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National Culture and Corporate Social Responsibility Practice

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ABSTRACT

Corporations on Corporate Social Responsibility (CSR) engagement is determined by various factors including firm level factors such as size and financial performance of the firm (Vong and Wong, 2013), industry level factors includes competition level, industry nature and fit between issue and the industry (Coombs and Holladay, 2012). National factor is also a one of determinants for the company engaging in CSR (Waldman et al., 2006). National culture shapes which CSR concerns are addressed in particular countries and how they are addressed.

A framework is proposed to fill in the literature gap by investigating the effect of different dimensions of national culture on different aspects of CSR. It is found that there is a relationship between cultural factor index (CFI) and CSR practice. For example, in the individualism society like United States (High scores in CFI), employee working condition is always on the top agenda for CSR initiatives. Unlike United States, in the collectivist society like Japan (Low scores in CFI), harmonious environment is an important consideration.

Ford and Toyota are used as examples to demonstrate the findings.

One of the greatest challenges of global companies is to maintain consistent message in their global corporate social responsibility (CSR) strategy and pay attention to the local stakeholders' expectations. Thus, implications are offered to managers for multi-national companies on their CSR strategy.

KEYWORDS: National Culture, Corporate Social Responsibility

1 INTRODUCTION

In the past few decades, there are a lot of studies devoted to corporate social responsibility practice and national culture separately. A few studies examine the relationship between these two important areas. The objective of this paper is to summarize the findings of previous studies on the relationship and suggest the explanation why the mixed results are obtained from those studies.

There is a lack of research on the home country and host country CSR practices. There are advantages to maintain similar CSR practice throughout the world for multinational corporations. First, it maintains consistent message in the global operation. Second, the home country would not be blamed that they are using lower standards for local operations which has lower stakeholder expectations. Finally, it is easy to compare the effectiveness of CSR practice among operations.

Despite a lot of advantages using consistent CSR policy and practice, adaptations, modifications, or even ignorance on global policy are found on local CSR practice in host countries. It remains not so clear what the nature of association between social and environmental CSR practice at the global and local level in the multinational corporations.

2 THEORETICAL FRAMEWORK

There is no up-to-date model that distinguishes between global CSR practice and local CSR practice. According to Husted and Allen (2006), the key difference between global and local CSR is the community that demands it. Donaldson and Dunfee (1994) define local community is “a self-defined, self-circumscribed group of people who interact in the context of shared tasks, values or goals and who are capable of establishing norms of ethical behaviour for themselves” (Donaldson and Dunfee, 1994, 262). Thus, following Husted and Allen argument, a home country (global) CSR practice is based on the corporation’s home country’s community standard. National culture is one of the factors affecting CSR practice home country. There are other factors affecting CSR practice which reported in literature. They are organizational international strategy (Husted and Allen, 2006); organizational culture (Maignan et al., 1999; Zait et al., 2013; Yu and Choi, 2016); CSR issue company faces (Muller, 2006); Industry nature (Coombs and Holladay, 2012); and stakeholder expectation in society. (Carroll and Bushholtz, 2015) (See Figure 1).

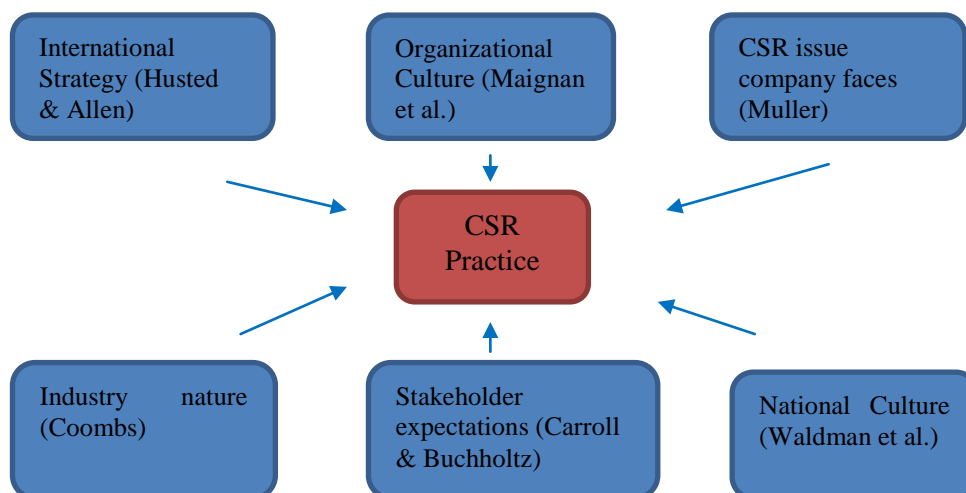


Figure 1: Factors affecting corporate CSR practice

A host country (local) CSR practice is based on the host country's community standard, that is to say, possibly affected by host country's national culture which may quite different from home country's national culture. As a result, host country's CSR practice would be different from home country CSR practice due to different national cultures values between home country and host country.

For some 'global' environmental issue such as global warming, it is quite easy for multinational corporations to adapt to its subsidiaries because the issue can be applied to all countries as the issue is rather cultural neutral. What affects the quantity and scope of the host country's CSR practice in the case would be the resources and knowledge of the company (Tata and Prasad, 2015). Our model proposes company's capability is the moderator for the global CSR issue whereas difference between home country's national value and host country's national value would be the mediator for the dependent variable, host country's CSR practice (Figure 2). Types of CSR issue could be another factor because different dimensions of culture will have different impacts on different CSR issues. Next section of the paper provides insight on the argument.

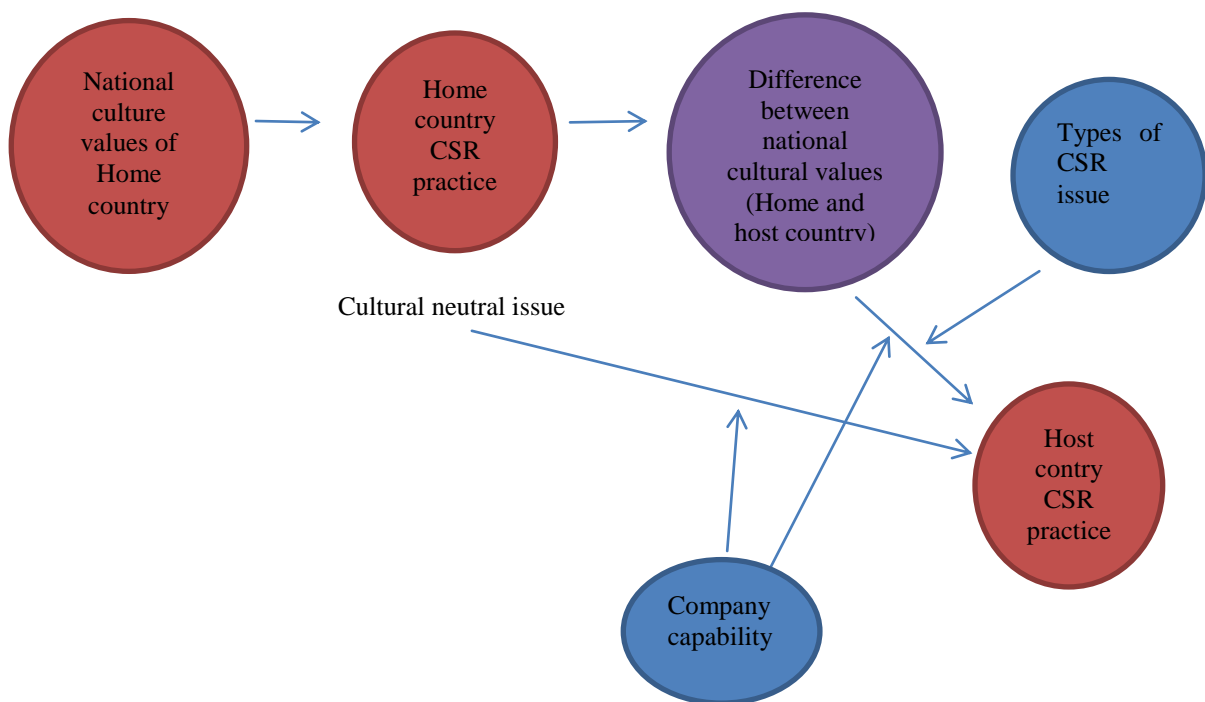


Figure 2: A proposed conceptual model of national culture values and CSR practices in multinational corporations.

The basic proposition of the framework is if the difference between national culture values between home and host country greater, the host country CSR practice will be deviate more from home country CSR practice. There are several outcomes for host country CSR issues (Bondy and Starkey, 2012). It could be culturally specific, which is unique in nature or culturally modified, which is modification from home country or cultural blended, which is mix of home country and host country' characteristics or simply ignored.

3 LITERATURE REVIEW

National culture is defined as "the collective programming of the mind which distinguishes the members of one human group from other" (Hofstede, 1980, 21). According

to Vitell et al. (1993), the different set of values and beliefs which are based on national culture guiding one on what are acceptable behaviours. It is reasonable to argue national culture could relate to corporate social responsibility practice.

In order to understand how national culture relates to corporate social responsibility practice, Hofstede's cultural dimensions are used (Hofstede, 1980). Hofstede's work is one of the most influential studies about culture. There are critiques on Hofstede's framework and other attempts on dimensions of culture including House et al. (2004); Schwartz (1992) and Trompenaars (1994). Most of the studies on relationship among dimensions of culture and CSR practice are using Hofstede framework. Hofstede (1980) suggests that there are four dimensions on national culture: (1) power distance; (2) uncertainty avoidance; (3) individualism; (4) masculinity (Hofstede, 1980). Katz et al. (2001) presents a framework comparing the impact of national culture on social issues using these four dimensions. The fifth dimension 'Long term orientation' has been added several years later (Hofstede and Bond, 1988). The sixth dimension 'indulgent versus restraint' was proposed recently (Hofstede et al., 2010).

Previous literature focuses on how the 'traditional' four dimensions of national culture relate to CSR practice (Tata and Trasad, 2015; Onel and Mukherjee, 2014; Ringov and Zollo, 2007). It is lack of research on the fifth and sixth dimensions of national culture.

Power distance is defined as "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede et al., 2010, 61). Organizations in high power distance societies have more hierarchy. It has a greater tolerance on social inequality, power working condition and poor environment. Thus, one hypothesis is proposed in high power distance societies.

Hypothesis 1: High power distance societies are negatively associated with lower corporate social responsibility performance.

Consistent results are obtained (See Table 1).

Table 1 Summary of previous studies' results

| Authors | CSR issues | Power distance | Individualism | Masculinity | Uncertainty avoidance |
|-------------------------|--------------------------------|----------------|---------------|-------------|-----------------------|
| Cox et al. (2011) | Environmental | - | + | NS | NS |
| Ho et al. (2012) | Human/social | - | - | - | - |
| Husted (2005) | Environmental | - | + | - | NS |
| Park et al. (2007) | Environmental | - | NS | - | NS |
| Peng et al. (2014) | Environmental and human/social | - | + | - | + |
| Ringov and Zollo (2007) | Environmental and human/social | - | NS | - | NS |
| Vachon (2010) | Labor practice | NS | + | NS | - |

Note: -: significant negative correlated; +: significant positive correlated; NS: no significant relationship

Source: (modified from Tata and Prasad, 2015)

Individualism is defined as "societies in which the ties between individuals are loose: everyone is expected to look after himself and his immediate family." Collectivism is defined as "societies in which people from birth onward are integrated into strong, cohesive in-

groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty" (Hofstede et al., 2010, 92). Thus, one hypothesis may be proposed as follows:

Hypothesis 2: High individualism societies are positively associated with higher corporate social responsibility performance.

Mixed results are obtained (See Table 1).

There are two reasons. First, corporate social responsibility performance is too broad to define. Katz et al. (2001) points out high individualism societies indeed favor consumer issues and labor practices and low individualism societies favor environmental issues and community issues. Second, degrees of individualism vary within countries. It is important to base country scores on comparable sample (Hofstede et al., 2010). The IBM sample in Hofstede satisfies the requirement.

Thus, instead of one hypothesis for the second dimension, four relevant hypotheses are proposed as follows:

Hypothesis 2a: High individualism societies are positively associated with lower degree of environmental CSR initiatives

Hypothesis 2b: High individualism societies are positively associated with lower degree of community CSR initiatives

Hypothesis 2c: High individualism societies are positively associated with higher degree of consumer issue CSR initiatives

Hypothesis 2d: High individualism societies are positively associated with higher degree of Labor practice CSR initiatives

The third dimension masculinity was defined as "A society is called masculine when emotion gender roles are clearly distinct: men are supposed to be assertive, tough and focused on material success, whereas women are supposed to be more modest, tender and concerned with the quality of life" (Hofstede et al., 2010, 140). Otherwise, both men and women are supposed to be modest and concerned quality of life (Hofstede et al., 2010). It is quite obvious high quality of life composed of environmental protection, social security, and good work life balance. Thus, one hypothesis is proposed in high masculinity societies.

Hypothesis 3: High masculinity societies are negatively associated with lower corporate social responsibility performance.

Consistent results are obtained (See Table 1).

The fourth dimension of national culture uncertain avoidance is defined as "the extent to which the members of a culture feel threatened by ambiguous or unknown situations" (Hofstede et al., 2010, 191). Unlike the one found in the above three dimensions, a new grouping of countries formed. High scores occur for Latin American and Mediterranean countries, also Japan and South Korea. United States, United Kingdom and China are on the middle low range. Hong Kong follows China, on the lower range. The lowest index belongs to Singapore. It means those countries with lower indexes look for clear organizational structure and policy.

Thus, one hypothesis may be proposed as follows:

Hypothesis 4: High uncertainty avoidance societies are positively associated with higher corporate social responsibility performance.

In general, non-significant results are obtained (See Table 1) for environmental issues.

There are two reasons. First, corporate social responsibility performance is too board to define. Katz et al. (2001) points out high uncertainty avoidance societies indeed environment issues and low uncertainty avoidance societies favor consumer, labor practice and community issues. Second, degrees of uncertainty avoidance may vary within countries. It is important to base country scores on comparable sample.

Thus, instead of one hypothesis for the fourth dimension, four relevant hypotheses are proposed as follows:

Hypothesis 4a: High uncertainty avoidance societies are positively associated with higher degree of environmental CSR initiatives

Hypothesis 4b: High uncertainty avoidance societies are positively associated with lower degree of community CSR initiatives

Hypothesis 4c: High uncertainty avoidance societies are positively associated with lower degree of consumer issue CSR initiatives

Hypothesis 4d: High uncertainty avoidance societies are positively associated with lower degree of Labor practice CSR initiatives

In summary, it is advisable to explore the effects of national culture on different aspects of CSR engagement including environmental, social and labor practice. If the effect of a particular dimension of national culture on an overall CSR engagement is investigated, a non-significant result may be obtained due to opposing effects are working.

The fifth dimension was defined as follows: “long term orientation means the fostering of virtues orientated toward future rewards, in particular, perseverance and thrift whereas short term orientation means the fostering of virtues related to the past and the present, in particular, respect for tradition, preservation of face and fulfilling social obligations” (Hofstede et al., 2010, 239). The top positions are China, Hong Kong, Taiwan, Japan and South Korea. United Kingdom, Australia, New Zealand and United States scored on the short term scale. According to the Hofstede et al. (2010), family life in the high long term orientation culture is based on real affection. People are expected to learn thrift and respect for circumstances. On the other hand, people in the low long term orientation culture prefer immediate need gratification and spending.

Leisure time is not important on long term orientation societies and leisure time is important on short term orientation (low long term orientation) societies (Hofstede et al., 2010, 251). Thus, employee work life balance is more important in United States and Great Britain and employee work life balance is relatively less important in Japan, China and Hong Kong.

People in long term orientated societies would be more inclined to make sacrifices that favor future benefits because they are concerned about the future (Parboteeah et al., 2012). Thus, people are more willing to take care about environment on long term orientated societies.

Hypothesis 5: Long term orientation is positively associated with higher degree of environmental CSR initiatives

Hypothesis 6: Long term orientation is negatively associated with higher degree of Labor CSR initiatives.

Hypothesis 7: Long term orientation is negatively associated with higher degree of consumer issue CSR initiatives.

Regarding the sixth dimension ‘indulgent versus restraint,’ indulgent was proposed as “a tendency to allow relatively free gratification of basic and natural human desires related to enjoying life and having fun,” and restraint was proposed as “a conviction that such gratification needs to be curbed and regulated by strict social norms” (Hofstede et al., 2010, 281). The top positions are China, Hong Kong and South Korea on restraint scale. United Kingdom, Australia, New Zealand and United States scored on the bottom on restraint scale.

Leisure time is not important on restrained societies and leisure time is important on indulgent societies (Hofstede et al., 2010, 291). Thus, employee work life balance is more important in United States and Great Britain and employee work life balance is relatively less important in Japan, China and Hong Kong.

Strictly prescribed gender roles are assumed on restrained societies and loosely prescribed gender roles are assumed on indulgent societies.

Hypothesis 8: ‘Indulgent versus restraint’ is positively associated with higher degree of Labor CSR initiatives.

Hypothesis 9: ‘Indulgent versus restraint’ is positively associated with higher degree of Diversity and Inclusion CSR initiatives.

The potential contribution of this work is offering empirical evidence to test the assumptions that corporate socially behavior is affected by the national cultures in both host and home countries.

4 DISCUSSION

The hypothesis 2d (High individualism societies are positively associated with higher degree of Labor practice CSR initiatives) is supported on the Vechon (2010)’s study. It is based on the western concept of that employee personal time is more important. That is to say, work-life balance is an important consideration for the individualism societies including United States (rank number 1 and cultural factor index 91) and United Kingdom (rank number 3 and cultural index 89) (Hofstede and Bond, 1988). Japan is on the middle (rank number 22 and cultural index 46) and Hong Kong is at the lower side (rank number 37 and cultural index 25) (Hofstede and Bond, 1988). Based on the above data, work-life balance is not a popular choice in Hong Kong and Japan.

Ford emphasis work life balance policy and have about 50,000 U.S. hourly employees. That means, people would not work extra or overtime unless paid by his or her employer. Ford in proud of almost all of their employees covered by collective bargaining agreements. Employees are represented by their union. Ford was ranked one of 50 best places to work in U.S. because of their work life balance practice (Ford Motor Company, 2015).

According to the survey published by UBS, a banking group in Switzerland, Hong Kong employees has average weekly hours 50.1, being the highest among 71 cities. Tokyo employees has average weekly hours 39.5, rank number is 15.

Does it represents Japan or Hong Kong companies pay little attention on labor practice? Toyota uses the harmony approach on labour practice. Their philosophy is trying to build “a relationship of mutual trust and mutual responsibility between labor and management.” The company ensures their employees “can work in a harmonious manner” (Toyota Motor Corporation, 2016). Their way is captured in the Figure 3.

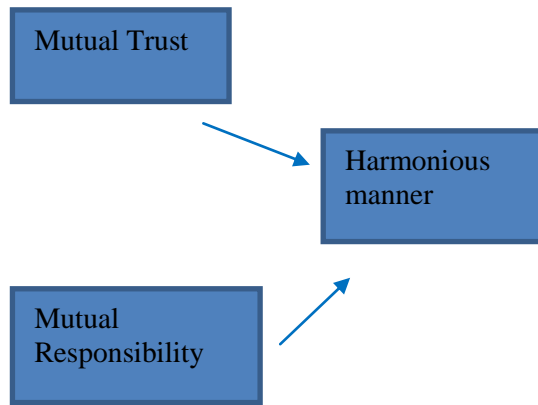


Figure 3: Personal and Labor Toyota Way

In Hong Kong, Home Affairs Bureau launched a Family Friendly Employer Plan this year. According to the Family Council, “Family-friendly employment policies and practices have, in recent years, become increasingly popular with employers. These policies and practices are intended to help employees balance their work and family lives, thereby bringing benefits to both employers and employees, and in turn resulting in improved morale, enhanced working relationships and reduced staff turnover” (Family Council, 2016). For example, some employers allow their employees to manage their time to take into account their family matters, using flexi-working hours and flexi-working place. In Hong Kong, it is quite common employees have to standby 24 hours a day replying Whatsapp (a kind of instant message app on mobile phone). The campaign seems to be more successful compared to Work-Life balance programme launched several years before.

According to Wang and Juslin (2009), Chinese corporation usually often try to create a family atmosphere amongst their employees. The boss would care their employees because they are the members of big family. Being work longer is normal norm because they are in the same family.

5 CONCLUSION

There are some important findings in this study. First, national culture indeed is one of the factors affecting corporations’ CSR practice. Individualism is used to illustrate the association. Second, different aspects (for example, social or environmental) of CSR practice have to be specified because there could be both positive and negative effects regarding on at least two cultural dimensions, individualism and uncertainty avoidance. Non-significant and unexpected result may be expected if only one dependent variable summing up all the effects on CSR practice. Third, new hypotheses are proposed for the dimensions, long term orientation and ‘Indulgent versus restraint.’ Finally, difference between national culture of the home and host country may be the mediating factor between home country’s CSR practice and host country’s CSR practice. Company capability including resources and knowledge know how would be the moderating factor leading to host country’s CSR practice.

There are some limitations to this study. An empirical work has to be done to verify all the listed hypotheses. Some cultural elements, for example, diversity and inclusion, cannot be fully captured on Hofstede’s cultural framework. However, diversity issue certainly belongs to the CSR. Also, the mediator factor “the difference between national cultural values of home country and host country” need to be explored further. The weighting of each dimension is of culture need to be assessed. Type of CSR issues is one of the further research areas since different type of CSR issues would respond differently for each dimension of culture.

BIOGRAPHICAL NOTE

Dr. Edmund Wut is a lecturer in the cluster of Business. Dr. Wut obtained his PhD from University of South Australia. His research interests are in family consumer behaviour, crisis management and corporate social responsibility.

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