THE EFFECTS OF STRATEGIC PLANNING AND FIRM CULTURE ON CSR

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ABSTRACT

Scholars have paid considerable attention to studying the relationship between corporate social responsibility (CSR) and firm performance. However, little research demonstrates what actually shapes or drives effective CSR in the first place. This paper builds a case that comprehensive strategic planning is one such driver in that it creates awareness of and formulates responses to a firm’s stakeholders, thereby facilitating CSR activity. However, exploring single variable relationships is problematic, as other important endogenous factors need to be given consideration in explaining CSR. More specifically, evidence suggests that firm culture can facilitate or hinder a firm’s strategic actions. One such cultural factor, humanistic culture, is argued to have a positive effect on CSR. By studying a sample of firms in Australia, results demonstrate that a comprehensive strategic planning effort is positively related to CSR. As hypothesized, a humanistic culture adds significant variance in predicting CSR, after accounting for a firm’s comprehensive strategic planning efforts.

Keywords: Corporate social responsibility, firm competitiveness, firm culture, stakeholders, strategic planning.
INTRODUCTION

Scholars have paid considerable attention to studying the relationship between corporate social responsibility (CSR) and firm performance over the last 30 years (Aguilera et al., 2007; Margolis and Walsh, 2003). Although not without some concerns over methodological inconsistencies of these studies, recent breakthrough research such as meta-analysis, supply and demand models and cost curve analysis (e.g., De Bakker et al., 2005; Husted et al., 2006; Mackey et al., 2007; McWilliams and Siegel, 2001; Orlitzky et al., 2003) generally demonstrate a significant positive effect of CSR on financial performance. According to Aguilera et al. (2007, p. 837), such findings “should bring some closure on the long running debate...about whether it is in an organization’s financial best interest to engage in CSR.” Thus, the authors argue, rather than continue with myriad researches on the impact of CSR on a firm’s financial viability, new research questions should be pursued. If one accepts Aguilera et al. (2007) premise, perhaps a more fundamental line of enquiry is the exploration of the drivers of CSR (cf. Rowley and Berman, 2000). That is, if the empirical evidence generally suggests a positive association between CSR and firm performance, then what are the institutional factors that shape or drive effective CSR in the first place? A small body of researchers has been pursuing the question of institutional drivers of CSR.

In their study, Thomas and Simerly (1995) find that the functional backgrounds and tenure of top managers drive CSR. The research of McGuire and his colleagues (1988, 1990) suggests that the availability of slack resources is a driver of CSR in that it affords firms investment vehicles for social activities. Similarly, Waddock and Graves (1997) find that slack resources are linked with CSR. In other studies, evidence is found that there is a positive association between market orientation and CSR (Maignan et al., 1999; Maignan and Ferrell,
While important, each of the studies fail to disclose findings on a potentially fundamental driver of CSR; namely, strategic planning.

Strategic planning is a management activity that serves as a mechanism for a business firm’s creation, while helping to establish its position in the market, its competitiveness, its response to stakeholders, and ultimately its policies (Andrews, 1971; Ansoff, 1976; Freeman, 1984; Porter, 1980; O’S hammassy, 2003); thus, understanding the relationship between strategic planning and a firm imperative such as CSR is an important opportunity for discovery. Adding complementary value to the field by exploring drivers is desirable, as most models have focused on consequences of CSR (Aguilera et al., 2007). However, commentary from some scholars (e.g., Rowley and Berman, 2000) implies that when studying drivers of CSR, researchers need to be concerned about multidimensional relationships, given that many potential antecedent conditions influence the construct. The current research takes such an approach by additionally investigating firm culture.

Organizations are seen as multivariate systems consisting of dimensions such as tasks (i.e., work to be performed to accomplish goals), structure, technology and people (Leavitt, 1964; Peters and Waterman, 1982; Schwartz and Davis, 1981). Some research finds that differences in competitive effectiveness are not attributed so much to structural characteristics of firms, however, but rather more to the dimension of culture (Pascale and Athos, 1981). Given such findings, firm culture potentially impacts on actions in the area of CSR. The reason being as members of an organization seek to respond to demands for CSR from various stakeholders, their actions might be shaped by patterns of behavior ingrained in the conduct and coping mechanisms of the firm at large (i.e., firm culture). No studies to date have explored the relationship between strategic planning and CSR by examining what effects firm culture has in impacting results. Such
studies are appropriate to further untangle our understanding of how and under what conditions firms engage in socially responsible behavior (Rowley and Berman, 2000).

PREVIOUS RESEARCH

Strategy is the link between a firm and its market (e.g., economic, financial, technological) and non-market (e.g., social, political, environmental) environment, in which the firm is in dynamic interaction with a diverse set of stakeholders (Ansoff, 1976; Ansoff, 1979; Freeman, 1984; O’Shannassy, 2003). Thus, identifying, understanding and strategically responding to the demands arising from various stakeholder expectations – including their demands for social responsibility and responsiveness – is a complex management challenge, one that, theoretically, can be addressed through strategic planning. After an extensive literature review, little empirical research has actually tested the relationship between strategic planning and CSR. However, one study was identified which suggests a positive association.

Judge and Douglas (1998) study a variety of industries in the United States to determine if firms who incorporate environmental issues into the strategic planning process deliver better financial and environmental performance. The authors find two sets of relationships. First, by coordinating functional coverage (e.g., marketing, production, R&D) and committing appropriate resources to environmental departments, firms more comprehensively address environmental issues in the strategic planning process. Second, through more explicitly examining environmental issues in the strategic planning process, a link is found between financial and environmental performance. While offering insight into the nature of the strategic planning-CSR relationship, a few important limitations exist with the Judge and Douglas study.

First, the study singularly explores environmental issues (as a measure of CSR) within the framework of strategic planning, which is problematic given the multidimensional nature of the
CSR construct. According to Griffin and Mahon (1997, 25), studying only one dimension of CSR “inadequately reflect[s] the breadth of the construct” and thus lacks the appropriate level of validity and reliability. Further, strategic planning requires firms to explore issues well beyond just the natural environment (Andrews, 1971; Learned et al., 1969; O’Shannassy, 2003; Slater et al., 2006; Veliyath and Shortell, 1993). Second, Judge and Douglas limit the study of strategic planning to two dimensions, functional coverage and resources provided. Although the literature offers no universal conceptualization, several scholars (e.g., Boyd, 1991; Kargar, 1996; Grinyer et al., 1986; Priem et al., 1995; Ramanujam and Venkatraman, 1987a; Veliyath and Shortell, 1993) commonly accept that the strategic planning construct constitutes more than just two dimensions; thus, similar to the issue of measurement of CSR, studying two dimensions of strategic planning potentially limits validity and reliability. Lastly, with the exception of firm size as a control variable, Judge and Douglas do not include any additional variables in exploring the relationship between the two dimensions of strategic planning and financial and environmental performance. However, the work of Rowley and Berman (2000) implies that using a single variable (e.g., strategic planning) to explain CSR is tenuous, given that many potential antecedent conditions influence the construct. Of particular interest to this study is firm culture.

**THEORY AND HYPOTHESES**

**Comprehensive strategic planning and CSR**

Strategic planning is described as an attitude and a process concerned with the future consequences of current decisions (Andrews, 1971; Ansoff, 1965; Grant, 2003; Learned et al., 1969; Slater et al., 2006). The literature is replete with the advantages of strategic planning, most notably its ability to improve the fit between the organization and its external environment (Andrews, 1971; Godiwalla et al., 1981; Hill and Jones, 2004; Learned et al., 1969; O’Shannassy,
2003). Others argue that planning aids in the identification of strategic issues that might impact on a firm’s ability to meet its objectives, offers an assessment of future threats and opportunities, elicits an objective view of managerial problems, creates a framework for internal communication, provides inputs for management decisions, promotes forward thinking and encourages a favorable attitude to change (Andrews, 1971; Ansoff, 1980; Hausler, 1968; Langley, 1988; Loasby, 1967; Lorange, 1980; Mintzberg et al., 1998; Wilson, 1979). With respect to understanding the impact of the construct, scholars have taking the position that the central issue is not the absence of strategic planning, but rather the degree to which firms do plan (McKiernan and Morris, 1994; Ramanujam and Venkatraman, 1987a). That is, of prime interest is the level of comprehensiveness or intensity given to strategic planning. According to Bracker et al. (1988) and Miller and Cardinal (1994), firms derive higher value from strategic planning the more comprehensive their efforts.

After reviewing previous studies (e.g., Kargar, 1996; Ramanujam et al., 1986; Ramanujam and Venkatraman, 1987a; Veliyath and Shortell, 1993;), five dimensions were identified that are consistently used to define the extent to which firms conduct strategic planning, including: 1) the degree of external orientation of the system; 2) the degree of internal orientation of the system; 3) the level of integration achieved within functional departments; 4) the level of resources provided for planning; and 5) the extent of use of analytical techniques. These five planning dimensions are well grounded in the extent literature as constituting a comprehensive strategic planning effort (Kargar, 1996).

First, to objectively assess their level of competitiveness and to determine courses of action, firms examine the external environment in order to understand the issues that might potentially affect survival and drive strategic change (Andrews, 1971; Ansoff, 1980; Learned et al., 1969; Porter, 1980, 1985; Slater et al., 2006; Veliyath and Shortell, 1993). Here, firms study
both the macroenvironment (e.g., regulations, social issues, environmental issues, demographic changes, etc.) and industry environment (e.g., new competitors, changes in competitor strategies, industry forces, etc.). Of particular concern are a firm’s external stakeholders (O’Shannassy, 2003). Because external stakeholders (e.g., customers, shareholders, communities) exert strong influence on the firm (Clarkson, 1995; Post et al., 2002; Waddock et al., 2002), studying their particular needs and expectations leads to the knowledge necessary to ascertain the level and type of CSR response required to retain their participation and to develop valuable, on-going relationships with them (Bromn and Bromn, 2003; Jones, 1995; Laszlo et al., 2005; McWilliams and Siegel, 2001; Miles et al., 2006).

Second, firms assess their internal environments for strategic implications (Andrews, 1971; Fredrickson, 1984; Hill and Jones, 2004; Stevenson, 1976). As part of their internal assessment, firms examine a number of factors, including which resources and capabilities are required to address a changing external environment, what structure and control mechanisms are necessary to create a fluid and responsive organization and strengths and weaknesses relative to the market (Andrews, 1971; Mintzberg, 1993; Quinn, 1992; Whittington et al., 1999). However, firms also relate strategies to internal stakeholders (e.g., employees) and therefore assessment here is linked with the overall role of examining the internal environment (Dawkins and Lewis, 2003; Laszlo et al., 2005; Miles et al., 2006; O’Shannassy, 2003). Hence, firms assess the degree to which they are responsive and responsible to internal stakeholder groups as well as assess what is needed to enact necessary changes to improve relationships with those actors.

Third, strategic planning entails the inclusion of a variety of functional areas in order to integrate different functional requirements into a general management perspective (Hitt et al., 1982; Ramanujam et al., 1986; Ramanujam and Venkatraman, 1987a, 1987b; Snow and Hrebiniak, 1980). Because firms consist of several departments such as finance, marketing,
production, human resources, R&D and service, strategic planning acts as a mechanism for communication across these departments so that relevant information is coordinated in the planning process (Grant, 2005; Wilson, 1994). Additionally, various departments each derive learnings from different stakeholder interactions and as such, through the overall strategic planning process, offer important insight into the actions that are necessary to fulfill stakeholder needs and expectations (Crane and Livesly, 2003; Miles et al., 2006).

Fourth, strategic planning requires an appropriate level of resources and reflects management’s commitment to the concept of planning. For example, while the CEO and other top executives are key resources in the strategic planning process (Andrews, 1971; Johnson and Greening, 1999), inputs and insights come from a variety of key personnel, both from within and outside of the organization (Hart, 1992; Hart and Banbury, 1994; Kochan and Rubinstein, 2000; Miles et al., 2006; Ramanujam and Venkatraman, 1987a, 1987b; Veliyath and Shortell, 1993). One such resource is line managers, who play an important boundary spanning role, gathering information on customer and market trends, passing this information up through the organization and liaising with internal planners on the development of creative strategic ideas (Markides, 2000; Mintzberg, 1994; O’Shannassy, 2003). On the other hand, the use of outside experts, such as consultants, brings an additional level of knowledge and experience that contributes to effective strategic planning (Delany, 1995; Ginsberg, 1989). Given that no single individual holds complete knowledge of all issues related to strategy, firms that dedicate appropriate levels of resources and behave in a collaborative posture between key personnel maximize the probability of generating viable organization strategies (Burgelman, 1991). Further, given their direct influence on the firm, explicitly engaging resources from external stakeholder groups (e.g., executives from a key customer) in the strategic planning process, through the mechanism of
strategic conversations, minimizes future stakeholder concerns for CSR and enhances strategy making and response (Bonn and Bonn, 2003; Crane and Livesly, 2003; Miles et al., 2006).

Lastly, the use of analytical techniques in planning facilitates knowledge discovery, guides decision making and helps drive strategic action (Frost, 2003; Glaister and Falshaw, 1999). A variety of analytical techniques are used by firms such as SWOT, product portfolio matrices, scenarios, financial modeling and forecasting, among others (Clark, 1997; Hussey, 1997). Of importance is that firms leverage tools to assess both their external and internal environments, while also to help facilitate knowledge transfer, internal communications and overall decision making. According to Day (1986) and Langley (1988, 1991), the use of analytical tools includes information generation, providing a structure for analysis, encouraging communication of ideas and assisting with coordination and control. By using an array of analytical tools, firms uncover critical knowledge about their stakeholders, including current expectations, future demands and gaps in treatment, which aids in raising the level of strategic thinking in organizations and the effectiveness of strategic planning (Webster et al., 1989).

When all five dimensions are given systematic attention, a comprehensive strategic planning effort generates critical information, ensures a thorough consideration of all feasible options, forces firms to evaluate the environment (internal and external), stimulates new ideas, increases motivation and commitment, enhances internal communication and interaction and ultimately charts a course of action with respect to adding value to stakeholders. Hence, firms who are comprehensive strategic planners are aware of, understand and can formulate responses to meet stakeholder expectations for CSR. Therefore,

*Hypothesis 1.* There is a positive relationship between a comprehensive strategic planning effort and CSR.
Firm culture and CSR

Firm culture is “the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration” (Schein, 1984, p. 3). Gibson et al. (1991, p. 46) describe culture as the “personality or feel” of the firm, explaining how people behave in different circumstances. Johnson (1992) indicates that firm culture consists of various stories, myths, rituals, symbols, routines and control systems. Although a variety of definitions exist, a common argument is that firm culture is a unique feature of organizations and has important influences on the degree to which strategy is carried out.

Organizations are seen as multivariate systems consisting of dimensions such as tasks (i.e., work to be performed to accomplish goals), structure, technology and people (Leavitt, 1964; Peters and Waterman, 1982; Schwartz and Davis, 1981). However, some research finds that differences in competitive effectiveness are not attributed so much to structural characteristics of firms, but rather more to the dimension of culture (Pascale and Athos, 1981). Hence, there is evidence to suggest that culture can facilitate or hinder a firm’s strategic actions. The importance of culture to strategy is that culture influences the behavior of a firm’s members, directed at achieving organizational objectives (Jones, 1983; Landford and Mintu-Wimsatt, 1999; Maron and van Bremen, 1999; Wilkins and Ouchi, 1983). Given these observations, firm culture potentially impacts on actions in the area of CSR. The reason is that as members of an organization seek to respond to demands of various stakeholders – including demands for social responsibility – their actions might be shaped by patterns of behavior ingrained in the conduct and coping mechanisms of the firm at large (i.e., firm culture). Of particular interest is a humanistic culture.
Cooke and Rousseau (1988) suggest that culture can be observed on the basis of two key principles: direction and intensity. Direction reflects the content of a culture, such as behavioral norms, values and thinking styles. Intensity, on the other hand, reflects the strength of the direction of the culture. Both direction and intensity impact on the way organizational members are expected to think and behave in relation to both tasks and to other people. In some cultural types, task orientations are most prevalent and the focus is on high levels of personal achievement, competition, controlling others and conflict rather than collaboration (Cooke and Rousseau, 1983, 1988). In the extreme (high intensity levels), self-gain is sought if even at the expense of others. In other culture types, however, a focus on people, teamwork, cooperation and sensitivity to others is prevalent.

By example, a humanistic culture is one that fosters the maintenance of harmonious relationships. According to several scholars (e.g., Cooke and Hartman, 1989, Cooke and Lafferty, 1994; Deal and Kennedy, 1982; Peters and Waterman, 1982), in humanistic cultures, a culture of caring exists and members are expected to be supportive, constructive and open to influence in their dealings with one another. Thus, in organizations where a humanistic culture is demonstrated, members not only focus on their own needs and interests, but show concern for the needs and interests of others (Cooke and Hartmann, 1989). Further, an orientation to others is likely to extend beyond immediate, internal members to external stakeholder groups such as customers and stockholders. That is, members in firms with humanistic cultures are expected to strive to respond to stakeholder demands for CSR as an orientation to others demonstrates sensitivity to their needs. Consequently,

_Hypothesis 2._ A humanistic culture has a positive effect on CSR, over and above what could be expected on the basis of comprehensive strategic planning.
METHODS

Data and Sample

The study focused on a broad set of Australian firms in the both the manufacturing and services industries. Given strategic planning, cultural, CSR and general information had to be provided about their firms, the top management executive – the CEO – was selected as the target informant. To select the sample, a database with company names, CEO names and addresses of firms was obtained from Dunn and Bradstreet Australia. Three thousand firms, 1,500 from manufacturing and 1,500 from services, were then randomly selected. In order to ensure a minimum operating structure, only firms consisting of 50 or more employees were included.

A pilot study was administered to 23 CEOs in companies not in the final sample and appropriate changes were made to the questionnaire based on feedback. The instrument was then mailed with reply-paid envelopes to CEOs in the final sample with a covering letter assuring them of anonymity and confidentiality and an offer of the results on request. Two weeks after the initial mailing, a reminder follow-up letter was sent. Following the first, a second follow-up letter was sent one month after the initial mailing. After accounting for undeliverables, a total of 280 useable responses were returned, resulting in a response rate just over 10 percent. The response rate compares favorably to studies targeting like informants and industries in Australia (Galbreath and Galvin, 2007; Soo et al., 2001) and other studies of top management teams (Agle et al., 1999; Hall, 1992; Schlegelmich and Robertson, 1995; Sheridan and Milgate, 2005; Simons et al., 1999).

Demographic statistics revealed that the mean firm size was 636 employees while the mean firm age was 43 years. The mean age of the CEO was 50 years while mean length of time with current employer was 15 years. Seventy three percent of CEOs had an undergraduate degree or higher. Eleven percent of firms had sales turnover of between $1,000,000-$10,000,000,
percent between $10,000,001-$50,000,000, 15 percent between $50,000,001-$100,000,000, 10
percent between $100,000,001-$200,000,000 and 22 percent over $200,000,000. Firms competed
in industries such as industrial manufacturing, financial services, business services, insurance
and consumer products manufacturing. To test for non-response bias, a comparison between
early and late respondents revealed no significant differences on two key demographic variables;
namely, firm size ($t = -0.583$, $p = 0.560$) and firm age ($t = -1.123$, $p = 0.263$). Thus, the
respondents appeared to be representative of the broader population.

**Measures**

The following section describes measurement for the dependent, independent and control
variables. All constructs were measured using multi-item scales and the control variables were
measured using either single item indicators or categorical indicators. The items for the
independent and dependent scales were placed randomly in the final instrument to avoid order
bias while the scales were placed far apart from each other.

*Dependent variable.* Following advice from Griffin and Mahon (1997) and Rowley and
Berman (2000), the CSR construct was operationalized using multiple dimensions. For
measurement, established scales were used (Maignan et al., 1999; Maignan and Ferrell, 2000,
2001), including scales for economic, legal, ethical and discretionary dimensions of CSR
(Appendix). The scales used by Maignan and her colleagues have undergone rigorous
development and have been tested in multiple settings. Each scale was measured with a 5-point
Likert scale where “1 = strongly disagree” and “5 = strongly agree”.

*Independent variables.* Measurement of strategic planning is inconsistent and no
universal scales exist.[1] However, for this study, customized scales based on previous research
(e.g., Kargar, 1996; Judge and Douglas, 1998; Ramanujam et al., 1986; Ramanujam and
Venkatraman, 1987; Veliyath and Shortell, 1993) were used, including: 1) external orientation; 2) internal orientation; 3) functional coverage; 4) resources provided; and 5) use of analytical techniques (Appendix). Each scale contained multiple items and was measured with a 5-point Likert scale where “1 = no emphasis” and “5 = very strong emphasis”. Lastly, firm culture contained one dimension, humanistic culture. The scale for humanistic culture was based on established measures (Cooke and Rousseau, 1988) (Appendix) and a 5-point Likert scale, where “1 = strongly disagree” and “5 = strongly agree”, was used for measurement.

Control variables. Several control variables were used. To control for their effects, firm size, firm age, primary business activity (proxy for industry) and sales turnover were captured in the survey. All of the variables have been included in previous studies of strategic planning and/or CSR (Boyd, 1991; Judge and Douglas, 1998; Maignan et al., 1999). Firm size was measured by total number of full time employees. Firm age was measured by number of years the firm had been in business. Primary business activity was captured as a categorical variable, and included industrial manufacturing, consumer products manufacturing, financial services, insurance, personal services, business services and other services. Lastly, sales turnover was also a categorical variable and measured six categories, ranging from less than $1 million through to $200,000,000 million and over.

DATA ANALYSIS

Means, standard deviations and correlations are presented in Table 1. The analysis and testing of the hypotheses was conducted in two main steps: confirmatory factor analysis (CFA) of the constructs and hierarchical regression analysis. In the first step of the analysis, CFA included tests of the dimensions comprehensive strategic planning, CSR and humanistic culture. In the case of strategic planning, the five dimensions were assessed independently. For CSR, following
previous findings (Maignan et al. 1999; Maignan and Ferrell, 2000, 2001), the construct is comprised of four distinct yet correlated dimensions and was assessed as an overall model. Humanistic culture was assessed as a single dimension.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Firm size</td>
<td>630.350</td>
<td>1652.607</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>2. Firm age</td>
<td>42.420</td>
<td>40.907</td>
<td>0.089</td>
<td>1.00</td>
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<tr>
<td>3. Primary business activity</td>
<td>4.490</td>
<td>2.886</td>
<td>0.129*</td>
<td>-0.052</td>
<td>1.00</td>
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<tr>
<td>4. Sales revenue</td>
<td>3.880</td>
<td>1.357</td>
<td>0.412**</td>
<td>0.154*</td>
<td>0.042</td>
<td>1.00</td>
<td></td>
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<tr>
<td>5. External orientation</td>
<td>3.440</td>
<td>0.745</td>
<td>0.162**</td>
<td>0.003</td>
<td>0.105</td>
<td>0.197**</td>
<td>1.00</td>
<td></td>
<td></td>
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<tr>
<td>6. Internal orientation</td>
<td>3.965</td>
<td>0.638</td>
<td>0.045</td>
<td>-0.079</td>
<td>0.014</td>
<td>0.114</td>
<td>0.453**</td>
<td>1.00</td>
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<td>7. Functional coverage</td>
<td>3.465</td>
<td>0.699</td>
<td>-0.035</td>
<td>-0.053</td>
<td>-0.191**</td>
<td>-0.007</td>
<td>0.408**</td>
<td>0.513**</td>
<td>1.00</td>
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<td>8. Resource provided</td>
<td>3.839</td>
<td>0.684</td>
<td>0.061</td>
<td>-0.072</td>
<td>0.055</td>
<td>0.055</td>
<td>0.457**</td>
<td>0.624**</td>
<td>0.464**</td>
<td>1.00</td>
<td></td>
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<td>9. Analytical techniques</td>
<td>3.648</td>
<td>0.744</td>
<td>0.112</td>
<td>0.071</td>
<td>0.031</td>
<td>0.250**</td>
<td>0.453**</td>
<td>0.558**</td>
<td>0.455**</td>
<td>0.535**</td>
<td>1.00</td>
<td></td>
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<tr>
<td>10. CSR</td>
<td>4.051</td>
<td>0.457</td>
<td>0.118*</td>
<td>0.061</td>
<td>-0.004</td>
<td>0.162**</td>
<td>0.428**</td>
<td>0.519**</td>
<td>0.417**</td>
<td>0.520**</td>
<td>0.508**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>11. Humanistic culture</td>
<td>4.019</td>
<td>0.559</td>
<td>-0.054</td>
<td>-0.058</td>
<td>0.029</td>
<td>-0.042</td>
<td>0.293**</td>
<td>0.446**</td>
<td>0.317**</td>
<td>0.697**</td>
<td>0.334**</td>
<td>0.638**</td>
<td>1.00</td>
</tr>
</tbody>
</table>

* p < .05; ** p < .01

Table I. Descriptives and correlations for key variables.

To explore psychometric properties of the constructs, CFA was used to measure overall goodness-of-fit. After scale purification of the constructs (Appendix), fit statistics for the constructs fell within acceptable ranges (Bentler, 1990; Hu and Bentler, 1999) (Table 2). For strategic planning, with the exception of external orientation, all dimensions exceeded 0.90 on both CFI and GFI indices, suggesting a good fit. In the case of external orientation, CFI was 0.893, which is close to the minimum 0.90 threshold suggested by Bentler (1990). Root Mean Square Residual (RMR) and Standardized Root Mean Square Residual (SRMR) indices for the strategic planning dimensions were all below 0.08, indicative of a good fit (Hu and Bentler, 1999). For the CSR model, CFI and GFI indices were 0.940 and 0.923, suggesting a good fit (Table 2). RMR and SRMR indices were 0.047 and 0.066, both a good fit. For humanistic culture (Table 2), after scale purification (Appendix), CFI and GFI were both acceptable, measuring 0.924 and 0.905, respectively. RMR and SRMR indices for humanistic culture also suggested a good fit at 0.029 and 0.053.
Table II. Confirmatory factor analysis results.

**RESULTS**

The results of the correlation analysis demonstrated that while there were some significant inter-correlations between the predictor variables, all of the correlation coefficients were below the level considered to be serious, which is generally accepted as 0.80 or higher (Licht, 1995). However, prior to testing, multicollinearity of the variables was assessed by calculating both variance inflation factors (VIF) and tolerance values. VIF range from a low of 1.046 to a high of 2.054. Tolerance values were no lower than 0.446. Given that VIF values above 10 and tolerance values close to 0 are considered problematic (Hair et al., 1995; Mendenhall and Sincich, 1993), the results suggested that multicollinearity was likely not a problem in this sample.

To test for statistical significance, hierarchical regression analysis was used. The conceptualization of CSR suggests that the four dimensions that make up the construct are equally important (Maignan et al., 1999; Maignan and Ferrell, 2001); hence, equal weights were applied to each of them. Accordingly, a firm’s CSR levels were computed as the simple averages of the sums of the scores of the responses across the dimensions. Variables were entered into the regression equation in two steps. First, the control variables and strategic planning dimensions
were entered as a block in step 1. In step two, in order to examine the amount of unique variance in CSR ($\Delta R^2$) explained by humanistic culture, this variable was entered as an additional block.

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>VIF</th>
<th>TOL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm size</td>
<td>0.040</td>
<td>0.073</td>
<td>1.245</td>
<td>0.803</td>
</tr>
<tr>
<td>Firm age</td>
<td>0.093*</td>
<td>0.079*</td>
<td>1.046</td>
<td>0.956</td>
</tr>
<tr>
<td>Primary business activity</td>
<td>0.002</td>
<td>-0.002</td>
<td>1.116</td>
<td>0.896</td>
</tr>
<tr>
<td>Sale revenue</td>
<td>0.048</td>
<td>0.093**</td>
<td>1.330</td>
<td>0.752</td>
</tr>
<tr>
<td>External orientation</td>
<td>0.128**</td>
<td>0.118**</td>
<td>1.519</td>
<td>0.658</td>
</tr>
<tr>
<td>Internal orientation</td>
<td>0.174**</td>
<td>0.106*</td>
<td>2.054</td>
<td>0.487</td>
</tr>
<tr>
<td>Functional coverage</td>
<td>0.116*</td>
<td>0.116**</td>
<td>1.675</td>
<td>0.597</td>
</tr>
<tr>
<td>Resources provided</td>
<td>0.255***</td>
<td>0.014</td>
<td>2.242</td>
<td>0.446</td>
</tr>
<tr>
<td>Analytical techniques</td>
<td>0.109*</td>
<td>0.086*</td>
<td>1.655</td>
<td>0.604</td>
</tr>
<tr>
<td>Humanistic culture</td>
<td>0.512**</td>
<td>1.559</td>
<td>0.641</td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.396</td>
<td>0.564</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\Delta R^2$</td>
<td></td>
<td>.168</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$F$</td>
<td>18.955***</td>
<td>33.561***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\Delta F$</td>
<td></td>
<td>100.035***</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* $p < 0.05$.  
** $p < 0.01$.  
*** $p < 0.001$.

Table III. Results of regression analysis.

The results of the hierarchical regression analysis suggested that comprehensive strategic planning was an important predictor of CSR (Table 3). The results indicated that Model 1 was significant ($F = 18.955; p = .000$) with an $R^2$ of 0.396. The betas for each of the strategic planning dimensions were significant while only one of the control variables, firm age, was significant ($\beta = 0.093; t = 1.888; p = <0.05$). Thus, hypothesis 1 was supported by the finding. To test the incremental explanatory power of humanistic culture, Model 2 contained all variables. The results indicated that humanistic culture did explain unique variance in CSR, over and above what was accounted for by the variables making up comprehensive strategic planning. Model 2 was significant ($F = 33.561; p = <0.001$) with an $R^2$ of 0.564. By adding humanistic culture into the analysis, the $R^2$ change from Model 1 to Model 2 was .168, which was significant ($\Delta F = $
100.035; \( p = <0.001 \)), while the beta was .512, also significant (\( t = 10.002; \ p = <0.001 \)). In Model 2, with the exception of resources provided, all strategic planning variables remained significant while two of the control variables, firm age (\( \beta = 0.079; \ t = 1.893; \ p = <0.05 \)) and sales revenue (\( \beta = 0.093; \ t = 1.976; \ p = <0.05 \)) were significant. All other variables were non-significant in Model 2.

DISCUSSION

Since the 1970s, strategic planning has taken its place in the empirical study of organizations and is a central construct in the strategy literature (Boyd and Reuning-Elliott, 1998). As such, strategic planning has been argued to be an important management activity that enables firms to plan for the future, adapt to changing environments and to build competitive advantage. However, the vast majority of research efforts have focused on the relationship between strategic planning and firm financial performance (Boyd, 1991; Capon et al., 1994; Miller and Cardinal, 1994; Rudd et al., 2007). While important (Mahoney and McGahan, 2007; Ramanujam and Venkatraman, 1987a), such efforts are very narrow in scope and leave many questions unanswered. That is, for such a central construct in the field of strategic management, beyond the rather one-dimensional performance relationship, relatively little empirical evidence has demonstrated the value of strategic planning to successful organizational adaptation.

With respect to successful organizational adaptation, CSR is beginning to take on importance as an imperative that directly affects a firm’s ability to cope with its environment and ultimately to create and possibly sustain competitive advantage (Galbreath, 2006b; Ingenbleek et al., 2007; Laszlo et al., 2005; McWilliams and Siegel, 2000; McWilliams et al., 2006; Porter and Kramer, 2006; Waddock et al., 2002). A question then arises as to what institutional factors shape or drive effective CSR in the first place.
Taken together, this paper hypothesized that CSR is more likely to be demonstrated where firms conduct a thorough examination of external and internal environments in the strategic planning process, who have a broad level of functional department participation in strategic planning, who dedicate appropriate resources to strategic planning and who make effective use of analytical techniques in strategic planning. Extending previous research (Judge and Douglas, 1998), the findings in this study suggest that the multiple dimensions that make up a comprehensive strategic planning effort are important drivers of CSR. Logically, the complexity of the environment today, including expanding stakeholder demands for social responsibility, requires firms to not only plan carefully and systematically, but to demonstrate good citizenship in order to succeed. By planning comprehensively, firms place themselves in a good position to understand and meet stakeholder needs for CSR. However, a firm’s strategic actions can be hindered or facilitated by the type of firm culture in place. In firms with a culture that fosters the maintenance of harmonious relationships, one where a caring nature is demonstrated, demands for CSR arising from various stakeholders are expected to be met. The results of this study demonstrate that a humanistic culture further enhances levels of CSR, beyond what a firm can expect through comprehensive strategic planning efforts.

The findings do raise some interesting questions about the role that culture plays regarding a firm’s posture with respect to strategic planning and CSR. For example, the beta value of humanistic culture ($\beta = .512$) was over four times as large as any of the strategic planning dimensions. Thus, while planning comprehensively might be important, confirming previous research (Pascale and Athos, 1981), culture appears to be a decisive factor in driving firm competitiveness, particularly with respect to CSR. Not accounting for a cultural variable in studies on CSR could be inflating the significance of the focal construct of interest (cf. Rowley and Berman, 2000). However, what is not clear is why, by adding humanistic culture into the
analysis, the resources provided dimension of a comprehensive strategic planning effort was non-
significant while all other planning dimensions remained significant in Model 2.

LIMITATIONS

The results of this study need to be treated in light of the limitations. First, a single informant was
used, which can result in common method bias. However, the belief was that the CEO was in the
best position to respond to the data requirements. What is not known is the degree to which the
measures can be generalized to the entire firm. Out of interest, a Harman’s *ex post* one-factor test
(Podsakoff et al., 2003) was conducted on all the variables measured in the survey, and the results
revealed that a single factor solution did not emerge, nor did any factor account for a majority of
the variance. Hence, there was unlikely to be any common method bias. Second, the data were
obtained from a sample of firms in Australia. Therefore, generalizability of the results is limited.
With respect to CSR, although the scales to measure the construct have been reliably used across
multiple industries and countries, they do limit the degree to which a firm’s responsibilities can
be studied. That is, the CSR scales are not exhaustive and might miss important social
responsibilities that firms are engaged in. Lastly, as noted, strategic planning has been measured
in multiple and inconsistent ways. This study took one approach that while customized to fit the
requirements of the research, was based on previous measurements of strategic planning.
However, the possibility exists that the approach has averted other potentially important
dimensions of strategic planning. The results need to be considered in light of the myriad
conceptualizations and measurements of strategic planning.

CONCLUDING REMARKS AND FUTURE RESEARCH DIRECTIONS

There has been much debate about strategic planning’s effectiveness and the value of firms
attempting to adapt to environmental conditions through formal planning efforts (Grant, 2003;
Mintzberg, 1985, 1987, 1990; Stonehouse and Pemberton, 2002). This study suggests that more formal approaches to strategic planning do not necessarily detract from a firm’s efforts to adapt to the environment. Although the impact of strategic planning and CSR on firm financial performance was not analyzed, the importance of the current research answers questions regarding the institutional factors that drive CSR in the first place, which several scholars argue has seen little investigation (e.g., Aguilera et al., 2007; Margolis and Walsh, 2003; Rowley and Berman, 2000). Thus, adding complementary value to the field by exploring the drivers of CSR is beneficial, as most studies have focused on consequences.

Future research could examine the extent that informal strategic planning drives CSR. For example, this paper examined a comprehensive, systematic, deliberate approach to strategic planning. According to Mintzberg (1985, 1987, 1990), effective strategy development is informal and emergent – not systematic or deliberate. Studies could explore the learning school of strategy (Mintzberg et al., 1998) to see if this approach to strategy making is a more effective driver of CSR than the approach used in the present research.

Future research could also further study the impact of culture as an incremental predictor of CSR. In this paper, humanistic culture was explored. However, other firm culture types have been identified in the literature (Deshpandé et al., 1993; Quinn and McGrath, 1985). Studies could explore additional cultures, hypothesizing the degree to which they add incremental explanatory power in predicting CSR.

Lastly, firms are under increased pressure to pay attention and respond to stakeholders demands for CSR. One way that firms, particularly top executives, might be motivated to pay attention and respond to stakeholders is through corporate governance structures. The literature on corporate governance is concerned with the efficient structure of organizations and various mechanisms that are expected to monitor and motivate top executives (Baysigner and Hoskinsson,
1990; Jensen and Murphy, 1990). Studies could explore the extent to which corporate governance structures impact on top executives’ orientation to focus on issues of a social nature. Of particular interest would be exploring the interrelationships of corporate governance, strategic planning and CSR and the role that culture plays, if any, in enhancing these relationships.
NOTES

[1] There is concern that the strategic planning construct lacks any consistency in conceptualization or measurement. By example, Boyd and Reuning-Elliot (1998) demonstrate that both unidimensional and multidimensional measurements exist, with multidimensional operationalizations varying in number of dimensions. The fact of the matter is, no consensus has been reached nor has empirical research consistently verified a uniform measurement approach for strategic planning. For discussion of the issues, see Boyd (1991), Boyd and Reuning-Elliot (1998) and Capon et al. (1994). For this study, following the procedure of Judge and Douglas (1998), the dimensions that comprised a comprehensive strategic planning effort were treated as independent factors with respect to statistical analysis.
REFERENCES


APPENDIX

Comprehensive Strategic Planning

External Orientation
1. Analysis of community-based issues.
3. Analysis of technology issues.
4. Analysis of political/regulatory issues.
5. Analysis of competitive issues.
6. Analysis of general economic and business conditions.
7. Analysis of customers and end user preferences.
8. Analysis of supplier issues.

Internal Orientation
1. Analysis of internal capabilities.
2. Analysis of employee issues.
3. Analysis of efficiency of operating processes.
4. Analysis of strengths and weaknesses.
5. Analysis of past performance.
6. Analysis of reasons for past failures.
7. Analysis of shareholder and/or investor issues.
8. Attracting and retaining high-quality employees.

Functional Coverage
1. The role of the human resources function in strategic planning.
2. The role of the marketing function in strategic planning.
3. The role of the finance function in strategic planning.
4. The role of the information technology function in strategic planning.
5. The role of the research and development function in strategic planning.
6. The role of the manufacturing function in strategic planning.
7. The role of the customer service function in strategic planning.
8. The role of the purchasing and procurement function in strategic planning.

Resources Provided
1. Resources provided for strategic planning.
2. Degree of emphasis in using input from several individuals in strategic planning.
3. Nonmanagerial employees engagement in strategic planning.
4. Line managers engagement in strategic planning.
5. Use of outside experts (e.g., consultants) in strategic planning.
6. Time spent by the CEO in strategic planning.

Analytical Techniques
1. Portfolio approaches.
2. Core competencies analysis.
3. Cost benefit analysis.
4. Financial models.
5. SWOT analysis.
7. Brainstorming.
Corporate Social Responsibility

Economic
1. Our business has a procedure in place to respond to every customer complaint.
2. We continually improve the quality of our products.
3. We use customer satisfaction as an indicator of our business performance.
4. We have been successful at maximizing our profits.
5. We strive to lower our operating costs.
6. We closely monitor employees’ productivity.
7. Top management establishes long-term strategies for our business.

Legal
1. Managers are informed about relevant environmental laws.
2. All our products meet legal standards.
3. Our contractual obligations are always honored.
4. The managers of this organization try to comply with the law.
5. Our company seeks to comply with all laws regarding hiring and employee benefits.
6. We have programs that encourage diversity of our workforce (in terms of age, gender, or race).
7. Internal policies prevent discrimination in employees’ compensation and promotion.

Ethical
1. Our business has a comprehensive code of conduct.
2. Members of our organization follow professional standards.
3. Top managers monitor the potential negative impacts of our activities on our community.
4. We are recognized as a trustworthy company.
5. Fairness toward coworkers and business partners is an integral part of our employee evaluation process.
6. A confidential procedure is in place for employees to report any misconduct at work (such as stealing or sexual harassment).
7. Our salespersons and employees are required to provide full and accurate information to all customers.

Discretionary
1. The salaries offered by our company are higher than industry averages.
2. Our business supports employees who acquire additional education.
3. Our business encourages employees to join civic organizations that support our community.
4. Flexible company policies enable employees to better coordinate work and personal life.
5. Our business gives adequate contributions to charities.
6. A program is in place to reduce the amount of energy and materials wasted in our business.
7. We encourage partnerships with local businesses and schools.
8. Our business supports local sports and cultural activities.
Humanistic Culture\textsuperscript{b}

1. Help others to think for themselves.
2. Help others to grow and develop.
3. Show concern for the needs of others.
4. Resolve conflicts constructively.
5. Be supportive of others.
6. Involve others in decisions affecting them.\textsuperscript{c}
7. Take time with people.
8. Be a good listener.
9. Give positive rewards to others.\textsuperscript{c}
10. Encourage others.

a. 5-point scale ranging from \textit{no emphasis} to \textit{very strong emphasis}.
b. 5-point scale ranging from \textit{strongly disagree} to \textit{strongly agree}.
c. Item eliminated based on refinement procedure.