

CHAPTER 5

SUMMARY, IMPLICATIONS, FUTURE RESEARCH AND CONCLUSION

5.1 Introduction

This chapter discusses the findings from the proposed model of CSR orientation. Explanations on the findings are presented followed by the contributions and managerial implications of the study. Finally, the chapter was concluded with limitations of the study and suggestions for future research.

5.2 Discussion: Overview of the Findings

Basically, this study is to investigate firstly the antecedents of CSR orientation, secondly the relationship between independent variables and mediating variables, thirdly to examine the mediating effects between independent variable and dependent variables and finally to explore the relationship between mediating variables and dependent variables. Thus, as for discussion and interpretation, the explanations on the findings are based on propositions, hypotheses and the final objective of the study.

Proposition 1: Elements of social concern, economic concern and corporate citizenship culture are antecedents to CSR orientation

Integration of social concern, economic concern and corporate citizenship culture were formulated and operationalised based on the work of Banerjee, Iyer and Kashyap (2003); Baker and Sinkula (2005); and Maignan et al (1999). From social concern two dimensions were proposed namely: public concern and regulatory forces. Similarly, economic concern was incorporated into two dimensions: environment as opportunity and environment as commitment and four dimensions that are ethical citizenship, economic citizenship, legal citizenship and discretionary citizenship from corporate citizenship culture.

The integration of these dimensions was certified by exploratory factor analysis with varimax rotation in which two factors, one factor and three factors were produced for social concern, economic concern and corporate citizenship culture respectively.

Proposition 2: Social concern are related to marketing capabilities

Hypothesis 2: Social concern are positively related to marketing capabilities

Hypothesis 2a: Public concern is positively related to marketing capabilities

Hypothesis 2a exhibits there is a significant relationship between public concern and organisational learning for the element of shared-vision and enviropreneurship for the element of innovativeness. The relationship showed five sub-hypotheses and this is discussed below:

H2a (i): Public concern is positively related to commitment to learning

H2a (ii): Public concern is positively related to shared-vision

H2a (iii): Public concern is positively related to open-mindedness

H2a (iv): Public concern is positively related to innovativeness

H2a (v): Public concern is positively related to risk taking

Public concern had a positive significant relationship with shared-vision and innovativeness but a negative significant relationship with the rest of the elements in organisational learning and enviropreneurship. This illustrates that the Malaysian public shared the same vision the managers have with regard to environmental problems facing the organisations. However, the public or external environments (i.e. stakeholders, consumers, competitors and organisation's social community) are not the driving forces that could influence the organisations' corporate practice that transform environmentalism from something external to the market system into something that is central to the core objectives of the organisations.

Hypothesis 2b: Regulatory forces are positively related to marketing capabilities

The overall results showed that regulatory forces were positively significantly related to the elements of marketing capabilities except for open-mindedness. Open-mindedness was significant but inversely related. The results of the sub-hypotheses were explained as below:

H2b (i): Regulatory forces are positively related to commitment to learning

H2b (ii): Regulatory forces are positively related to shared-vision

H2b (iii): Regulatory forces are positively related to open-mindedness

H2b (iv): Regulatory forces are positively related to innovativeness

H2b (v): Regulatory forces are positively related to risk taking

This result is consistent with the previous study (Kirkpatrick, 1990; Maxwell, Lyon and Hackett, 200) that due to the pressures of environmental regulation and legislation together with the high cost of compliance, have made senior executives and managers become proactive in regard to environmental issues. Indeed, Surma and Vondra (1992) assert that tougher legislation and environmental regulation are also possible motivating factors that organisations begin incorporating environmental concern into their corporate strategies. Consistently, Porter (1991) posits strict environmental regulations can force organisations to be more innovative in facing environmental problems and issues.

Proposition 3: Economic concern are related to marketing capabilities

Hypothesis 3a: Environment as Commitment is positively related to marketing capabilities

The finding showed environment as a commitment is significantly related to each one of the dimension of marketing capabilities except for open-mindedness. Open-mindedness was significant but inversely related. The detailed sub-hypotheses and explanation are discussed below.

H3a (i): Environment as commitment is positively related to commitment to learning

H3a (ii): Environment as commitment is positively related to shared-vision

H3a (iii): Environment as commitment is positively related to open-mindedness

H3a (i): Environment as commitment is positively related to innovativeness

H3a (ii): Environment as commitment is positively related to risk taking

Nall (2002) argue that new marketing opportunities will and has continued to emerge due to recognition of environmental problems. However, in relation to this study the elements of environment as opportunities were dropped from the analysis. This indicated that Malaysian managers did not perceived environmental problems or issues which can be turned into opportunities. But, they view that investments in environmental protection should be evaluated as long-term investments that enhance the organisations tangible and intangible capabilities and something they must obey and be committed to.

Proposition 4: Corporate citizenship culture is related to marketing capabilities

Hypothesis 4: Corporate citizenship culture are positively related to marketing capabilities

The overall results illustrated that corporate citizenship culture which consists of ethical citizenship, economic citizenship and discretionary citizenships were significantly related to organisational learning. However, when regard to the element of risk taking, ethical citizenship showed insignificant relationship and for the element of innovativeness, economic citizenship showed insignificant relationship. The results of the sub-hypotheses were explained below:

H4a (i): Ethical citizenship is positively related to commitment to learning

H4a (ii): Ethical citizenship is positively related to shared-vision

H4a (iii): Ethical citizenship is positively related to open-mindedness

H4a (iv): Ethical citizenship is positively related to innovativeness

H4a (v): Ethical citizenship is positively related to risk taking

H4b (i): Economic citizenship is positively related to commitment to learning

H4b (ii): Economic citizenship is positively related to shared-vision

H4b (iii): Economic citizenship is positively related to open-mindedness

H4b (iv): Economic citizenship is positively related to innovativeness

H4b (v): Economic citizenship is positively related to risk taking

H4c (i): Discretionary citizenship is positively related to commitment to learning

H4c (ii): Discretionary citizenship is positively related to shared-vision

H4c (iii): Discretionary citizenship is positively related to open-mindedness

H4c (iv): discretionary citizenship is positively related to innovativeness

H4c (v): Discretionary citizenship is positively related to risk taking

In summary, employees of socially proactive organisations could feel the bound with their employer and at the same time they are supportive of the organisation objectives.

The employees enjoy working in an environment that enhances their workplace experience whose goals go beyond profit maximization. As Berry (1995); George and Berry (1981) and Gilly and Wolfenbarger (1998) identify that corporate citizenship is an excellent tool for internal marketing. Indeed, it is the way to motivate employees, to

educate them about the organisation and to connect with them directly. Conclusively, the findings indicate that organisations in Malaysia are responsible to the external and internal stakeholders as well as functioning as good corporate citizens.

Proposition 5: Marketing capabilities mediate the relationship between social concern and organisational performance

Hypothesis 5: Marketing capabilities mediate the relationship between social concern and organisational performance

Proposition 6: Marketing capabilities mediate the relationship between economic concern and organisational performance

Hypothesis 6: Marketing capabilities mediate the relationship between economic concern and organisational performance

Proposition 7: Marketing capabilities mediate the relationship between corporate citizenship culture and organisational performance

Hypothesis 7: Marketing capabilities mediate the relationship between corporate citizenship culture and organisational performance

Before testing for mediation of each of marketing capabilities and antecedents of CSR orientation and organisational performance, the proposed model was compared with a partially mediated model. The chi-square difference test indicates that the proposed model (full mediated model) was a better model. This pointed out that marketing

capabilities is the important mediator in the relationship between antecedents of CSR orientation and organisational performance.

The mediating role of marketing capabilities indicated that none of the elements mediated the relationship between public concern and organisational performance. But, commitment to learning, shared-vision and risk taking mediated the relationship between regulatory forces on organisational performance.

This suggest that Malaysian organisations do have the intention to link corporate environmental performance with company strategies but reluctant to invest substantial resources especially in research and development of environmentally friendly technologies, product and processes. Moreover, the organisations' learning process regards to the organisations 'environmental policies to the stakeholders in educating them about environmental issues were not yet being fully implemented. **However, when issues are based on legal pressure and increased regulation, the Malaysian managers seem to be committed to learn, willing to share their vision and willing to take risk.**

Only the element of commitment to learning was found to mediate the relationship between environment as commitment and organisational performance. This signifies that Malaysian managers are committed to learning about the environment when it only involves the organisation's economic objective.

Taken collectively, managers in Malaysian organisations do recognize the importance of environmental issues facing their organisation but to integrate the environmental issues with the organisations' strategic plans is not yet their main intention. They are innovative and open-minded. However, when come to environmental issues, these two criteria were neither the norm nor culture. Perhaps, lacking of managerial support and leadership in guiding the employees are the reasons in these two areas.

Apart from that, commitment to learning mediates the relationship between ethical citizenship and organisational performance; open-mindedness mediates the relationship between economic citizenship and organisational performances as well as commitment to learning and shared-vision mediate the relationship between discretionary citizenship and organisational performance. These results are consistent with Baker and Sinkula (1999) who suggested that managers should adopt learning orientation which encourage organisational members to “think outside a box” and Eisenhardt and Martin (2000) who argued that capabilities can be used to enhance the organisations' long-term competitive advantage.

In contrast, innovativeness and risk taking did not mediate any of the relationship between corporate citizenship culture and organisational performance. It, however, proposed that Malaysian organisations need to nurture, support and continuously enhance enviropreneurship in order to stimulate ecopreneurial behaviour among employees and to endure in a dynamic environment.

Similarly, organisations that adopt enviropreneurship may encourage organisational members to be more proactive with respect to CSR practices and be more willing to embrace risks in delivering value of corporate citizenship behaviour. Likewise, innovative thinking is not being implemented as CSR corporate strategy as the Malaysian organisations themselves is not being fully innovative. It seems that Malaysian organisations as a whole, have not yet included the notion of openness to new ideas, processes, or products, or friendly environmental as part of CSR corporate strategy.

Proposition 8: Marketing capabilities is related to organisational performance

Hypothesis 8a: Organisational learning is positively related to organisational performance

Hypothesis 8b: Enviropreneurship is positively related to organisational performance

Hypothesis 8a exhibits that there are significant relationship between organisational learning and organisational performance but as for hypothesis 8b only the elements of risk taking is significantly related to organisational performance. This is consistent with previous arguments where Sharma and Vredenburg (1997) said that learning is preeminent over other resources because it only enable organisations to maintain a long-term competitive advantage and entrepreneurial proclivity has a positive association with profitability (Zahra, 1991). The relationship for each of the marketing capabilities indicated that five sub hypotheses were significant and this is the discussion:

H8a (i): Commitment to learning is positively related to organisational performance

H8a (ii): Shared-vision is positively related to organisational performance

H8a (iii): Open-mindedness is positively related to organisational performance

H8b: Enviropreneurship is positively related to organisational performance

H8b (i): Innovativeness is positively related to organisational performance

H8b (ii): Risk taking positively related to organisational performance

The result is consistent with previous studies that organisational learning has a direct impact on organisational performance (Hult et al., 2004) and enviropreneurship influence organisational performance (Baker and Sinkula, 2005). Furthermore, organisations capabilities are seen to influence competitive strategies and organisational outcomes Barney and Hansen (1994).

5.3 Results and Discussion for on an integrated model linking CSR orientation, marketing capabilities and organisational performance.

The integrated model of this study demonstrates the comprehensive relationship of the variables that incorporates the antecedents of CSR orientation, the mediating role and the outcome variable in a single model. In view of the fact that, most of these relationships have not been studied together before, testing all variables as an integrated model presents added information on CSR framework. In general, the findings suggest that organisations should incorporate corporate social responsibility elements in their

strategic decision making because it contributes and provides a significant impact on the organisations' performance.

The outcome of the research indicates that marketing capabilities are the main vehicle for implementing CSR practices in organisations and not only leads to a more broader corporate performance in the ecological and social field but also increases the financial performance and leads to product and process improvements. These marketing capabilities especially organisational learning are essential for the sustainability of the organisations, the environment and the society.

5.4 Contribution of the Study

The contributions of this study are significant in terms of theoretical, methodological and implications to managers. Each of these contributions is discussed below.

5.4.1 Theoretical Contributions

Firstly, this study contributes by proposing antecedents of CSR orientation as the main thrust that leads to the marketing capabilities of organisations. The justification is that for organisations to incorporate an environmental concern into their strategic decision making; they are required to have both the environmental corporate strategy and environmental marketing strategy which have a greater impact on the organisational

performance. Thus, this emphasizes the idea that socially and environmentally responsible organisations need CSR as their marketing strategy tool.

As a result, it highlights the notion that organisations marketing capabilities (especially organisational learning) are likely to be influenced by the CSR orientation. Consequently, previous study on corporate citizenship (Maignan and Ferrell, 2001) indicated that corporate citizenship is a potentially fruitful practice not only for society as a whole but also for businesses themselves. Thus, in this study it also has proven a similar result.

Secondly, this study also adds to a relatively body of literature which explores social concern, economic concern and corporate citizenship culture as new dimensions of CSR orientation and consequences for organisation and social actions. Hence, this study has attempted to provide a CSR framework that can be used effectively in securing organisational performance. More specifically, this study has extended the research on antecedents of CSR – social concern, economic concern and corporate citizenship culture - by investigating their influence on marketing capabilities. This linkage reflects the overall effects between the CSR orientation and marketing capabilities, and thus determines the performance of the organisations.

Thirdly, this study contributes to the literature in terms of examining marketing capabilities as the mediating variable between the CSR orientation and organisational performance. By analyzing the mediating effects, this study has given a noteworthy

contribution because no previous research have examined the effect of CSR orientation and marketing capabilities on organisational performance.

Finally, the study contributes to the issues in marketing by showing that organisational learning and enviropreneurship are significant as mediating factors in enhancing the organisational performance.

5.4.2 Methodological Contributions

The methodological contribution of this study is the development of measurement of the constructs where multiple approaches were used to analyze the data and several models were examined simultaneously. Furthermore, this study offers a more accurate methodological process, attempting to clearly define each of the underlying constructs. Assessments of the reliabilities and validities of each constructs using CFA confirm the correspondence rules between both empirical and theoretical concepts (Bagozzi, 1984). Therefore, by combining these methodologies with the purified measurement items of this study provides a useful direction for the future empirical research into CSR framework.

5.4.3 Managerial Implications

From a managerial perspective, this study highlights that being socially and environmentally responsible is not only good for society, but also very good for increasing and preserving shareholder value. As for policy makers, there is clearly a need to tighten up regulations or even develop new regulations and laws that particularly address the enhancement of consumer protection, product quality or provide incentives for the organisations' practices toward CSR.

Lichtenstein, Drumwright and Braig (2004) conclusively mention that corporate social responsibility is considered as a marketing strategy. Thus, this adds to the knowledge of managers and at the same time provides broader benefits to their organisations. The study of social concern, economic concern, corporate citizenship culture and marketing capabilities can enhance the managers' understanding on the impact of CSR in strengthening the relationship with stakeholders and simultaneously boost organisational performance.

Furthermore, the study provides managers with an analytic framework to take advantage of their resources and capabilities, in a more adaptive or generative way, according to the environmental and internal forces to the organisation. Moreover, it has been confirmed by the results of this study that integration of environmental issues into the strategic planning process was a key variable that was positively related to financial and environmental performance.

The results of this study also confirm that managers need to pay more attention to CSR practices if they really wish and want to maintain their competitive edge in the market place. CSR activities or programmes can strengthen and sharpen the management's understanding of consumers and how to implement strategies to engage them in those activities. Furthermore, through CSR, management can enrich its understanding of the business context in view of the organisations' long-term perspective in the future and CSR's help to ensure that the organisations' market decisions depict the true costs spent in building sustainable organisations.

In summary, the theoretical framework proposed in this study provides the managers a fruitful way of strategizing on how organisations apply CSR practices to deploy their marketing capabilities in enhancing organisational performance.

5.5 Limitations and Suggestions of the Study

The findings of this study must be interpreted in the light of several limitations. Firstly, the generalization of this study's findings may be limited to organisations registered under BURSA Malaysia and the Federal of Malaysian Manufacturers who are practicing CSR. This leaves the question open as to the representativeness of the sample. For that reason, future research should attempt to gather information from the organisations regardless of whether they are practicing CSR or not. Furthermore, a broader sample should include not only the managerial level but also non-managerial, so that any potential bias in the data will be minimized.

Secondly, this study does not make any comparison between the sizes of organisations that are practicing CSR. Therefore, future research should consider the size of the organisations so that a comparison between large, medium and small organisations that are practicing CSR can be obtained.

Thirdly, the limitation of this study is that concepts like organisational learning and enviropreneurship may be culturally embedded and this might confuse their interpretation which leads to different conclusions in different settings.

Another limitation is that the information on the data is only from the year 2008. Organisations CSR's practices, strategy and performance implications evolve overtime. Thus, information over a longer period of time might be more transparent and justified. So, it may be desirable to conduct a similar study directed toward collecting longitudinal data which might give a detailed explanation on the activity and strategy.

Finally, the limitation of this study is that it uses only selected variables. It would be desirable to examine other antecedent of CSR such as organisational leadership because CSR in Malaysia is apparently lacking organisational leadership to guide and to encourage units of the organisations to come out with innovative strategies. In addition, future research should include the reputation on how best to use reputation as a driver to embed CSR in core business processes that have a direct impact on competitiveness.

5.6 Conclusion

To summarize, this study examines the relationship of CSR orientation, marketing capabilities and performance of organisations in Malaysia. Even though, the overall findings of the study point out that CSR and marketing capabilities play important roles in enhancing organisational performance, embedded culture of enviropreneurship among employees would facilitate managers to plan a more complete and conclusive CSR practice.

It is hoped that the findings of this study will yield a better understanding of organisations performance that affect society's perception. It should, therefore, help in changing organisation behaviour in meeting public expectations.