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Working title of the research:

CSR orientation and organisational performance in the Australian retail industry

Abstract:

This study aims to contribute to current business ethics literature by conceptualising the relationship between organisational culture, corporate strategy, and target stakeholders and the formation of a CSR orientation. The study will further explore whether corporate social responsibility policies and practices will result in an overall improved positional advantage for the firm and, as a consequence, positively enhance organisational performance. These relationships will be examined within the context of the retail industry in Australia, focusing on the food, clothing and textiles, and footwear sectors.

Date of enrolment: Tuesday, 1 February, 2007

Enrollment status: Full-time

Stage: Early, conceptual development

The marketing issue

The marketing issue being researched in this study is that of the existence of a corporate social responsibility orientation within the Australian retail industry. The concept of corporate social responsibility (CSR) is one that has existed for a long period of time. It has, however, gained particular importance in academic literature, trade publications, and in the media in this new millennium (Anderson Jr., 1989; Hay, *et al.*, 1976). Whilst being socially responsible is often considered doing the “right thing” or being ethical, Carroll (1979) identifies that the organisation also has economic, legal, and discretionary obligations to its target stakeholders. Internal and external stakeholders are requesting that organisations act responsibly, behave ethically, and respond to the changing wants and demands of target audiences (Anderson Jr., 1989; Committee for Economic Development, 1971; Steiner, 1972).

Social responsibility plays a significant role and greatly impacts the retail industry both in Australia and internationally. For the financial year ending 2006, there were almost 6,200 supermarket and grocery retailers operating around Australia (National Association of Retail Grocers of Australia, 2007). The major participants in the market (Woolworths and Coles) had almost 1,500 stores, 78-79% market share, and sales of almost \$60 billion (when including ALDI and Pick ‘n Pay (Franklins) (National Association of Retail Grocers of Australia, 2007). In the past the oligopolistic retailers Coles and Woolworths have been accused of blocking new entrants to the food retail industry as well as forcing others out and avoiding becoming involved in competition with one another (FoodBev, 2008). In addition, abuses of human rights and poor working conditions are often associated with the clothing, textiles, and footwear industries as organisations fight to compete with one another on price, keep their overall costs low but ensure high profits for their shareholders (Dickson and Eckman, 2006). The Australian retail industry, therefore, presents an important context in which to examine corporate social responsibility, its antecedents and performance outcomes.

Corporate social responsibility (CSR) orientation

Embedded in the RBV theory is the premise that an organisation’s distinctive or superior capabilities may be a source of advantage over competitors and lead to superior performance (Barney, 1991; Day and Wensley, 1988). Barney (2001) defines capabilities as only those firm attributes that enable the firm to coordinate and make use of its resources. Hooley, Broderick, and Moller (1998) contend that business orientations are fundamentally capabilities of the firm, as they set the firm’s direction and activities to ensure resources are fully exploited. Peterson (1989) defines business orientations as the underlying philosophies that determine the nature and scope of a firm’s activities and plans. These fundamental guiding principles determine the organisation’s basic values and goals, as well as the strategies the firm uses to compete in its marketplace (Fritz, 1996).

Fritz (1996) discusses six fundamental orientations that affect corporate management. These six dimensions are market orientation, production and cost orientation, financial orientation, technology and innovation orientation, employee orientation, environmental and social orientation (Fritz, 1996). An environmentally and socially orientated firm has corporate goals pertaining to the welfare of society and the protection of the environment as well as of a positive corporate image and public opinion (Fritz, 1996). Further an employee oriented firm has employee satisfaction and a social responsibility to maintain job sites as part of its corporate goals and a financially oriented firm has goals of profit and return on investment (Fritz, 1996).

This study proposes that corporate social responsibility may also be conceptualised as a business orientation. A firm which is considered as being CSR oriented can be said to engage in aspects of the three managerial orientations (Fritz, 1996) that are outlined above. However these three orientations are not all encompassing and do not factor in all the other elements traditionally associated with corporate social responsibility (as identified by Carroll, 1979). Carroll (1979) notes that organisations have four responsibilities or obligations to the society in which they operate. They are: economic, legal, ethical, and discretionary. The economic and legal responsibilities are obligations that have always existed for organisations and obligations that will continue to exist in the future regardless of further changes in the mindset of consumers (Drucker, 1984). They include producing a product that is demanded by consumers and ensuring that the organisation is obeying legislation enacted by the government at all levels. The ethical and discretionary responsibilities outlined by Carroll (1979) are not always undertaken by organisations. While some firms have always been regarded as being 'ethical' companies, others simply react and adapt their marketing strategies to changes in the way consumers perceive what is 'right' or 'ethical' and what is 'wrong' or 'unethical'. It is difficult to determine what is deemed as ethical behaviour by a firm due to the subjective nature of the obligation. Discretionary obligations go one step further than an organisation's ethical responsibilities with judgment as to what is involved with this responsibility left to the individual (Carroll, 1979). This study seeks to build upon the Fritz (1996) corporate management model and Carroll's (1979) four obligations by examining the values and attitudes, goals, and strategies associated with an organisation that is CSR oriented.

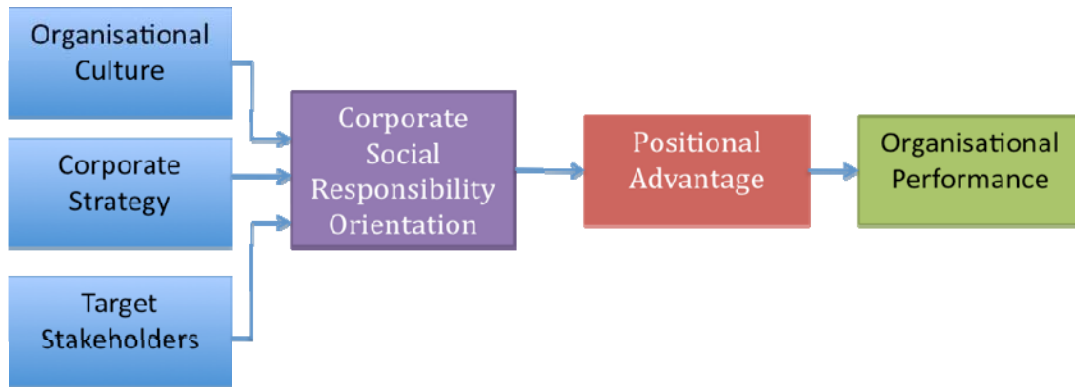
Implications to the academic literature and management

Examining the concept of corporate social responsibility as a business orientation has a number of important contributions to the literature as well as to management. The concept at present has not been developed nor sufficiently measured within the academic literature. This study will set out to conceptualise CSR as an orientation within the Australian retail industry. Further the study will attempt to identify and explain the relationship between CSR orientation, positional advantage, and organisational performance. This will involve drawing upon existing scales within the literature however new measures will need to be developed in order to sufficiently determine these relationships. The study will contribute significantly to the literature by gathering primary data rather than examining the effectiveness of corporate social responsibility practices through secondary data from such sources as financial reports as has been done in the past.

Many businesses view corporate social responsibility as being the responsibility of a single department of the organisation. The notion of CSR as a business orientation means that the philosophy of socially responsible behaviour is present at each level of management, from the highest level executive down to the lowest level employee. This study will enable managers to better understand the benefits of implementing such philosophies and strategies within their organisations in order to satisfy the demands of both their internal and external stakeholders.

Concepts, theories, and frameworks

Depicted below is the conceptual framework and propositions that are the basis of this study:



Proposition 1: Organisational culture will have a positive relationship with CSR orientation.

Proposition 2: Corporate strategy will have a positive relationship with CSR orientation.

Proposition 3: Target stakeholders will have a positive relationship with CSR orientation.

Proposition 4: CSR orientation will have a positive relationship with positional advantage.

Proposition 5: Positional advantage will have a positive relationship with organisational performance

Antecedent variables

Organisational culture helps to explain why an organisation behaves the way it does and shapes the beliefs of the employees of a firm regarding what is important and what is unimportant (Gray and Balmer, 1998). It is believed that organisational culture influences the degree that a firm considers itself to be CSR oriented. If the shared values and beliefs of the employees of the organisation are orientated in such a way as to act and behave morally, as well as to consider the ethical demands of its stakeholders, then a firm should be better able to develop and implement socially responsible policies and philosophies. The outcome variables are positional advantage and organisational performance.

Corporate strategy serves as a blueprint of the organisation's key strategies and objectives (Gray and Balmer, 1998; Melewar and Karaosmanoglu, 2006). A corporate strategy that includes goals that are considered as ethical or moral in nature and policies in which to achieve these goals will more likely develop an orientation that is deemed to be socially responsible.

Target stakeholders play a large role in the formation of an organisation's corporate social responsibility policies and practices. Maignan and Ferrell (2004) comment that there are four main categories of stakeholders. The first is organisational which includes consumers, employees, suppliers, creditors, and shareholders). The second is the community which includes local residents and interest and lobby groups. The third is regulatory bodies including all levels of government. The fourth is the media. Buchholz (2004) adds a fifth category which is the natural environment.

Outcome variables

Positional advantage

Central to the conceptualisation of corporate social responsibility as a business orientation is the pursuit of a positional advantage. The sources-position-performance framework suggests that sources of advantage, such as business orientations, are transformed into positional

advantage, which in turn results in superior organizational performance (Day and Wensley, 1988; Hunt and Morgan, 1995; Matear, *et al.*, 2004). Johnson (1987) argues that retailers have essentially two bases upon which competitive advantage can be sought, namely, cost-focussed and market focussed. The cost and market focus can also be considered similar to Porter's (1985) framework of generic strategies for achieving competitive advantage, which include cost leadership (input focussed), differentiation (output focussed) and focus. Where an organisation can operate at a lower cost than competitors, while offering product parity, it can achieve a cost leadership advantage (Porter, 1985). In contrast to cost leadership is the differential strategy. This strategy is the foundation of the positional advantage construct under investigation in this study. Ghosh (1994) proposes that the creation of a positional advantage based on differentiation, which he refers to as differential advantage, is necessary in order for a retailer to survive in the current competitive climate. Retailers must not only achieve differential parity, they must give consumers superior reasons to visit their stores compared to their competitors (Ghosh, 1994). Business orientations contribute to positional advantage through the creation of superior value for customers (Langerak, 2001; Woodruff, 1997). It is believed that a firm that has a strong CSR orientation will be invested in creating continual superior value not just for its customers, but for all of its target stakeholders.

Organisational performance

As outlined by Carroll (1979), the main obligation that an organisation has to its stakeholders is to produce goods and services to fulfil the needs and wants of society and as a result produce a profit. This is the economic responsibility of the firm. There are many critics of Carroll's (1979) economic and moral responsibilities. Milton Friedman in his influential 1962 book *Capitalism and Freedom* states that "there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud" (Friedman, 1962/2002). Levitt (1958) agrees in part with Friedman's (1962/2002) statement commenting that the main function of business is to focus on obtaining the highest level of sustained profitability it can. More simply put the "corporation's business... is making money" (Levitt, 1958). However, unlike Friedman (1962/2002), Levitt (1958) is not opposed socially responsible behaviour stating that responsible activities and welfare "makes good sense if it makes good economic sense".

The firm's target stakeholders demand that the organisation invests into the community in which it is located. However, the most important question for many organisations that engage in corporate social responsibility is whether being socially responsible results in superior performance. Superior performance may indicate increased profits, achievement of strategic goals, or a competitive advantage over other businesses operating within the same industry. As the first responsibility an organisation has is an economic one to its shareholders, managers and organisations may be hesitant to invest in such strategies if a proven link between corporate social responsibility and financial performance is not made (McWilliams and Siegel, 2000). McWilliams and Siegel (2000) in their analysis of extant literature argue that there have been mixed results of the financial impact of such well-doing strategies on short-term and long-term profitability of the organisation. Orlitzky *et al.* (2003), however, discuss the link between corporate social performance and financial performance stating that evidence suggests that, as a result of a firm engaging in socially responsible practices, overall profitability of the firm will increase.

Proposed methodology

The initial exploratory phase of the methodology of the study will focus on the development, clarification, and operationalisation of constructs. Secondary data will be analysed through a review of existing academic and trade literature. This will identify the key constructs and relationships to be investigated in the study and form the basis of the conceptual framework. Qualitative research, in the form of semi-structured personal depth interviews, will then be used to clarify these constructs. Interviews will be conducted with 10 senior retail executives in order to provide a practical perspective on the key constructs and relationships proposed in the study. It is believed that this group of subjects will assist in the identification of dimensions of the CSR orientation construct, its antecedents and any additional constructs that influence the relationships between CSR orientation, positional advantage and performance. Of particular significance is the need to ensure the language and phrasing used in the conclusive research phase is applicable to a cross section of retailers.

The next phase of the research design will involve quantitative research using a structured, self-administered questionnaire. The questionnaire will be pre-tested with the feedback from the initial participants used to improve the overall method of data collection. The potential participants are a cross section of the top organisations ranked by turnover from varying retail sectors. These businesses are targeted specifically as they have the resources and capital to undertake CSR strategies. Potential respondents will initially be contacted and asked to participate in the study. The Tailored Design Method (Dillman, 1991; Dillman, 2006) which concentrates on cost minimisation for respondents by including a stamped return envelope with the questionnaire and ensuring that the survey appears short and easy to respond to, reward maximisation by providing incentives to respond, and trust establishment by constructing a professional looking questionnaire.

Several of the constructs including CSR orientation have not been previously operationalised, consequently the procedures suggested by Churchill (1979) will be adopted. Once the construct domains are identified, multiple item measures will be developed, ranging from six to fifteen items. The motivation for including such a large number of items is to ensure that the underlying elements of each construct are fully captured. As many of the constructs have not been measured in a retailing context it is important to identify those elements that contribute to the respondent's understanding and perception of each construct. After item generation each construct will be edited based on exploratory depth interviews and pre-testing of the questionnaire. Construct purity will be performed using exploratory factor analysis, validity analysis as well as reliability. Finally, confirmatory factor analysis will be conducted.

Progress to date

Having completed confirmation in June 2008, this study is still in the conceptual development stage and further exploratory research and refinement of terms is required.

Specific issues for feedback

Two areas of interest are highlighted for the panel to provide feedback on:

1. What are the thoughts on conceptualising and operationalising CSR as a business orientation?
2. Comments or suggestions on the proposed methodology, particularly the type of incentives to offer, the value of pre-contact in increasing response rate and online versus mail questionnaires.

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