiatives, and when firms are enjoying the results from CSR, it can certainly be seen that motivation and organisational culture emerge as key factors that work together interactively. Where there is a certain CSR-related organisational culture, it positively affects the employer's endeavours to motivate employees as Kenexa Research Institute's (KRI) latest research suggests with its data on UK employees:

"Employees who work in a strong CSR culture are more favourable toward their colleagues' willingness to do the very best for the organisation, and have more favourable views of their company's ability to motivate people to work hard and put in extra effort." (KRI, 2007)

### *Different views on organisational culture*

The last section elaborates CSR's relationship with organisational culture in various ways; such as link to sharing and unity culture, organisational change, pride and satisfaction and a fun environment. More importantly, the interviewees expected it to become one of the critical aspects of CSR's future role within their organisations.

Both Korean and UK interviewees agree that CSR can play a positive role for a firm's organisational culture, but again in a different way. Koreans argue that CSR can contribute to organisational culture, especially the culture of 'sharing and unity'.

"...However, if you see CSR success beyond the external brand management, even though corporations don't win any awards, more importantly, they regard it as an internalisation process. CSR becomes organisational culture and strategy. In this view, there is one more additional thing, which is needed – it is employee's sharing and sympathy. In this regard, I think CSR is related to HRM."

(Professor, University in Korea, 2007)

The predominant view on organisational culture in Korea, China, and Japan (countries of shared Confucian ethics) is 'unity' (Hayhoe, 1991; Williamson, 2005). That is, people consider CSR as a way of creating an atmosphere of sharing and collecting of the diversity of individuals for the organisation — i.e., creating organisational focus. This argument is supported by one current survey in Korea on the comprehensive Korean CSR phenomenon, which suggests that one of the most important factors of CSR in the internal aspects of its application is to encourage the unity of organisational members (FKI and nporesearch, 2005).

On the contrary, the UK interviewees talk much more about CSR as a way of 'organisational change'. They tend to think of CSR much more for the purposes of institutional development and strategic aims. The British are more accustomed to searching for change for the better, and hence most of them are strongly and proactively motivated to see their organisation change as a result of needs or pressures from various institutions (such as change of government regimes, legislation and cultural change according to a nation's economic stance). In this regard, it can also be seen to be mirrored in their style of CSR: the bottom-up approach. An employee's voice is important for CSR, and hence employers have to continuously try to recreate the workplace as a good place for the employees, i.e. as a learning environment, a fun environment, and dignified workplace. For example, in the words of one UK CSR junior manager, the UK values individual capability and hence creates the organisational culture to give more empowerment to the employee, which is critical:

"We are continuously creating an environment within the business that encourages people to take charge of their own personal and professional development."  
(Junior manager, Energy industry, UK, 2005)

The UK has an 'individualistic' perspective. They put more emphasis on 'individual' talent and character, hence creating the environment of 'empowerment', which is recognised and fostered as a role of CSR (The Edinburgh Perspective, 2005). In this regard, the British tend to expect that the employers need to continuously vary the environment for employees' motivation of development. This idea is seldom, if ever, mentioned by Korean interviewees.



In summary, it is explored that employee matters are emerging according to the CSR process from necessity, and motivation and organisational culture are discussed as important results of CSR which is realised at the CSR maturation stage. Businesses are enjoying CSR's result from these two dimensions which are interconnected with each other, but with different perspectives between the UK and Korea owing to different institutional (e.g., norms, cultures, philosophies, regulative and economic) interactions. There appears, however, another critical set of related questions in this regard, namely: "do businesses just stop CSR at this stage of delighting in the success for promoting employees' motivation and organisational culture? How can businesses go on generating business competency through this phenomenon in different institutional settings – in order to reach the end game of 'competitive advantage'? These questions are explored in the next section in close relation to the 'RBV' debate.

### **IHRM strategy – A RBV**

#### *The possibility of the link between CSR and IHRM strategy*

The thesis began by considering the possibility of the link between CSR and IHRM without certainty as to the nature of their connection. In the literature review, the possibility of new angle to approach CSR (in association with the employee) was proposed based upon RBV (e.g., Doh and Guay, 2006; Husted and Allen, 2006). It was argued that a marriage of CSR and IHRM may contribute to the creation of a firm's competitive advantage thus moving both CSR and IHRM from the fringes of a firm's strategic planning to the centre. During the whole process of analysis, the potential link is certainly evidenced and supported. That is, the suggested phenomenon caught in the case study investigation that firms were trying to transform CSR as a 'differentiator' of the firm – for Shell, to attract and retain employees and for Kyobo, to establish the CSR model which fits into the Korean context and combines CSR and human resources with an attempt to change the mindset of the Kyobo people.

Most of all, at the final stage of CSR (CSR competition stage) in the last chapter, the concept of building competitive advantages for the firm through CSR is

discussed with three major dimensions: economic competitiveness, international competitiveness, and intangible assets competitiveness, all three of which work interactively together. Among them, intangible asset competitiveness is one of the most prominent of the emerging issues which can be seen to be affected by CSR, especially in relation to the employee. More specifically, it is critically noted that the possibility of the link between CSR and IHRM strategy is certainly important and, seemingly, up to now, mostly neglected as part of the ongoing debate on CSR and its effectiveness.

“We are trying to use CR with the main business strategy and demonstrate the business case for being responsible. CR is just part of the way we are; part of values, part of propositions and it’s part of what makes employees proud, so we are trying to be totally integrated and make it part of our DNA. It is the key tool that we use to manage people – HRM strategy.” (Director, Telecommunication industry, UK, 2007)

During the empirical investigation process, there appeared another crucial item which was discovered from those interviewed. The narrative outlined above is not homologous amongst other countries. In this regard, it is strongly suggested that it would be necessary and worthwhile to explore the different views on strategic approach between countries for a more realistic interpretation and implications. It is expected that there may be crucial causes to discover from each perspective, and hence suggest the possibility of cross-national transferability for MNCs who would like to transfer the CSR-IHRM link as a ‘differentiator’ of business. Moreover, beyond the exploration of differences, the present research tries more importantly to delve into the ‘why’ and ‘to what extent’ aspects of this phenomenon.

### *Different views on IHRM strategy*

It was indicated that CSR may contribute in meaningful ways to the competitiveness of intangible assets. In conjunction with this, the suggestion is made that many of these possible issues are related to (I)HRM strategy. This systematic discussion is more active in the UK. Currently the UK tends to view CSR in terms of holistic business profiles, and CSR’s link to business strategy is widely discussed.

In the case of Korea, however, except for the exemplary case of a CSR and HRM best practice company, their attempts to link CSR to certain HRM strategies is not as

active, and many are even reluctant to attempt it owing to its relatively short history of actively engaging CSR, and more importantly, its unique institutional circumstances.

“It is too early to investigate the link between CSR and HRM strategy in a Korean context. To look at it another way, it is time to think about it and do it. As in the case of Korea, they generally view CSR in two ways: CSR report and social contribution activities.”

(Professor, University, Korea, 2007)

That is, there appears a critical gap. In the stage of CSR impact, Koreans' concern about CSR as it is related to the organisational idea and behaviour, such as employee motivation and organisational culture, is energetic. When it comes to the final stage of strategy or competency, however, it is significantly seen that Korean business hesitates to mention CSR as related to HRM strategy. There are two institutional reasons for this ironic phenomenon.

Firstly, there is a normative reason. Koreans tend to have a strong antipathy for ‘strategy’; they are likely to associate this word only with the market and with money. Therefore, when firms say CSR is related to strategy in Korea, it may rouse criticisms directed at the sincerity of motivations behind CSR from external stakeholders. The former indication of the Korean normative approach towards CSR endorses this idea. Therefore, there is a dilemma for businesses in Korea as to whether to respond to pressure from shareholders who would like to see CSR's relationship attached to profit, and the stakeholders who would like to see CSR disconnected from profit. The following is an example of a Korean CSR senior manager who is struggling with this issue:

“I feel very angry with some NGOs' opinion on the definition of ‘strategic CSR’. They interpret that business utilises CSR just as an effective method of earning money. It seems business is seriously misunderstood by NGOs and the community. That is not true. When business says ‘strategic’, it refers to the most rational, efficient and effective way of management.”

(Senior manager, Finance industry, Korea, 2007)

Secondly, it is related to the Korean's focus on social contribution and philanthropy in accordance with regulative and cultural pressures in Korea. Lots of scholars and practitioners in Korea argue that CSR is contained within a bubble, especially with

regard to philanthropic programmes and efforts. Many board members in Korean firms (excluding a few advanced companies) acknowledge CSR only as philanthropy and hence concern it as a matter of spending additional money to show government and community members. Corporate responsibility, therefore, appears to deal with external matters: e.g., relationships with government and NGOs. One CSR scholar highlights this point:

“There is a lack of holistic approach. For example, if one company donates much money to NGOs, people say they are good at CSR and social contribution. It’s a misinterpretation of CSR in Korea.”

(President, College in Korea, 2007)

In the UK, on the contrary, it is acceptable for business to speak about profit and strategy without arousing ethical or philosophical backlash as to their intentions. Even though there are arguments about CSR identity (such as whether it is for PR), the general institutional environment of the UK is not negative to firms who speak of CSR’s link with business as a fundamental tool for profit maximisation. Therefore, there is significant planning and discussion about IHRM strategy in the UK from government to the practical arena as elaborated below with specific cases of each IHRM strategy.

### Recruitment strategy

In this regard, the UK tends to be concerned with CSR as an efficient way for ‘international recruitment strategy’.

“One of the issues of our company’s SD and CSR is long-term business. What we try to do is to use the policies and principles to differentiate ourselves from our competitors, so actually we will then be more attractive to bright young graduates around the world.”

(Former Country Chairman in Korea of UK’s energy industry, 2006)

Specifically, CSR is regarded as a useful tool to attract high-quality international talent. Recruiting recent graduates from higher education institutions, including advanced degree programmes, has shaped the values of the organisation, and the opportunities within the organisation that then match their own values and expectations. It confirms the argument that contemporary workers do not select a workplace only for money (Summer, 2005). Various non-financial dimensions are

emerging as crucial factors for people in selecting their future employer. Among them, the important aspects which are created by CSR motivate people to select such workplaces engaged in these practices, as was elaborated in the last section. Therefore, the ability of a company to recruit the best talent depends on the company's ability to back up what it says, and to demonstrate the values they espouse. So CSR is certainly recognised at the recruitment stage in contemporary business. With this motivated talent, CSR raises the profile of the company.

In Korea, even though it is not actively discussed, there is a unique case which some interviewees suggest in relation to the possibility of the link between CSR and recruitment strategy – 'Yuhan Corporation'. Even though they are relatively small in scale, they have been selected as 'Korea's Most Admired Company' for five consecutive years (survey by Korea Management Association Consulting, 2004-2008), and nominated the number one pharmaceutical firm among 'Korea's Most Favourite Workplaces' by Korean university graduate students (survey by Incruit, 2008). One of the main reasons for this is that they have an 85-year long history of CSR, and there is confidence in CSR among the organisation's members through all levels of the workforce. Therefore, it is well integrated into the organisational culture. The case of 'Yuhan' demonstrates that if CSR is rigorously integrated into a holistic organisational system it has the potential to contribute to the recruitment strategy, as one scholar in Korea points out:

"The representative case of CSR and talent recruitment might be *Yuhan Kimberly*. The total sales of *Yuhan Kimberly* are only about 1 trillion Won. However, *Yuhan* is a more attractive employer than the corporations whose sales are over 10 trillion Won. The only reason for this is CSR."

(President, College in Korea, 2007)

In sum, even though there are different volumes of interest and approach towards CSR in relation to attracting talent, it can be proposed that as an employer's CSR values and activities have an impact on the ability of the company to attract good quality staff, if a firm uses CSR to differentiate itself from its competitors, it will actually prove itself to be more attractive to graduates. CSR was originally introduced for others reasons, not directly because of employees, but once introduced, it can then be used to demonstrate a competitive advantage in gaining

high-quality staff – this is the company that you should work for, we agree with your concerns about the society. A practicing manager affirms this belief:

“We had an interviewee. During the first interview, I’ve asked him: ‘Have you ever heard of SD? If so, how can you contribute to my company in this perspective?’ He answered that he selected this company because of our SD and CSR because he has mission in this field.”

(Senior manager, UK energy industry in Korea, 2007)

### Retention strategy

Unlike the unbalanced view on CSR’s link with recruitment strategy, both the UK and Korean businesses show hope for CSR to contribute to employee-retention strategies.

“Non-financial factors are emerging as we can see from current data such as Fortune’s 100 Best Companies to Work For. There must be something important that we cannot see on the surface, for even though an employee may not have a high salary or does have to work till midnight, still he wants to stay here. Why? It is a cultural fact. In this area, CSR may contribute.”

(HRM manager, High-tech industry, Korea, 2007)

The idea of the employee’s significance as the most important intangible asset is forcefully expressed in the discussion about the ‘retention’ of staff. Even though one may select the right employees in the work place, how can they be retained? As a result, a discussion has arisen in which it is postulated that there must be something beyond a competitive salary or competitive reward system capable of retaining staff. That is, the phenomenon of CSR’s link with employee ‘retention’ is more closely and significantly discussed as a powerful and positive IHRM strategy. It is revealed that CSR contributes to the employer’s retention strategy throughout the interactive work of individual motivation and organisational culture.

Employers usually try to retain good employees as much as possible. Good people are great for business (McKinsey, 2001). There is a problem, however, in holding onto these individuals in this era of the oft-described ‘war for talent’. In this regard, the employer must seriously consider ‘why do employees leave the company?’ and ‘how can we hold them?’ If high-performance employees decide to leave the company, then in most cases it demonstrates that they are not happy or satisfied with the employer as argued below:

“If you analyse them carefully together with the number of people who leave the company (the turnover rate), this data would be a very important indicator whether CSR performance is really up to their promises.”

(Senior manager, Energy industry, UK, 2007)

It is revealed that the ‘retention’ discussion is closely related to the issue of ‘great place to work’. In liaison with the discussion of ‘global corporate citizenship’, various companies are mentioned for the excellence of their working environment, such as, 100 Best Corporate Citizens (CRO), Best Companies to Work For (Sunday Times, UK), Great Places to Work For (Great Places to Work Institute, Worldwide) and Best Admired Company (Fortune, USA). Certainly, people management and CSR are among the important criteria that are used to create the above list. As well as being a good tool to attract new employees as an ‘employer of choice’, it is also acknowledged among companies that belong to these lists that CSR positively affects the employee turn-over rate and increases their retention rate.

It is also significant to note that the issues of ‘great place to work’ and ‘retention’ can be explored through the ideas of organisational culture and motivation which are mutually interactive. For example, if a firm has a strong and identifiable CSR culture, it contributes to employee retention (KRI survey, 2007). Once an employee is motivated by a firm’s CSR efforts, the employer might experience lower staff turn-over rates (CIPD and CSR Academy report, 2005). To explore further, Levering (1984, 1993) argues that the ‘great place’ is not related significantly to stock option plans that employees can get or brilliant policies towards them. Rather, employees have a great deal of regard for the quality of their relationship within the organisation: trust, pride, fun and development. Additionally, in the ‘motivation’ analysis, it is also shown that CSR provides various feelings of achievement and affiliation including the aforementioned pride, happiness, and unity, and hence motivates employees to work hard. In this regard, it is revealed that CSR significantly contributes to the facilitation of individual motivation and organisational culture which mutually interact, and hence the employer’s endeavour to retain staff.

“It is also about engendering a desire to learn and a thirst for learning and once you create that organisational culture, you can retain employees.”

(Junior manager, Energy industry, UK, 2005)

If this is indeed the case, we may answer the question as to how firms become great companies, particularly with regard to how they are perceived in society. One of the most efficient ways could be through building an organisational culture and motivated workplace throughout the CSR process. Here an employee is very frank about intensive working conditions and yet remains strongly supportive of the organisation because of the CSR activities they are involved in:

“I’ve worked in Kyobo for 25 years. I appreciate the fact that I am here. Actually, there is plenty of moving in this call centre. It is a typical character of call centres. There is no free time from 9 o’clock in the morning till 6 o’clock in the evening. Even though we continuously work with phones, I am here because of volunteering (as I like it). Through this activity, I can feel value and pride in my company. I appreciate this aspect of my company’s culture. If it connects with our sons and daughters — they think ‘my mom’s company is a good place’.”

(Telemarketer, Call centre of financial company, Korea, 2007)

In this regard, it is suggested that it is useful and timely to investigate people’s motivation and organisational culture in relation to CSR’s contribution towards an employer’s retention strategy. Even though there are various reasons to retain employees, and it may somewhat differ according to each nation’s institutional settings, it is revealed that there is a potential for the linkage between CSR and retention strategy based upon the utilisation of the interaction of motivation and organisational culture through CSR engagement.

### HRD strategy

It is revealed that there is an unbalanced view of CSR-HRD strategy between the UK and Korea. The last and the most unique feature of the UK related to CSR and HRM strategy, in comparison with its Korean counterparts, is HRD strategy. In the UK context, much CSR work is carried out in accordance with staff training as elaborated by one consultant of a CSR consulting institution in the UK:



“The staff also has to develop their own organisational skills to organise the day that they’ve been asked to get involved in CSR. They have to work as a team with other companies, strangers they’ve never met before. It’s obviously a subtle training scheme for the staff. So the person comes back to the organisation. They’ve had some training even though they didn’t realise they were having and maybe improved their confidence, their ability to work with others, have a better understanding of problems. So really, that’s the benefit to the company.”

(Consultant, CSR consulting institution, UK, 2007)

It is confirmed that UK businesses have taken the issue of ‘increased learning and development opportunities’ as a first priority to address staff retention (CIPD, 2007: 37). This phenomenon is interpreted as a good combination of the UK institutions: an individual’s ambition for development, organisation’s Endeavour for building an empowerment culture and society’s support for business to utilise CSR as a way of developing HRD strategy. There is an illustrated example of ‘ScottishPower Learning Programme’ whose focus on CSR is seen as a form of ‘staff development’, not a simple focus on helping beneficiaries.

“We have the *ScottishPower Learning Programme*. About ten years ago, we started with our trade unions. It meets a real business need and the real business need for us is training and development of our staff.”

(Junior manager, Energy industry, UK, 2005)

It is not simply related to job training. Beyond the sharing of the company’s value and ideas, it is also related to individual development as was outlined in the last section on motivation, i.e. employees’ desire to develop and learn, and need for achievement. This programme has been running for over a decade, and contributes to the workplace being a learning environment. Like this case, many UK interviewees argue that one of CSR’s main purposes should be staff training. Moreover, the most common theme of CSR reporting in relation to HRM in Europe is ‘training and staff development’ (Vuontisjarvi, 2006).

“Through community activities, employees can learn softer skill/interpersonal skills that cannot be taught in regular training courses. This is valuable in terms of what they get back. HR cannot do it.”

(Senior manager, Finance industry, UK, 2007)

It is, however, interesting to note that different institutional logics are at play in Korea. CSR training could theoretically be an issue, but it could not be openly discussed as a HRM strategy, unlike the UK. Korea has its own typical sentiments

and beliefs, as has been often noted in this thesis. Koreans (and also most of Asian Confucianism countries) believe that to be intentionally 'trained' in a top-down structure, even with a good cause like CSR, means it is not a good cause any more, as it is regarded as another way of 'controlling' employees and is viewed as a violation of the social norm as well as the social rule of ethics.

"I understand that one of the major purposes of initiating a volunteering group of ABC Company which leads to the CSR stream in Korea was to foster morality of the employee – it was related to staff training. However, there is a sentiment in the Korean institutional context which sees this initiative negatively and hence makes firms not to speak about this initiative openly."

(Senior manager, Telecommunication industry, Korea, 2007)

In summary, it can be seen that CSR's link with IHRM strategy is more seriously discussed in the UK than in Korea. UK businesses vigorously discuss the way of transforming CSR-employee interactive dimensions which emerged throughout the CSR process in relation to various IHRM strategies such as recruitment, retention and HRD strategy. It shows, however, the limitation of Korean businesses. Corporations in Korea hesitate to link CSR into strategy even though they consider to some extent CSR to have a contributory role in the employer's retention strategy. It is critical to note the reason for this is not a matter of skill or capacity that influences whether business people (more specifically CSR/HRM person in charge) can connect it with strategy. Rather, it is more closely related to the country's institutional contexts which influence each other and fuel people's negative views, which lead businesses to demonstrate CSR in certain ways.

## **Synthesis of empirical findings**

### ***Mix of CSR and IHRM – new way of creation of intangible asset***

There are two main empirical findings. It is finally suggested that once CSR and IHRM are put together, a company will gain competitiveness in this globalisation era by creating intangible assets (based upon the elaboration of RBV), but by using different ways in different nations (with the application of an institutional argument).

Most of all, the analysis yields the crucial result that although CSR and IHRM start with a very weak relationship in the CSR initiating stage, it emerges throughout

the CSR process. At the CSR implementation process stage, communication and consensus with employees arises as a crucial issue in order to continue and disseminate the employer's CSR ideas. When business behaves with regard to CSR with consistency and sincerity, there comes a maturation stage when the business begins enjoying the results from CSR. In this period, two significant concepts appear: 'motivation' and 'organisational culture'. CSR significantly 'motivates' employees in their work place and hence it fosters a good 'organisational culture' of sharing, happiness and fun, and learning. Finally, a very positive and significant association with IHRM strategy is found at the final stage of CSR – competition stage. Drawing on a Resource Based View of the firm, it can be seen how CSR contributes to the IHRM strategy such as recruitment, retention and HRD strategy. By employing CSR and fully integrating it into corporate strategy, a business can gain competitive advantage through people, as the employee is a main intangible asset of business. Therefore, the above analysis can lead one to conclude that a firm's endeavour to link CSR with IHRM strategy can be a way to meet business expectations.

Second, based on the wide spectrum of motivation, organisational culture and IHRM strategy, which are theoretically the focal ideas for interaction between CSR and IHRM, institutional dynamics are addressed. CSR activities encourage the employee's motivation. In Korea, CSR is a way of enriching 'affiliation and loyalty' to the employer among organisational members. It is derived from a much more relational perspective that echoes Korea's norms, culture and philosophies which has been affected by various institutional settings for CSR. In the UK, on the contrary, CSR works for the motivation of employees through individual achievement such as individual development (learning), pride, and job satisfaction. It indicates that institutional differences and modifications according to long-lasting history influence people's perception and thinking both in business and individual lives.

With regard to organisational culture in Korea, the empirical data shows that people view CSR as a contributor to the organisation, especially the culture of 'harmony and unity'. People see CSR as a way of creating an atmosphere of sharing and collectivity, and extending the diversity of individuals for organisation. On the contrary, UK practitioners view CSR as a way of organisational change,

development and strategy. Therefore, the related issues are a learning environment, fun environment, and dignified workplace, and so on. It is also revealed that motivation and organisational culture have similar characteristics, and thus work together for the organisation itself and its members.

Here is a profound contrast in the systematic approach of CSR towards IHRM strategy. The discussion on the issues of these two factors is more spirited in the UK, as the UK sees CSR more in terms of strategic business management. This train of thought is encouraged by other institutional members of the society. In Korea, however, there is little discussion of, and even a reluctance to accept the link between CSR and HRM strategy. It is suggested that the main reason is the Korean institutional environment which makes corporations hesitate to connect CSR with business strategy owing to concerns about public criticism of its sincerity. In other words, it is critical to note that although HRM aspects with respect to discussions of CSR are growing in importance in Korea, particularly with regard to CSR's work in motivation and organisational culture, the business, and more importantly, institutional readiness have not yet materialised to convert this linkage to business strategy.

Overall, the present study does not deny the fundamental purpose of a business: the drive towards profit maximisation, or the significance of a stakeholder perspective, and the influence of institutions. It seeks to combine these for business application. The points of this analysis are, therefore, that CSR is related to HRM (which deals with employees — one of the crucial features of a stakeholder approach); that CSR can as a result play a prominent, if not dominant role, in people management; and that in order to employ this idea as a rigorous strategy, a business should deliberately consider the country's institutional profiles and dynamics as well as the status of economic development.

In the next chapter, the discussion aims to comprehend the theoretical and empirical analysis of the present study, and to find the gaps that exist between the two. This aim will be carried out in light of the two research questions which were generated in the last stage of literature review — (1) *How and to what extent do CSR and IHRM link?*; and (2) *Can we identify the pressures of divergence and convergence of CSR in relation to IHRM based on institutional theory?*<sup>52</sup>

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<sup>52</sup> Refer to the final section of Chapter 4, to view the backgrounds and rationales of research questions.

## **Chapter 9: Discussion and conclusion**

This chapter concentrates on synergising all the analysis conducted during the course of this study and draws final conclusions based on this analysis. It begins with a discussion based upon the two research questions of the study, and proceeds to explore the gap between theory and practice. The conclusion is then drawn from contributions in the research and practical fields, followed by limitations and suggestions for further research.

### **Discussion**

The aim of the present thesis is to examine the CSR-HRM link in an international context. To accomplish this single aim, the study seeks to investigate CSR in a holistic way according to the CSR growth process, find the missing employee related issues and the possibility to use the link as competitive advantage based upon the RBV (Resource Based View). Additionally, the study puts forward the potential for its international dynamics (e.g., convergence and/or divergence) according to the argument of institutional logics. The investigation is stimulated by the two research questions presented at the end of Chapter 4, which were as follows:

- 1) How and to what extent do CSR and IHRM link?*
- 2) Can we identify the pressures of divergence and convergence of CSR in relation to IHRM based on institutional theory?*

The first question is with reference to the investigation of the potential link between the two dimensions according to the CSR process, and the second concerns the overall dynamics of the link and concerns the pursuit of a model of dynamics in accordance with institutional theory. The aim of this section is to explore the integration of theory and practice, and find the associations and discrepancies between these two aspects.

## *The extent of the link between CSR and IHRM*

### The link between CSR and IHRM: Emerging out of necessity

The first research question is: **'how and to what extent do CSR and IHRM link?'**

The analysis of this study began by noting the theoretical gap that the possibility of the link existing is neglected and scattered in current debates. This is mainly because the widespread CSR approaches display unbalanced and limited views focused on external stakeholders (e.g., NGOs, philanthropy, PR, tax benefit, and, risk and reputation management), and hence the notion of the 'employee' is conspicuously absent from contemporary CSR dialogue.

In an empirically derived analysis, the discrepancies between theory and practice on the issue are revealed. CSR is not so much a purely reactive action carried out because of mainly external pressures, there is a development process of CSR, and IHRM dimensions appear differently with different roles. That is, there has been excessive emphasis on outside stakeholders in relation to CSR in the conceptual discussion, and hence CSR is usually described as passive in terms of the actions of businesses. In practice, however, it is confronted by a discrepancy in the results of the empirical observations in this study. CSR is a business-driven, active phenomenon and not mainly motivated by external impetus. Rather, business tends to strategise CSR as an interactive dimension that integrates external business and internal concerns together.

To explore this in slightly more detail, it is revealed that CSR works throughout the 'emergent process' and its interaction with IHRM dimensions changes as a result of the natural evolution of the CSR-evolving development. In the CSR initiation stage, there were various arguments about CSR identity, focusing on the 'what' and 'why' of CSR. In this period, there is little discussion on the 'employee'. This indicates that business seldom regards 'employee' matters when they initiate their CSR profile. As soon as businesses begin to implement CSR, however, the 'how' of CSR (CSR action) and what it claims (CSR claims) with concern about employees' involvement gradually emerge out of requirement. This phenomenon emerges because employers acknowledge that without communication with, and consensus from, employees, CSR cannot materialise as it is usually accomplished by employees since they are the fabric of the company.

In theory, motivation and organisational culture are suggested as mutually complementary variables working together in a comprehensive way in the firm and explaining the possibility of the link between CSR and IHRM (as presented in figure 3-2). This theoretical argument is enforced by observation of practises in the workplace, in particular, when businesses consider and evaluate the result of CSR – in the CSR maturation stage. In other words, when practitioners have concerned themselves with the impact and result of CSR after a completed implementation period, these two HRM dimensions have been vigorously raised as positive results of CSR. Based on the ideas of RBV, it is proposed that CSR engagement might be a useful tool for acquiring valuable resources through creating synergetic interactions of personnel motivation with organisational culture.

To elaborate further, the motivation dynamics related to CSR are theoretically investigated according to McClelland's (1961) concepts of 'motivation' in which the need for achievement, affiliation, and power are the driving forces. In practice, it is revealed that CSR certainly promotes the employee's motivation of achievement (e.g., pride, loyalty, learning and development, and enjoyment) and affiliation (to the staff's sharing emotions, and harmony and unity mindset). There has been little empirical discussion, however, on the need for 'power' through CSR employment. With this finding, it is assumed that business treats CSR not as a way to control or influence other colleagues or society, but instead approach CSR with mild humanitarian attitudes. In this regard, it is believed that the employee tries to find human dignity and human value through CSR in what may otherwise be clinical, unsympathetic business activities.

In association with organisational culture, through the literature review, it is suggested that CSR has become a key facet of 'organisational culture' and a driving force for change in organisations' behaviours and attitudes. This view is reinforced in the examination of the practical arena with more concrete reasons. CSR contributes to a 'sharing and harmonious culture'. The employees, through CSR activities such as volunteering, may share emotions and understand each other better, thus reducing discord. If there is a sharing culture, employees realise more efficiently the issues of the business and hence that organisational mood can be a facilitator for a business to work in a more productive way. Moreover, CSR is considered as one of the effective

tools for 'organisational change', more specifically, it promotes a bottom-up culture which has a more transparent decision-making process and good management paradigms. That is, employees in contemporary business, who are motivated to understand what they really want to do, where they are coming from, and what things motivate them in terms of environment or social issues, would like to see the results from the policy and practices of their organisation, and evaluate whether these are developed and built from their own values and norms. In doing so, the employees can come to approve of their employer's actions and status as a responsible organisation – and thus legitimise the company's actions as a result of this.

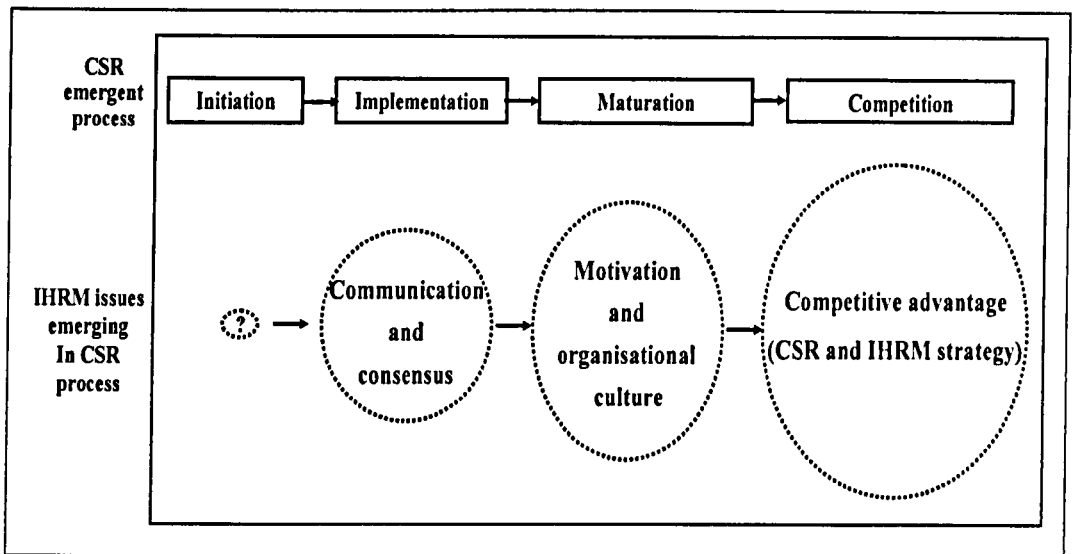
Finally, there is a serious discussion on CSR and its relationship with 'IHRM strategy' in conjunction with further trial of businesses to transform CSR as a competitive advantage beyond enjoying the positive results of CSR. The theoretical view suggests that this trial may contribute to the stance of both CSR and IHRM moving from the fringes to the centre of a firm's strategic planning. It is noteworthy that CSR's relationship with IHRM strategy is one of the most frequently discussed issues on CSR competency and differentiation in the contemporary empirical arena. In this regard, a very positive and significant mutual connection between CSR with IHRM strategy is found at the final stage of CSR, when employers think about CSR in relation to the company's strategies of differentiation. It is implied that CSR becomes one of the crucial resources of the firm for gaining competitive advantage through close interactive work with the employee, who becomes the primary intangible asset of business (a RBV view). Therefore, this argument can lead one to conclude that a firm's endeavour to link CSR with IHRM strategy can subsequently be the way to meet business expectations.

In summary, although it is an unintended consequence, it is revealed that CSR significantly links to IHRM dimensions out of necessity according to the development process of CSR (demonstrated in figure 9-1). It is suggested that CSR plays a crucial role for the business by creating the internal dynamics of organisation, and by being a useful resource for competitive advantage through interaction with IHRM dimensions. This kind of holistic approach towards the CSR process helps the author to grasp the issues of its relationship with IHRM. It is also proposed that a non-holistic and static approach towards the correlation between CSR and IHRM,



proposed by many of the current CSR-IHRM researchers, only reflects a linear relationship and may mislead the case of a non-linear and evolving pattern, and hence there is a limit to vigorously argue the extent of CSR's link with IHRM strategy.

Figure 9-1: The evolution of IHRM dimensions throughout the CSR process



During both the theoretical and empirical investigations, there appears another crucial result: the above illustration of CSR implementation is not the same amongst different countries. Therefore, the second research exploration is created to identify 'how' and 'to what extent' it differs between countries.

### *The extent of difference in accordance with institutional theory*

The second intriguing research question of the thesis is: **Can we identify the pressures of divergence and convergence of CSR in relation to IHRM based on institutional theory?** It is revealed that the motivation, implementation, evaluation, and competing behaviour of CSR may vary between countries. There are contrasts regarding the idea of human identity and dignity, and hence it is also assumed that people are motivated for different reasons in different organisational settings. Accordingly, CSR works with employee-related matters and shows a large divergence despite there also being significant pressures for convergence owing to

globalisation, isomorphism, and standardisation. This study seeks to elaborate it in the case of the UK and Korea by employing Scott's three institutional pillars – the regulative, the normative, and cognitive-cultural factors.

#### CSR: The result of interaction among institutional dimensions

As presented in figure 4-1, the literature review discovered that international regulative pressure pushes CSR towards greater degrees of convergence, whereas domestic political, normative and cognitive pressures act towards more divergence. By in-depth investigation of the theoretical arguments on the current international 'regulative' issues of CSR profiles (international standardisation, industrial self regulation, and rising influences of NGOs), this study reveals that corporations (especially MNCs) tend to follow the global convergence movement in order to gain legitimacy, and survive in the market. On the other hand, the signs of divergence of CSR owing to governments' regulative settings are also witnessed. By supporting Sethi's (1975) argument that CSR is behaviour that is congruent with prevailing social norms, values, and expectations of performance, the study elaborates the other side of CSR – the subtly different 'normative' approach towards various themes with the case of the UK and Korea. For example, this can be seen in the areas of business (the UK's profit versus Korea's moral values) and governance system (the UK's individual efficiency versus Korea's collective efficiency). 'Cultural' aspects also contribute to the divergence of CSR as it clearly links to local culture and people's different cognition. In the UK, workers engage in CSR based upon the UK's traditional ideology of 'individual respect', and the developed market principle. Therefore, the pattern of CSR is much more individual-oriented and market-performance driven. On the contrary, Korea traditionally has a strong ideology of 'organisation first' and 'collectivism', and as a result many of the driving forces of CSR come from the top of the organisation, and employees have to show their loyalty to the employer and engagement with the organisation through the CSR activities that are initiated.

In practice, the theoretical argument about regulative pressure on CSR's convergence is partly seen as having been demonstrated. It is, however, noted that attention to regulative pressure is much higher in practice than in the literature. This

is because of businesses' deep concern with the significance of regulative institutions: they can either enable or constrain business action. It seems there are more similarities than differences between Korea and the UK in terms of the approach towards 'international' regulations and standards. When it comes to a 'domestic' government approach, however, as the political climate differs, the approaches show great dissimilarity. The Korean government seems to have a much more 'coercive (and leading)' approach towards business CSR, whereas the UK has a more 'supporting and backing' approach. It is assumed that there are comprehensive reasons for this reality in relation to the differences in political and economic history, interest, and security of each country.

The dissimilarity of normative approach in theory is strengthened more in practice by revealing related cases and reasons. Businesses in Korea tend to employ a more fragmented approach focused on philanthropy (in particular, the donation of money) and volunteerism (in particular, the number of participants) and it leads Korean CSR to be disjointed from holistic management aims and strategies. The reason behind this is that people in Korea, like other Confucianism-inspired countries, seem to think that money and righteousness cannot exist together. They therefore feel shame regarding making a great amount of money and keenly feel the cultural stigma attached to being profit-driven. Therefore, to approach CSR from the viewpoint of business strategy creates a negative effect for business performance in Korea. Whereas, in the UK, which has a long history and experience of capitalism, businesses' 'strategic' approach toward CSR is accepted by the British public. Hence, they view CSR as an efficient way of investment and various social and environmental issues can be interpreted under the theme of CSR strategy.

It is significant to note that in the workplace the cultural environment of CSR is not so easy to explain, and moves towards divergence not as simple as in the theoretical discussion. There is much more institutional change which thus introduces a business dilemma about how they can cope with it. That is, modern Korea, which has a long-term orientated culture from the influence of Confucianism, has developed a problematic short-term approach towards CSR. This is because of institutional dynamics, such as changes of its political and economic system, powered by globalisation and the introduction of capitalism. Hence, the social morals

and customs have changed and become diluted. On the contrary, in the UK workplace (the UK is categorised as one of the most short-term oriented countries), it is discovered that businesses have to make a more 'holistic' and 'long-term' adaption in CSR matters, with the idea of business for profit and sustainability. In this regard, there appears one crucial dimension, the 'institutional change' of the country, which is difficult to explain in the context of static cultural differences of nations.

Overall, it is revealed that the conceptual exploration on CSR discussed above is not enough to illustrate the complexity of CSR in the workplace, and that some crucial contradictions can be found. That is, the phenomenon is more complicated, and to attempt to explain it with simple and static dimensions has severe limitations. It is revealed that CSR is strongly affected by the complex interaction of institutional environment. Also, it is critical to note that there is 'institutional change' which leads to mixed and altering (convergence to divergence and vice versa) approaches towards CSR, something fundamentally overlooked in the theoretical investigation.

Therefore, the theoretical evaluation that there may be a sharp distinction between convergence and divergence in institutional dynamics when employing CSR has to be revised. The regulative pressure (which is regarded by practitioners as one of the significant influences on CSR compared to discussions of theory) by related international bodies leads CSR to more convergent ways, whereas domestic governments lead a different way as the political climates and interests differ. The divergence of the normative approach in theory is enforced in practice: the fragmented Korea versus the strategic UK approach toward CSR. The importance of 'institutional interaction and change' is noted through an elaboration of the cultural dynamics of CSR. Korea has a short-term approach towards CSR, although it has a long-term orientated culture. The UK has a more holistic and long-term adaption on CSR issues from its comprehensive understanding about business identity, which comes from a long-enduring capitalistic history and experience and yet it retains a short-term approach to creating shareholder returns. As a whole, to explore CSR dynamics with clear cut distinction of each institutional pillar is difficult in practical terms. Rather, the phenomenon can be explained with the idea of complex interactions and continuous change of institutional settings which introduce

similarities and differences (or both at the same time) for businesses to engage in CSR in the international business arena.

### CSR and IHRM links: Picture in institutional umbrella

In the case of CSR and IHRM interactive work, the resulting theoretical discussions tend to follow the pattern of CSR. The argument of differences in motivation and organisational culture, which were suggested as possible dimensions to explain the link between CSR and IHRM, is mainly based upon cultural and societal norms, even though scholars use the term “complex institutional environment”. To explore, there is an unbalanced institutional approach. The CSR approach towards motivation and organisational culture is strongly argued based on the difference of cognitive-cultural background. Korea has more ‘we’-oriented CSR activities in the view of HRM dimensions: for example, motivation for harmony and organisational culture of benevolence and commitment, whereas the UK has a more ‘individual’-oriented CSR such as motivation for individual achievement and an organisational culture of empowerment. However, the interactive nature of the three institutional pillars along with a nation’s economic situation is again overlooked.

Practitioners concern themselves with a more holistic and systematic approach in this relationship, beyond a single cultural perspective that is excessively emphasised in the theoretical argument. To explore, to Korean employees, CSR encourages more affiliation-based motivation (satisfaction with relationships) such as loyalty, sharing and harmony. Conversely, UK businesses connect CSR with individual motivation towards personal achievement. Therefore, they strategically use it as part of the company’s training and development programmes. As a reason, it is revealed that the complex institutional (e.g., political, economic and social) supports and the possibility of alterations is seriously considered to understand this phenomenon. For instance, Korea’s approach towards volunteerism can be explored by the combination of political pressure (i.e. government regulations), community’s normative pressure (i.e. business has to suit the emotional temperament of a society) and cultural settings (i.e., Confucianism focused on harmony and affiliation). On the other hand, the UK tends to utilise CSR as a method of personnel development and training. That is, employees develop their skills and prove their motivation for

learning through CSR. The UK government encourages this initiative, and society understands this strategic business approach and it is supported by UK's culture of 'individual respect'.

The arguments pertaining to the dynamics of 'organisational culture' are similar to the discussion on motivation, and thus, the view that the two dimensions closely interact is endorsed in practice. In theory, it is suggested that the UK workplace puts the emphasis on the culture of empowerment and efficiency, and hence UK business expects that CSR activities will promote this culture. In Korea, business regards CSR as a facilitator of the organisational culture of harmony and union.

In the empirical arena, the above theoretical argument generally holds true, but does not do so in an entirely perfect way. A new perspective is discovered. That is, UK business is more closely concerned with CSR as an efficient device of 'organisational change': organisational development and strategy, whereas the Korean phenomenon reinforces the theoretical argument of CSR's link to a culture of 'sharing and harmony'. That is, the British are more accustomed to searching for change from the bottom, which is closely related to their bottom-up approach to CSR. In this regard, it is suggested that there must be a more holistic investigation of the CSR-IHRM interaction and its capability to influence change beyond those of culture and social norms. This can be explained in conjunction with the idea of an 'institutional umbrella' of culture, norms, government policies, and economic systems.

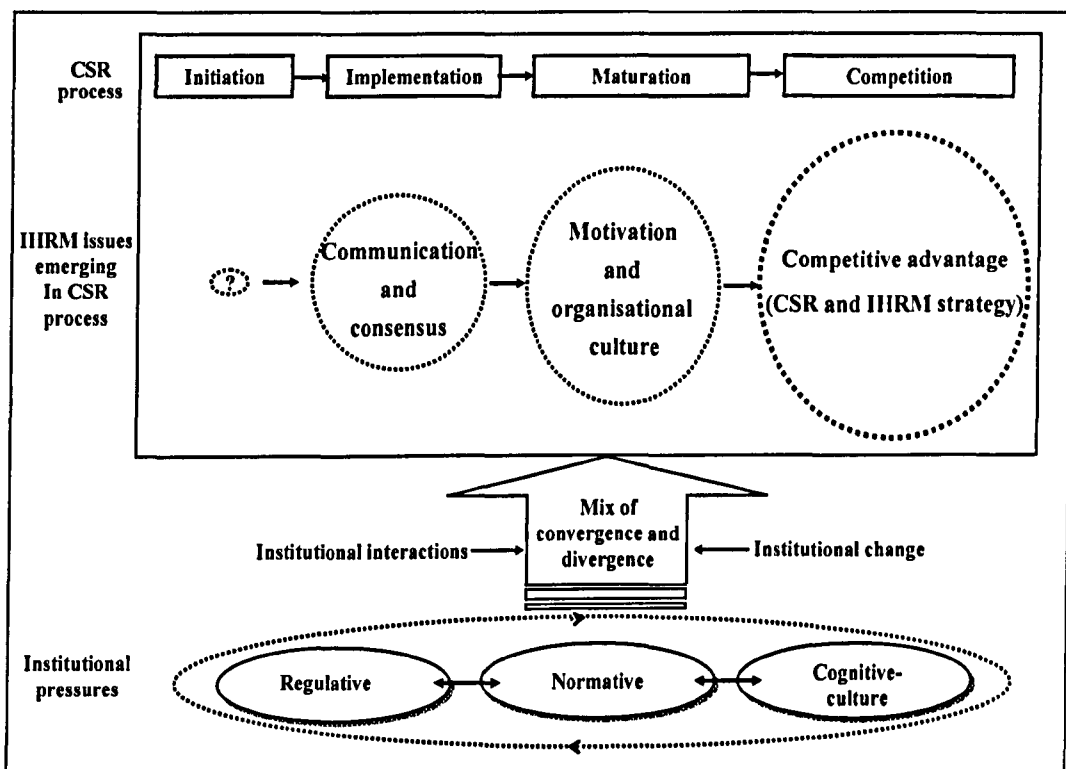
### *Synthesis*

Finally, a model can be established to demonstrate the link in different institutional settings, as presented in figure 9-2. CSR's linkage with IHRM can be explained out of fundamentals throughout the CSR evolving process (initiation → implementation → maturation → competition). From very few links in the initial CSR stage, the necessity of employees implementing CSR has emerged for the employer with the theme of consensus and communication with employees. Even though it is a side-effect rather than the expected result, businesses enjoy the impacts of CSR by promoting motivation and organisational culture. Consequently, CSR contributes to the competitive advantage of the firm by creating intangible resources (the RBV). To

summarise, it can be suggested that CSR can play a significant role for business by offering useful resources (motivation) and by creating internal dynamics of the organisation (organisational culture) for competitive advantage through interaction with IHRM dimensions.

On the way to searching for a precise formulation of this link, there appears a complex variety of dynamics for CSR and CSR-HRM profiles between countries which cannot be explained by the simple dichotomy of institutional convergence and divergence. It is revealed that although there should be a consideration that the long-lasting institutional setting is important, the complex institutional contexts and its possibility of modification, which lead the mixed (convergence and divergence) approach towards CSR and CSR/IHRM, has to be seriously considered. A more holistic and systematic approach to seeking reasons which encompass the complicated institutional environment of business is proposed as a result.

Figure 9-2: The CSR and HRM link in an international context



Finally, a single comprehensive suggestion from the thesis is created. That is, once CSR and IHRM are efficiently put together and grow out of necessity, based upon the understanding of the complex institutional dynamics (i.e., institutional interactions and change), a company will subsequently gain competitiveness in international business by creating intangible assets and transforming them into IHRM strategy. The next section draws a range of wider implications facilitated by this result. The contribution to the research field and the implication for practice is elaborated, followed by the limitations and suggestions for further research.

## **Conclusion**

By recalling the aim of this study as presented in Chapter 1, there are two primary motives in this thesis: namely the questions on the missing perspective of employees in CSR discussions and why the phenomenon differs among countries. The endeavour to investigate the linkage between CSR and IHRM is closely related to the fundamental search for the identity of CSR. The work of exploring the institutional dynamics of CSR and CSR/IHRM is related to the second motive, why it differs. The two expressed points are outlined in a manner discussed in the previous section: in brief, CSR and IHRM are linked in a mutually supportive way out of need according to the CSR development process, and there is a significantly different approach according to the country in question. The final proposal is that if CSR and IHRM are efficiently put together based upon the understanding of complex institutional dynamics, a company will gain competitiveness in international business by creating intangible assets.

Based on the results, this concluding section presents the theoretical and empirical contributions of this study to an understanding of this complete process. The limitations and proposal for more research which emerged during the whole range of this process are then discussed.

### ***Contributions to the research field***

#### **Developing an understanding of the link between CSR and IHRM**

The focal pursuit of this study is to call for further expansion and a deepening interpretation of CSR, and hence to provide a more constructive dialogue between



management scholars related to CSR in its various incarnations. The increasing trend of CSR research is to investigate its relationship with other management themes. Prior research has mainly argued for CSR's relationship with external affairs, and the author notes that little theoretical attention has been paid to internal (employee) perspectives in the CSR dialogue. This is equally true of both its necessity and role in interacting with those employees. Hence, the present study further investigates its relationship with the employee focusing on IHRM issues, and tries to realign the focal point of CSR to the employee. This is based upon the author's confidence that the current CSR approach will be expanded, and one of the ways it will do so is almost certainly to focus on 'human' values. No management paradigm (inter alia, CSR) can prosper without the consensus and connection with people (inter alia, employee).

To elaborate, drawing upon the integration of stakeholder theory and the RBV, the study tries to discover the limits of the contemporary CSR approach. The fundamental problem has been the myopic view of CSR as philanthropy or as a way to manage public relations and mitigate the effects of negative events for corporate reputations. Strong arguments can be made that true CSR needs to be adopted in a more holistic way according to the CSR growth process through the perspective of the organisation's resources. If employees are not supportive of the endeavour, CSR becomes an exercise of empty gesture, and cannot realise its identity and sustainability, and consequently the CSR paradigm will disappear from the management agenda. That is why, while there are many other aspects of CSR, this paper brings the IHRM aspect into focus.

It is revealed that there is insufficient attention being paid to identify the relationship between CSR and IHRM in the business research profile. CSR is a theme related to stakeholder management, and the existing literature, as well as a great deal of contemporary research, insists that one of the most important stakeholders is the employee. Therefore, despite the neglect of the link, it should be noted that CSR and HRM are closely related. It is consequently suggested that a synergetic interaction between CSR and IHRM creates the values and intangible assets for competitive advantage of the firm in international business, which other management themes cannot so easily encompass.

The author reiterates that the way to integrate CSR with IHRM can be one useful way to pursue the true CSR identity. In other words, CSR-IHRM interactive work is already emerging as one of the factors which persuade the necessity and rationale for CSR. Hence, it will certainly contribute to the current provocative debates on the risk of CSR identity at the time of the credit crunch, especially whether CSR is a theme which has to disappear or to be reinforced in coexisting businesses. It is expected that the proposals of this study – no doubt controversial – facilitate a spirited discussion on CSR identity.

#### Developing an understanding of the national comparative dimension of CSR/IHRM

The study is not just speaking of an ideal picture of the link between CSR and IHRM, but of a more actual phenomenon in international business. Hence, finding the dynamics is a must to turn this idea into reality, as different people think differently regarding CSR and its relationship with the employee. As one of the leading trials to investigate the dynamics of this unique proposed possibility, this research selects institutional ideas to engage in a more comprehensive analysis of country differences and its reasons, with the cases of the UK and Korea as representatives of their larger geographic situation, Europe and East Asia respectively. It is expected that this study contributes to the further research in the international business field to provide valuable conclusions as follows.

Today, there appears to be a significant problem with a single globalised approach to CSR. Even so, research on its relationship with HRM is rare. Relatively speaking, most research and literature on CSR has been for national companies, and that aimed at MNCs has only just begun to emerge. Additionally, most of the discussion on CSR has been focused on the Anglo-American corporate system (Maignan and Ralston, 2002). Yet one has to realise that every nation has a unique institutional background; therefore, CSR is closely bound to institutional settings. Moreover, there is a lack of international comparative research. What really happens to Western business models when they enter the Eastern region? Even though the debates on CSR in Asia tend to follow the development of the West (Mohan, 2001; Moon, 2002), there are very different priorities in countries where institutional backgrounds and people differ.

In summary, it is expected that the challenging discoveries of this thesis can offer timely aid to the research on international strategy – especially on how international companies understand and interact with their local communities in a more strategic way in view of the connection of CSR with management for local human resources.

### *Implications for practitioners*

“A paper should allow a reader to see the world, and not just the literature, in a new way.” (Siggelkow, 2007)

#### To business and government practitioners

The present study is much more than a theoretical review: it is a useful empirical representation of contemporary practice that must be factored into the comprehension of a CSR-based understanding of IHRM. Realising and reflecting upon the potential link between CSR and IHRM is crucial to the ability of business to develop the competitive advantage that results in success. In this regard, it will contribute to practitioners engaging in a CSR strategic management paradigm by connecting CSR with IHRM strategy in international business.

To elaborate somewhat, it is reasonable to expect that implications can be drawn from this for business practitioners, which includes anyone involved in business, from CEOs to HRM, CSR, and strategy practitioners who are concerned with their business activities in the local market. In particular, when MNCs open a new market, understanding CSR and its relationship with IHRM may be an efficient tool for handling local employees. That is, by providing a finely-tuned understanding of the CSR values in a local market's priorities focused on HRM, the suggested values and profiles can be used by MNCs to develop more efficient and effective relationships with local employees when operating the business in these societies.

Moreover, the articulations of the impact of CSR to HRM will have benefits for government officials who view employees as social capital, prepare policies for the labour market, and who deal with CSR in light of national competitiveness. It is appropriate to reiterate here that one of the important findings in this study is the significance of political settings in the CSR behaviour of businesses. It has been seen

that businesses (MNCs) are seriously concerned with (local) government policy towards CSR in relation to legitimacy issues. To expand this idea further, current governments (both in the UK and Korea) put the emphasis on these issues, as governments play a very important role for business promotion of CSR and human resource management efficiency. Through a comparative analysis of regulative pressures between the UK and Korea, this study reinforces the fact that there is a great significance for the government role in CSR, which was overlooked in the theoretical consideration, whereas a detailed approach in each country is somewhat different according to their national circumstances and interests.

### To Korean society

It is assumed that the present research is one of the first academic presentations related to Korean CSR in the international research and business arena. Even though there are a few studies, they are fragmented into certain myopic areas of focus (e.g., budget of philanthropy, CSR and tax deduction), and hence do not develop a detailed argument through which to understand the holistic phenomenon of CSR with a rigorous investigation of the theory-practice interaction, and thus propose further direction.

CSR is one of the actively emerging issues in Korean society which is struggling to transform from a perspiration economy to an inspiration economy. CSR's role in this endeavour is investigated by members of the stakeholder groups, and hence various government policies and people's grass-roots movements are being witnessed in this era. The discussion on CSR tends, however, to roam far beyond the true understanding of CSR, and thus its direction towards society is vague. Consequently, this misunderstood system of thought is severely criticised by intellectuals.

The result of this study in relation to the link between CSR with employees can be of help to Korea where it encounters this problem of CSR direction. Even though the government tries to drive business to become actively involved in CSR, as indicated in this study, the government has to know that many corporations still think that government's approach to CSR is too vague to follow. The business sector has been criticising the lack of consistency in government policy, which has been frequently

changed according to changes in administration. If the government can understand CSR's crucial role in the labour market and hence have a solid and sustainable policy, business should be facilitated to follow the policy, as it is highly influential on their important resource, namely the employee. Therefore, the government's approach towards CSR's integration into labour policy can be a powerful instrument not only for business to view CSR issues with their employees, but also for government to see CSR as an opportunity for their efficient policy-making and execution.

### *Limitations*

The present thesis admits several limitations mainly related to the interpretation and range of data. In relation to the interpretation offered, there is a possibility of a biased approach and behaviours: in translation (Korean – English and vice versa), coding, and analysis of the data. As half of the original data is Korean, which is translated by the author (from Korean to English), it is admitted that the interpretation by the author (Korean) needs to be absolutely precise in order for valid interpretation; that is, not to be biased due to the background of the researcher. Hence, the author uses a back-translation procedure which was recommended as useful to check and balance the data and its interpretation. Through this process, the author checked the possibility of posing similar questions to representatives from each country, and to pursue unbiased interpretation. Additionally, the analysis of the case study was conducted with extensive consultation with interviewees in the two companies for correctness of data and rigor of data application and analysis.

There are various issues in relation to the range of data that also need to be accepted. The first concern is about the small sample and different characteristics of the case studies in question. One company is selected in each country. As the two chosen companies (Shell Group and Kyobo Life Insurance) have totally different industrial characteristics, as energy and finance businesses, there is concern about the reliability of comparative data to explore the difference of the picture between CSR and HRM. The purpose of this case study, however, is not the comparison of the two companies, but to find the evidence and understand the phenomenon with respect to

CSR and HRM in practice. Therefore, the results from the case study do allow the reader to extensively view the picture of scenes from a workplace.

The second concern in the issue of data range concerns the question of case countries – that is, the UK and Korea – and whether they can accurately and wholly represent the phenomenon of international differences (e.g., differences of Europe and East Asia). For instance, there is an argument: The UK and Germany have very different capitalist systems and histories, and hence to investigate only the UK means that the conclusions offered here have a limit in providing insights for further investigation on pan-Europe as a whole due to this heterogeneous nature of this geographical area. Additionally, during the extensive interview process, a curiously different approach within the UK itself (Scotland, England and Wales) was discovered. For example, the Scottish and English people's mindset and government policies on CSR somewhat differ, and thus business application and demand for CSR is affected. The results, however, are significant enough to show the difference between the two nations (or regions) and provide implications for further extended investigation towards other areas.

Thirdly, throughout the research process, there are a number of recommendations towards establishing another boundary of comparison that these concepts have to be analysed not only at a national level but also at an industry level. They argue industry-level characteristics also provide a huge influence on local expectations of CSR and corporate citizenship profile, and thus the effect of the industry-specific comparison may contribute to the CSR research society and practitioners. Unfortunately, the data does not allow the author to verify this expectation, and must leave this recommendation to future studies.

### ***Direction for further research***

*"He brings his case studies to life." (Bartunek, 2006)*

It might be worthwhile for future research to extend the result of this study in various ways. It is acknowledged that substantial additional research can be made based upon

the results of this study to understand the various dynamics of CSR and its relationship with IHRM.

One issue of future research will result from the limitations presented above. Different industries have different implementation stages and focuses of CSR, and hence it is expected their approach towards their employees in relation to CSR may be different from those presented here. The better developed sectors, such as that of the energy sector, in terms of its understanding of the issues which face it in moving towards sustainable development, the easier it is to incorporate CSR into the business strategy. IHRM may or may not integrate in this situation. It is worthwhile to look at this occurrence and draw a map of where CSR is now in each of the sectors: are they addressing the right issues, and what are their considerations regarding employees? By using the theories, methods and approach which are used in this study (stakeholders theory and RBV – to investigate CSR identity and its relationship with employees according to CSR emergent process, and institutional theory – to reveal the different approach of the discussed issues), additional studies can create valuable implications for further business research.

Second, it is recommendable to investigate in-depth each subset of HRM which have emerged as important issues in this study. This study investigates broad IHRM issues, as the focus of this research is to initially discover the linkage between the two areas. During this process, many themes which specifically explored the linkage between the two areas appeared; e.g. employee volunteering, recruitment practices, employee satisfaction in their job, and fun and happiness through CSR. For example, the apparent effects of CSR on the happiness of the employee are not the same in all locations, and the reasons for happiness have varied according to their institutional and economic conditions. Hence, the question in further research – how and to what extent does CSR work for the happiness of employees in different countries? – may create interesting results and provide valuable insights to both CSR and IHRM practitioners.

Third, it is suggested that further research should view the CSR division in the 'organisational system'. In other words, it is important to investigate where the CSR division belongs in terms of larger corporate structures. If one can see CSR's status in the organisational system, one can assume how those businesses think about CSR.

For example, in Korea, many of the CSR units belong to the PR department. From this fact, it can be interpreted that business in Korea thinks about CSR as closely related to PR. In the UK, an abundance of corporations have their own independent CSR divisions that can plan, implement, and evaluate their own CSR strategy comprehensively. It may be supposed that CSR is interpreted as one of the strategies in UK businesses; hence, CSR has its own identity and is ready to consider the possibility of synergetic work with other management departments (such as HRM, finance and marketing).

Fourth, there is a need for further research on the negative side of the relationship between the two dimensions. Admittedly, the present research focuses on the positive results to persuade readers with reference to the potential of the link. To draw out unsuccessful cases and investigate the reasons, however, is also recommended in order to find more tangible and valid ideas and interpretations.

The final suggested study is the test of the results. The main goal of this study is to delve into the new potential of the link between CSR and IHRM, and suggest the idea to readers in order to offer them the possibility of transferability in management research and practice. The overall group of interviewees are professionals who are actively engaging in CSR or HRM brainstorming, and have the capability to share the various ideas of the possible link, not solely focused on employees themselves. With the result of this study, there can be a further test step: Do the proposals truly work in practice with the employee in actual, real-world situations? It would be suggested to carry out a quantitative study (with large samples of employees) presumably in a similar manner to that of Kostova (1997)<sup>53</sup> – country institutional profiles – and it would be interesting to see whether the present study's results can be reflected by employees, and whether the reasons that come out are the same as, or different to, those emphasised here.

To conclude, this study is admittedly an incomplete product, but it is one of the few original formulations drawn out of holistic IHRM perspectives towards CSR

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<sup>53</sup> By drawing on the institutional theory of Scott (1995), Kostova (1997) measures country-level characteristics which can be developed and validated for the issues of management. She accomplishes a survey and makes indexes for the regulative, cognitive and normative dimensions of institutional profiles of ten countries. Kostova's measurement can be applied to the author's further research which tests country-level effects influencing CSR and its interaction with employees and generalise the proposed idea of the present study.



investigation, and also suggests that they can work together for business performance and its competitive advantage as a unique differentiator of the firm. The suggestion may be controversial – but it is at least hoped it succeeds in being provocative insofar as encouraging further thought, argument, and conceptual developments. If the present research serves as a stimulus for further discussion, then it will have served its major purpose.

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## Appendices

### [Appendix 1] Interviewees in the UK (Total: 25 persons)

Companies		
No	Position	Organisation
1	Corporate Responsibility Director	ScottishPower
2	Group CSR Manager	ScottishPower
3	Director, Corporate Responsibility	BT Group
4	CSR person in charge	Royal Bank of Scotland Group
5	Head of Corporate Banking, Relationship Banking,	Bank of Scotland
6	Community Action Learning	Impact Development Trading Group
7	Director	Georgina Goodman Limited
8	Former country chairman (* now in the UK)	Shell Korea
9	Head of Policy & External Relations	Royal Dutch Shell plc
10	Advisor, Policy and External Relations	Royal Dutch Shell plc
11	Employee	Royal Dutch Shell plc
12	Director, Sustainable development Strategy and Reporting	Royal Dutch Shell plc
13	Manager, Global LNG	Royal Dutch Shell plc
Stakeholders (NGOs, Academia, government etc.)		
14	Research Director	Cambridge Programme for Industry
15	Senior Lecturer	University of Strathclyde
16	Professor	University of Aberdeen
17	Director of Corporate Relations	RSAMD
18	Visiting Professor of Law	University of Strathclyde
19	Consultant	Scottish Business in the Community
20	Glasgow Project Manager	Scottish Business in the Community
21	Media & Public Relations Manager	OXFAM Scotland
22	Executive Director	Centre for Human Ecology
23	Director	Scottish Environment Protection Agency
24	Principal Sustainability Advisor	Forum for the Future
25	Technical Director of Corporate Sustainability	Scott Wilson, London

## [Appendix 2] Interviewees in Korea (Total: 28 persons)

### British companies operating in Korea

No	Position	Organisation
1	Head of Legal and Compliance	Standard Chartered First Bank
2	General Manager	Standard Chartered First Bank
3	President & CEO	Market Force Company
4	Social Accountability Manager	British America Tobacco
5	Vice President	Shell Korea
6	HR Manager	Shell Korea

### Korean companies

7	General Manager	Hyundai Motor Co.
8	HRD Center	Hyundai-Kia Motors
9	Manager, HR Team	LG-Nortel
10	CSR Coordinator	S-oil
11	General Manager	Woolim Construction
12	Secretary-General	E-Land Foundation
13	Director	Right Management
14	Senior Manager	Kyobo Life Insurance
15	Manager	Kyobo Life Insurance
16	Telemarketer, Kangbuk Call Center	Kyobo Life Insurance
17	Corporate Strategy	Kyobo Life Insurance
18	Financial Planner	Kyobo Life Insurance

### Stakeholders (NGOs, Academia, government etc.)

19	Professor	Hoseo University
20	Professor	Korea University
21	President	Yuhan College
22	Dean of Planning, Development & External Affairs	Kyung Hee University
23	Dean, Graduate School of Social Welfare	Soongsil University
24	Assistant Professor	Kookmin University
25	Director	Community Relations Center, Ministry for Health, Welfare and Family
26	Team Leader	Beautiful Foundation
27	Program Officer	Beautiful Foundation
28	Director-General	BCKK (British Chamber of Commerce in Korea)



[Appendix 3] Example communication with scholar in the UK

Fax message from late-Professor John Dunning, UK

- Professor John Dunning passed away in January this year. His pioneering endeavour highlighted issues of morality and responsibility into international business. His work will continue to motivate my future research.

FROM: Panasonic FAX SYSTEM      PHONE NO. : +44 1491 628902      15 Nov. 2004 03:15PM P1

John H. Dunning  
Emeritus Professor  
of International Business  
University of Reading

HOLLY DELL  
SATWELL CLOSE  
ROTHERFIELD GREYS  
HENLEY ON THAMES  
OXON RG9 4QT  
ENGLAND

Fax cover sheet

Tel: 44(0)1491 628602  
Fax: 44(0)1491 628902

(Should you experience difficulty in receiving this fax, please contact the above telephone number)

To: *Kim Chung-hee*    *Master of International Management Program*  
 Strathclyde University

Fax No: *0 44 548 5848*

Date: *Nov 15. 04*      No. of pages (including this page) *2*

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*Thank you for your letter of 12<sup>th</sup> Nov.*

*To start you off with your CSR studies*

*I suggest you consult*

1. *John Hooker & Peter Madsen (ed)*  
International Corporate Responsibility - Exploring  
 The Issues    *Carnegie Mellon University Press (2004)*  
*(+ several useful references therein)*
2. *UNRISD*    Corporate Social Responsibility  
 and Development    *Towards a New Agenda*  
*Report of UNRISD Conference 17-18 Nov 2003*  
*Geneva. [UNRISD is a good source for*  
*CSR documentation - Tel 41 22 9173020*  
*Fax 41 22 9170610 E Mail info@unrisd.org*  
*(www.unrisd.org)*
3. *Abstract paper of mine*    Is Global Capitalism  
Morally Defensible?    *(+ references therein)*  
*obtainable from my personal assistant*  
*j.m.turner @ reading.ac.uk*
4. *UNCTAD*    Social Responsibility  
*UNCTAD Series on Issues in International*  
*Investment Agreements*    *UNCTAD / ITE / IT / 22*  
*UN New York & Geneva 2001*

Also in annual World Investment Reports (UNCTAD)

5. From a business perspective you cannot do better than to get in touch with Robert-Davies office at 15-16 Cornwall Terrace Regents Park London NW1 4QJ Tel 44 207 467 3647 & check the website of Prince of Wales International-Business Leaders-Forum (IBLF) at [www.iblf.org](http://www.iblf.org).

Good luck with your studies  
John Davies

6. A special issue of Corporate Governance Vol 12 No 2 April 2004 contains some articles based on a conference on CSR held in July 2003, at Loughborough University.

## [Appendix 4] Example of communication with practitioner in Korea

- To preserve the anonymity of the sender, contents related to the company are excluded.

날짜 : Fri, 9 Mar 2007 11:29:33 +0900, 보낸이 : anonymous  
받는이 : "Kim Chung-hee" <chkim1472@hanmail.net>

### 1. 위와 관련하여 한국의 경우는 어떠한가요? (CSR in Korea)

저나 우리 기업이 한국기업을 대변한다고 할 수 없기 때문에 답변의 범위를 당사로 좁혀 말씀드리겠습니다. 기업경영에 있어서 주체는 사람이므로 자발적이고 의욕적인 두뇌활용을 통하여 역량을 최고로 발휘하도록 하기 위해서는 인간위주의 경영이 필요하다는 논리이지요.

따라서, X 에서는 CSR 활동에도 구성원의 자발적, 의욕적 참여를 이끌어 내기 위해 먼저 구성원의 자긍심 고취에 노력하고 있습니다. 즉, 다양한 CSR 활동을 통해 자신의 존재가치를 느낄 수 있어야만 구성원의 동참을 이끌어 낼 수 있다고 생각하는 것이지요. 자원봉사활동 대상 선정시 구성원들이 자율적으로 선정하도록 되어 있고, 일과시간 중이라도 얼마든지 자원봉사 활동이 가능한 것이 그 예라고 할 수 있습니다. 물론, 업무를 평크내면서까지는 안되겠지요. ^-^

윤리경영도 구성원을 보호해주는 장치임은 물론 기업의 Reputation 향상을 위한 지름길임을 적극적으로 Comm.하고 있습니다. 물론, 생각만큼 효과는 나타나지 않는 것 같습니다. ^-^

### 2. CSR 과 HRM 관계에 있어서 가장 중요한 factor 는 무엇이며, 한국은 이것을 어떻게 실천하고 있고, 그 한계는 무엇인지요? (CSR and HRM Link)

- 한계점이라...경영성과와의 직결성이라고 할까요. 아무래도 매출액이나 손익의 등 경영성과에 짐작하다 보면 상대적으로 CSR 활동의 우선순위가 뒤처지는 경우가 많을 것 같습니다. 구성원 입장에서는 CSR 활동과 경영성과 달성을 위한 활동이 하나라고 인식되지 않기 때문에 어려운 것이지요.

- 이 부분은 제반제도가 미흡한 측면도 있지만 아무래도 CSR에 대한 인식수준이 높아져야 하고 그러기 위해서는 어느정도의 적응시간은 필수적으로 요구된다고 생각합니다.

### 3. 한국 CSR 의 main driving force 는 무엇이지요? (Main driving force of Korean CSR)

- CSR 추진의 동기에는 여러가지 복합요인이 있다고 할 수 있습니다. 일반적으로 다음의 세가지 정도를 흔히 말할 수 있지요.

- 우선, 국가 간 거래가 활발해지고, 규제가 완화되는 등 Globalization 이 급속도로 확산됨에 따라 정부의 사회적 조정 및 통제 능력은 취약해졌으나, 대신 기업들의 역할은 비약적으로 확대되고, 그 과정에서 정부가 아닌 기업이 사회의 일원으로서 건전한 역할과 책임을 다해 줄 것을 요구하는 사회적 압력이 높아졌기 때문에 이에 대응하기 위해서 CSR을 추진하게 된다고 볼 수 있습니다. 이 부분에 있어 아직 우리나라의 경우는 시기 상조인 것 같습니다.

국내 사정이 아직 CSR을 활발하게 추진하고 있다고 보기에겐 어려운 것 같습니다. 이제 막 CSR이 뭔지를 이해하고, 어떻게 하면 되는지 알아보고 있는 단계라고 할까요. 따라서 김박사님께서 추진하시는 논문을 통해 이미 일상의 경영활동 속에 CSR이 완전히 스며들어 있는 영국의 사례를 보고 배워 우리나라 CSR수준 향상을 위해 큰 도움이 될 것을 기대합니다.

항상 건강하십시오. 감사합니다.

## [Appendix 5] List of present observations

- The author prepared the agenda and did language interpretation at the following meetings held in the UK.

### 1.Korean CSR delegation to the UK (Period: 16 – 26 April 2006)

#### UK participants

No	Organisation	Title
1	Royal Dutch Shell Group	Vice President Group Sustainable Development, HSE & Social Performance
		Head of Policy and External Relations
2	BBC London	Deputy Head of CSR
3	Edrington Group	Group Operations Director
4	Arts and Business	Programme Development
		Business Development Manager
5	Unity-Enterprise (Social Enterprise)	CEO
6		Director
7	Scottish Business in the Community (SBC)	Chief Executive
		Business Development Manager
8	National Trust Scotland	Director of Development
9		Head of Policy Planning
10	AGENDA	Executive Director
11	Scottish Executive	Head of CR

#### Korean participants

1	Hoseo University	Professor
2	Shinhan Card Co., Ltd.	General Manager, Future Strategy Team
3	Samsung TESCO	Senior Associate
4	Hyundai Motor Company	Assistant Manager
5	SK Telecom	Manager, Ethics Management Team
6	Korea Water Resource Corporation	Analyst
7		Assistant Manager
8	Woolim Construction	General Manager
9	Federation of Korean Industries (FKI)	Assistant Manager
10	UNICEF, Korea	Director, Administration & Finance
11	Social Enterprise Development Agency	Project Development Team

**2. SK Telecom's visit to BT (Date: 28 February 2007)**

	Organisation	Title
UK	BT Group	Director, Corporate Responsibility
Korea	SK Telecom	Manager, Ethics Management Team
		Manager, Ethics Management Team
		Senior Director, SK telecom Europe

**3. Korean bank's Visit to the UK bank (Period: 15 – 17 August 2006)**

	Organisation	Title
UK	Co-operative Bank	Director of Corporate Affairs
		Senior Manager (Sustainability Development Team)
	Royal Bank of Scotland	Senior Manager (IR)
		Head of CR
Korea	Daegu Bank, Korea	Head of Economic Research Institute
		Senior Research Fellow

**4. Director of ScottishPower's Visit to Korea (Period: 2 – 3 November 2007)**

- The author arranged the visit of the Director to the '1<sup>st</sup> Korean CSR Festival' held in Seoul co-hosted by FKI (the Federation of Korean Industries) and Korean Community Relations Center (affiliated organisation of Ministry of Health, Welfare and Family).
- Director gave a speech on 'UK CSR' as a representative of the UK.

## Interview Guide

### Research Objectives:

- Provide new ways of thinking about CSR through exploring the linkage between CSR and HRM strategy
- Seek to find case studies to provide examples of the linkage between the two factors
- Find out how and why it differs between countries

### Main contents of the interview:

#### 1. CSR in your nation and company

##### Introduction:

- The importance of CSR in international business has never been as strong as today.
- I would like to listen to your various ideas and insights on “What explains the growing importance of CSR in your nation and company?”
- Moreover, I am interested in your valuable elaboration regarding these issues.

1.1 What is the **motivation** of your company’s CSR (or sustainable management)?

##### Key Note:

- Special motive/opportunity to start CSR

1.2 What is the **main driving force** of CSR in your country?

##### Key Note:

- Business leadership
- Pressure from market (e.g., globalisation, SRI)
- Pressure from NGOs
- Gaining legitimacy
- Demand from employees
- Employee recruitment and retention (creating jobs)
- Miscellaneous

1.3 What does CSR **mean** for your company?

##### Key Note:

- Profit maximisation of shareholders
- Devotion to employees
- Increasing company’s values (reputation)

- Corporate donation / philanthropy
- Community relations
- Responsibility to environment
- Public Relations (PR)
- Miscellaneous

1.4 What is the **most important factor** to employ CSR?

Key note:

- Chief manager's vision & commitment
- Corporate governance
- Employees' involvement
- Government regulation and support
- Market surveillance
- Each country's culture

1.5 How do you **evaluate** CSR? Do you have any index or assessment system?

1.6 What is the **greatest obstacle** to employ or develop true CSR?

1.7 What is the **forward-looking and innovative** CSR?

1.8 To which **department (division)** does the CSR part belong?

Key note:

- HRM / Strategy / Business Ethics / PR / Direct to CEO office

1.9 Other related issues.

## 2. Link of CSR and (I)HRM strategy

**Introduction:**

- CSR is the theme related to stakeholder management, and the existing literature and research insist that one of the most important stakeholders is the employee.
- Therefore, it is assumed that CSR and HRM are closely related.
- However, there is a paucity of studies in the literature as well as few empirical studies. A fundamental problem has been the myopic view of CSR as philanthropy, and as an external view.
- CSR has must be inherent within the internals of the system. If employees are not engaged, CSR just becomes an exercise of PR.
- I would like to excavate the best case to explain this issue.

## 2.1 Do you think it is related?

### Key Note:

- Have people ever thought it is related?
- If not, why?
- If yes, following questions.

## 2.2 What is the most related factor of CSR in the view of HRM strategy?

### Key Note:

- Health and safety
- Employee motivation and loyalty
- Recruitment and retention strategy
- Volunteer activities
- Organisation culture
- Labour issues (*e.g.*, child, women, the disabled)
- Others

Why?

## 2.3 Who needs more?

### Key note:

- Does CSR need more HRM? Or vice-versa?
- Why do they need each other and what can they do for each other for the success of the business?

## 2.4 How do you communicate (or train) CSR with your employees?

### Key note:

- Through internal website
- Special training focused on CSR
- Integrated training programme with other management (*e.g.*, leadership) ones
- Publication of materials (including CSR report)
- Others

## 2.5 Do you have any incentive or encouragement system to promote CSR to employees?

## 2.6 Do you have any robust case to elaborate CSR's impact on HRM strategy?

### Key Note:

- Explain more in detail (such as increase of talent recruitment...)



[Appendix 7] The relationships between code and interview raw data in Nvivo 7

Extract of code list

The screenshot shows the Nvivo 7 interface with a code list for the node '3\_CSR impact'. The list includes sub-nodes like 'Side effect', 'To business performance', 'To community', 'To organisation and employee', 'Commitment', 'Motivation', 'Achievement', 'Creativity', 'Feel value', 'Fun and happiness', 'Humanising', 'Intelligence', 'Job satisfaction', 'Learning and development', 'Morale', 'Pride', 'Affiliation', 'Power', 'Organisational culture', and 'Productivity'. Each node has columns for 'Name', 'So', 'References', 'Create', and 'Modifi'.

Name	So	References	Create	Modifi
3_CSR impact	0	0	24/07/2008	24/07/2008
Side effect	1	1	24/07/2008 17 01	10/09/2008 12:57
To business performance	1	1	24/07/2008 11 02	29/07/2008 19:00
To community	4	4	29/07/2008 19 33	03/03/2008 18:24
To organisation and employee	2	2	23/07/2008 14 53	18/08/2008 13:49
Commitment	2	3	24/07/2008 15:3	29/07/2008 12:37
Motivation	10	12	24/07/2008 11:0	03/03/2008 18:24
Achievement	1	1	24/07/2008 11 01	08/09/2008 20:07
Creativity	1	2	25/07/2008 19 49	18/08/2008 13:49
Feel value	4	4	25/07/2008 12 48	21/08/2008 15:54
Fun and happiness	7	9	25/07/2008 12:19	21/08/2008 20:17
Humanising	1	2	29/07/2008 18 36	06/08/2008 18:27
Intelligence	1	1	03/03/2008 18 32	03/03/2008 18:24
Job satisfaction	5	6	24/07/2008 17:04	21/08/2008 15:54
Learning and development	5	9	24/07/2008 14 03	08/09/2008 20:07
Morale	1	1	03/03/2008 17:59	03/03/2008 17:59
Pride	9	11	24/07/2008 14 06	20/08/2008 16 46
Affiliation	0	0	24/07/2008 11 01	06/08/2008 14 22
Power	0	0	24/07/2008 11 01	24/07/2008 14 07
Organisational culture	12	20	23/07/2008 14 5	21/08/2008 16:21
Productivity	2	2	24/07/2008 15 4	14/08/2008 10:34
4_CSR competitive advantage	3	3	24/07/2008	24/07/2008
Economic competitiveness	6	8	23/07/2008 17:03	18/08/2008 14:29
Intangible asset competitiveness	2	2	23/07/2008 17:04	14/08/2008 10:34
International competitiveness	3	4	23/07/2008 16:56	29/07/2008 18:33



Relationships of code with interview text

The screenshot shows the Nvivo 7 interface with interview text. The text is displayed in a window titled 'Pride' and includes references to the code list. The text is as follows:

<Documents\1 Interview\UK 05 BT AdrianHosford> - S 1 reference coded [0.83% Coverage]

Reference 1 - 0.83% Coverage

- We know that over 60 % of employees are proud to work for BT as a result of knowing what we are doing in CSR programme.

<Documents\1 Interview\UK 06 RBS CaveAndrew N> - S 1 reference coded [1.08% Coverage]

Reference 1 - 1.08% Coverage

I mean, the main, the main ways that we justify the Programme are in